

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or about what action to take, you should immediately consult a professional adviser authorised pursuant to the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. An application has been made for the Enlarged Ordinary Share Capital of the Company to be admitted to trading on the AIM Market of the London Stock Exchange. It is expected that dealings in the Ordinary Shares will commence on 13 September 2006. AIM is a market designed primarily for emerging or small companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority ("UKLA"). The rules of AIM are less demanding than those of the Official List of the UKLA. It is emphasised that no application is being made for admission of the Ordinary Shares of The Weather Lottery plc to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. This document is not a prospectus and a copy has not been delivered to UKLA under regulation 3.2 of the Prospectus Rules Instrument 2005. This document has been drawn up in accordance with the AIM Rules. The London Stock Exchange has not examined or approved the contents of this document. Your attention is drawn to the section headed "Risk Factors" in Part Two of this document. It has been issued in connection with the application for trading of the Ordinary Shares on AIM. To the best of the knowledge and belief of the Directors (who have taken all reasonable care that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors, whose names are set out on page 3, accept responsibility accordingly, including individual and collective responsibility for compliance with the AIM Rules. In connection with this document, no person is authorised to give any information or make any representations other than is contained in this document.

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## The Weather Lottery plc

(Incorporated in England and Wales with registration number 4458947)

Admission to trading on AIM

Nominated Adviser  
ARM Corporate Finance Limited

Broker  
SVS Securities plc

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Share capital on Admission  
consisting of Ordinary Shares of £0.001 each

Authorised  
100,000,000  
£100,000

Issued  
77,054,737  
£77,058

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All of the Ordinary Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission. ARM Corporate Finance Limited, which is authorised and regulated by The Financial Services Authority, is the Company's Nominated Adviser for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange. ARM Corporate Finance Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of ARM Corporate Finance Limited or for advising any other person on the Admission. SVS Securities plc is the Company's Broker and is a member of the London Stock Exchange and is acting exclusively for the Company in connection with the Admission. SVS Securities plc will not be responsible to anyone other than the Company for providing the protections afforded to customers of SVS Securities plc or for advising any other person on the Admission. This document does not constitute an offer of, or the solicitation of, an offer to subscribe for or buy Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document is not for distribution in or into the United States of America, Canada, Australia or Japan. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the United States of America, Canada, Australia or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended). The whole text of this document should be read.

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## DIRECTORS, SECRETARY AND ADVISERS

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Directors	Andrew Moore <i>Non-Executive Chairman</i> Keith George Milhench <i>Chief Executive</i> Neil Grant McGowan <i>Finance Director</i> Michael Mills <i>Non-Executive Director</i>
Registered Office Address	24 St Michael's Road Headingley Leeds Yorkshire LS6 3AW
Company Contact Telephone Number:	0113 275 0002
Company Secretary	Neil Grant McGowan
Nominated Adviser	ARM Corporate Finance Limited 12 Pepper Street London E14 9RP
Financial Adviser and Broker	SVS Securities plc 2 London Wall Buildings London Wall London EC2M 5PP
Auditors and Reporting Accountants	Rochesters 3 Caroline Court Caroline Street St. Pauls Square Birmingham B3 1TR
Solicitors to the Company	Dawsons Solicitors 2 New Square Lincoln's Inn London WC2A 3RZ
Solicitors to the Admission	Irwin Mitchell 150 Holborn London EC1N 2NS
Principal Bankers	HSBC Bank plc 33 Park Row Leeds LS1 1LD
Registrar	SLC Registrars Limited 42-46 High Street Esher Surrey KT10 9QY

#### ADMISSION STATISTICS

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Admission Price	8 pence
Current Ordinary Shares in issue	73,202,000
Number of Ordinary Shares on Admission	77,054,737

#### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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Expected Admission and start of trading on AIM	13 September 2006
Date on which definitive share certificates are expected to be despatched	27 September 2006

## DEFINITIONS

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<b>“the Act”</b>	The Companies Act 1985, as amended;
<b>“Admission”</b>	The admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“Admission Document”</b>	This document;
<b>“AIM”</b>	The Alternative Investment Market of the London Stock Exchange;
<b>“AIM Rules”</b>	The rules governing admission to and the operation of AIM, as published by the London Stock Exchange;
<b>“ARM”</b>	ARM Corporate Finance Limited, nominated adviser to the Company, which is authorised and regulated by the FSA;
<b>“Articles”</b>	The Articles of Association of the Company;
<b>“Beneficiaries”</b>	The charity or organisation (such as sporting clubs, schools, charities and societies) selected for support by the Lottery Player;
<b>“Combined Code”</b>	The Principles of Good Governance and Code of Best Practice prepared by the Committee on Corporate Governance, published in June 1998;
<b>“Company” or “Weather Lottery”</b>	The Weather Lottery plc, incorporated in England and Wales with registration number 4458947;
<b>“CREST”</b>	The relevant system (as defined in the CREST Regulations) for the paperless settlement of trades and the holding of uncertificated securities, operated by CRESTCo Limited, in accordance with the Uncertificated Securities Regulations 2001 (SI 2001 No 3785);
<b>“CRESTCo”</b>	CRESTCo Limited;
<b>“CREST Regulations”</b>	The Uncertificated Securities Regulations 2001;
<b>“Directors” or “Board”</b>	The Board of Directors of the Company;
<b>“FSMA”</b>	Financial Services and Markets Act 2000;
<b>“Group”</b>	The Company and its subsidiaries at the date of the Admission Document;
<b>“London Stock Exchange”</b>	London Stock Exchange plc, incorporated in England and Wales with registration number 2075721;
<b>“LSP”</b>	Lottery Service Providers Limited, incorporated in England and Wales with registration number 3898797;
<b>“Lottery”</b>	The distribution of prizes by chance. People are required to pay in order to participate, and a proportion of the money generated must go to a good cause. References to Lottery within the document relate specifically to The Weather Lottery;
<b>“Ordinary Shares”</b>	Ordinary Shares of £0.001 each in the capital of the Company;
<b>“Player”</b>	The individual playing lottery numbers with the hope of winning a cash prize;
<b>“PPS”</b>	Prize Provision Services Limited, incorporated in England and Wales with registration number 3152966;
<b>“Prospectus Regulations”</b>	The Prospectus Regulations 2005 issued under Part VI of FSMA;
<b>“Shareholders”</b>	Holder of Ordinary Shares;
<b>“SVS”</b>	SVS Securities plc;
<b>“UK”</b>	The United Kingdom of Great Britain and Northern Ireland.

## KEY INFORMATION

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The Weather Lottery business helps sporting clubs, schools, charities and societies (known as the “Beneficiaries”) to raise funds for special projects and general development by providing the management and services to enable lotteries to be run on a daily basis. The Lottery has been running for over eight years and the number of Beneficiaries is increasing. Players of a Lottery (“Players” with the term “Player” to be construed accordingly) get five chances per week to win up to £10,000 each time at a cost of £1.00 per week. Each time a Player spends money on the Lottery he is helping his chosen special club/school/charity to raise funds. The Lottery has raised income for many causes including: computers for education, equipment for sports facilities and additional funds for charitable causes. The Weather Lottery helps to provide a no-risk cash stream providing vital income for chosen causes. Currently there are over 20,000 Players playing over 27,000 Lottery lines weekly, of whom 96% pay by standing order.

### KEY INVESTMENT POINTS

- Has established a strong reputation in this business with over 20,000 people already participating in the Lottery;
- Has a number of high profile corporate clients including football clubs, major charities and schools amongst many others;
- The total gambling market is estimated to be worth £53 billion;
- The more specialised market in which the Weather Lottery operates is estimated to be in excess of £3 billion;
- Has recently entered into an agreement with The National Trust, a charity which aims to protect historic sites and has over 3.4 million members and 43,000 volunteers;
- Has recently received new funding which will be used to market the game to a wider audience;
- Prize Provision Services is authorised by the Gambling Commission (formerly The Gaming Board for Great Britain) as an External Lottery Manager;
- External Lottery Manager Licences are difficult to acquire, thus creating a significant barrier to potential competitors. Only 15 External Lottery Manager Licences exist in the UK and only some of these are used to operate a Lottery;
- Faces limited competition in this specialist market area and the Directors believe there are ample opportunities to further grow the business. 96% of the income is generated from standing orders which means there is little management time spent in collections;
- The Lottery system is fully automated using a bespoke computer software system which is both cost and time efficient.

### KEY AGENTS / CLIENTS

The Weather Lottery has 1,500 agents/clients in total; of these, a number are large blue-chip multinational organisations and include:

- National Trust;
- Round Table Children’s Wish;
- The National Childbirth Trust;
- The Motor Trade Benevolent Fund (“BEN”);
- Premiership, Championship and amateur Football Clubs;
- Premiership and National League Division One, Two and amateur Rugby Clubs;
- County Cricket Clubs and amateur Clubs;
- National Charities;
- Political Parties;
- Universities;
- Schools.

### DETAILS OF THE ADMISSION

The Company will apply for admission to the AIM market. Dealings in the Ordinary Shares are expected to commence on 13 September 2006.

## FINANCIAL SUMMARY

	Year Ended 31 July 2005 (Audited) £	Year Ended 31 July 2006 (Unaudited) £
Turnover	1,505,775	1,439,524
Gross Profit	984,426	955,962
Gross Margin	65.4%	66.4%
Operating Profit	(44,816)	(41,750)
Operating Margin	(3.0%)	(2.9%)
Exceptional Items	447,690	(30,000)

The investment described in this Admission Document may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, authorised under the Financial Services and Markets Act 2000, who specialises in investments of this kind before making their decision. The Risk Factors are set out in full in Part Two of this document.

## PART ONE: INFORMATION ON THE GROUP

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### BACKGROUND TO THE COMPANY

The Weather Lottery was developed as a new and exciting method to help sporting clubs, schools, charities and clubs and societies (known as “Beneficiaries”) with fundraising. The Group provides the marketing material alongside the management and services to enable the Lottery to be run on a daily basis. The Lottery has now been running for more than eight years with an ever-increasing number of blue-chip Beneficiaries taking part. The Beneficiaries for which The Weather Lottery provides funding typically fall within four principal areas:

- Charities, ranging from small independent charities to large multinational charities and other not for profit organisations;
- Sporting clubs, from junior to professional sporting levels;
- Educational Establishments, such as schools and universities;
- Political Parties.

It is the Directors’ intention to maintain and enhance the continual development and growth in all four sectors. They intend to recruit extra staff to develop and market in this area. The Directors are expanding the business by seeking new clients in an effort to develop the existing client base to its full potential. Players have five chances per week to win up to £10,000 at a cost of £1 per week and each time a Player plays a Lottery line they are helping their chosen organisation, be it a sports club, school, charity, or another kind of society, to raise funds. To date there are over 20,000 individuals who between them play over 27,000 Lottery lines weekly in support of their chosen organisation. The Weather Lottery maintains a relatively low credit risk as 96% of the Players pay by standing order.

The Company has two subsidiaries, Prize Provision Services and Lottery Service Providers, both of which are wholly owned subsidiaries of the Company.

The Lottery is operated through:

- i. Prize Provision Services (“PPS”) which acts as the collecting agent for the money received from the purchase of Lottery tickets by Players. It also organises the weekly prize distribution to Players, monthly payments to the Beneficiaries and monthly payments to Lottery Service Providers. Prize Provision Services is authorised by The Gambling Commission for Great Britain as an External Lottery Manager.
- ii. Lottery Service Providers (“LSP”) which performs all of the administrative functions of the Lottery, dealing with the daily win scans, all mailing to Players and Beneficiaries, Lottery returns for the individual organisations and monthly accounting.

The distribution of The Weather Lottery’s takings compares favourably to the National Lottery (as shown in the table on page 11):

- 35% goes to the chosen Beneficiary,
- 45% is for prizes comprising £2, £20, £200 and £10,000 wins, and
- 20% is earned by LSP for providing the administration (PPS receives no fee).

Prize Insurance is provided through Mando Assurance. The insurance specifies that no more than 7 Players can select the same numbers. This minimises the risk.

### THE LOTTERY GAME

Players select six numbers (between zero and nine) to play in the daily game, five days a week. These Players can spend a minimum of £1 per week for four weeks (20p per day) or £13 per quarter by standing order payment. Every day, LSP takes the last digit of the recorded temperature for six places around the world, as reported in Fahrenheit in the Daily Telegraph, and using a specialised bespoke software package, scans all of the entries for winners. The six cities used to select the Lottery numbers do not change. The cities used are: Corfu, Istanbul, Tenerife, Innsbruck, Edinburgh and Stockholm. Should a city not be printed for any reason, a backup city would be used.



The winning prizes are as follows:

- If a Player matches three of the six numbers then the Player wins £2 from a stake of £0.20
- For matching four numbers the Player wins £20
- For matching five numbers the Player wins £200
- For matching six numbers the Player wins £10,000

Player can check the numbers via the website at [www.theweatherlottery.com](http://www.theweatherlottery.com), via the weather report in the Daily Telegraph or by telephone direct to The Weather Lottery. There is no need to claim any cash, as the system is fully automated and the prizes are posted by cheque directly to winners.

## LICENSING

Prize Provision Services was granted an External Lottery Managers Certificate by the Gambling Commission on 7 October 2004 which it uses to run the Weather Lottery. Save for the listed exemptions under the Lotteries and Amusement Act 1976, all Lotteries are considered to be unlawful in the United Kingdom. The Weather Lottery falls within the exemptions. In order for the Lottery to remain lawful, it must not sell Lottery lines outside of Great Britain. Lottery lines must not be sold by or to a person under the age of 16 and may not be sold in the street and other public thoroughfare. The Commission's Inspectorate can carry out a detailed inspection of the Lottery operation at any time, so care is taken to preserve relevant records for as long as possible. There are only 15 External Lottery Managers Certificates currently in issue. This is therefore a key barrier to entry for new competitors.

## KEY AGENTS / CLIENTS

### The National Trust

The Weather Lottery has recently entered into an agreement with the National Trust to provide Lottery services. The National Trust is a registered charity (Registered Charity Number 205846) and is completely independent of Government. The charity relies on membership fees, donations and legacies, and revenue raised from its commercial operations for income.

The National Trust has 3.4 million members and 43,000 volunteers whose aim is to protect and open to the public over 300 historic houses and gardens and 49 industrial monuments and mills. More than 12 million people visit the National Trust and pay for entry to properties, while an estimated 50 million visit the open air properties. The Trust also looks after forests, woods, fens, beaches, farmland, downs, moorland, islands, archaeological remains, castles, nature reserves and villages.

Specially designed tickets have now been produced and are being distributed to 1.6 million households, 3.4 million members, by post to their homes.

### Round Table Children's Wish Limited

The Company, through LSP, has recently entered into an agreement with Round Table Children's Wish Limited to provide Lottery services. Round Table Children's Wish Limited is a registered charity (Registered Charity Number: 1060225) which aims to fulfil the wishes of children between the ages of 3 and 17 who are suffering from a life-threatening illness.

Round Table Children's Wish market to Round Table membership. Round Table Children's Wish market to three types of clubs: Round Table which is for men between the age of 18 and 45; 41's Club for men over the age of 45; and the Ladies Circle which is for women between the ages of 18 and 45. Each club meets fortnightly to engage in various sporting and fundraising activities.

The Company has designed Round Table Children's Wish tailored Lottery forms, leaflets and website links.

### The National Childbirth Trust

The National Child Birth Trust is a registered charity (Registered Charity Number: 801395) and is the leading charity for pregnancy, birth and parenting in the UK. Every year it supports thousands of people through this incredible life-changing experience, offering relevant information, reassurance and mutual support. The Trust is respected and trusted by health professionals and governments as an organisation that represents the needs of parents.

The Trust is a membership charity with over 60,000 members across the UK. Its work is funded through membership fees, fundraising activities and the delivery of its services.

The Weather Lottery can be accessed through the Trust's website and proceeds are used to help raise funds for local branches to train specialist workers.

#### The Motor Trade Benevolent Fund ("BEN")

Founded in 1905, BEN is the occupational benevolent fund for employees past and present (and their dependants) from the motor, cycle, motorcycle, commercial vehicle and agricultural engineering industries, plus all their associated trades, organisations and industries. BEN is a registered charity (Registered Charity Number: 297877) that each year helps over 15,000 people aged from 3 to over 100 years with problems ranging from physical disability, cancer, financial difficulties, drug and alcohol related problems to age related infirmities.

The Weather Lottery can be accessed off BEN's website homepage.

A selection of other clients is listed below. This list is not exhaustive.

#### Sport

##### Football

Leeds United FC  
Everton FC  
Huddersfield Town FC  
Birmingham City FC  
York City FC  
Scunthorpe United FC  
Lincoln City FC  
Walsall FC  
Telford United FC  
Darlington FC  
Bristol Rovers FC  
Grimsby Town Supporters Club  
Stevenage Borough  
Many Junior Clubs.

##### Rugby

Bedford Blues RUFC  
Currie RUFC  
London Welsh RUFC  
Blackheath RUFC  
Birmingham & Solihull RUFC  
Liverpool St Helens RUFC  
Many Junior Clubs.

##### Cricket

Derbyshire CCC  
Somerset CCC  
Northamptonshire CCC  
Leicestershire CCC  
Many Junior Clubs.

##### Charities

British Red Cross  
ChildLine  
Cystic Fibrosis  
Linda McCartney Cancer Care  
Hearing Dogs for Deaf People  
Wooden Spoon Society  
Zoe's Place Baby Hospices  
Seeabilty  
Spinal Injuries  
National Society for Epilepsy  
Prevention of Blindness  
Shaw Trust

##### Education, Political and Unions

British Universities  
Primary, Comprehensive,  
Private Schools and Colleges.  
The [Conservative Associations](#)  
The Conservative Clubs  
Health Food Association

## **THE MARKET**

The National Lottery generates gross ticket sales in excess of £60 million per week ( Source: Camelot Annual Report and Accounts for the year ended 31 March 2005). According to the most recent available National Lottery Commission Report (published in 2003), in the week of the survey period on which the research report is based, an average spend per week on Wednesday and Saturday Lotto draw was £2.20 and £2.60 respectively.

In mid 2004, approximately 48 million people in the UK (80% of the UK population) were over 16 years of age and, therefore, eligible to play lotteries. 57% of households in the UK have internet access (Source: Office of National Statistics – August 2006) providing a large potential market for the development of online lotteries. In addition, the Directors believe that many potential players have access to the internet at their workplace.

The UK gaming market, which the Directors believe The Weather Lottery will be well placed to exploit, is estimated to be worth £53 billion per annum (Source: National Audit Office HM Customs and Excise Gambling Duties 14 January 2005 Report). The Directors believe that this market is growing and represents a good opportunity for the Company.

It is the Directors' belief that a number of factors influence the potential market for The Weather Lottery's Lottery including:

- continued growth and usage of the internet;

- increasing acceptance and adoption of online banking and security of payment; and
- 24 hours a day/7 days a week availability to purchase tickets.

## MARKETING AND GROWTH STRATEGY

The Weather Lottery is now using web conference software which has enabled it to carry out live web marketing presentations to up to 25 potential clients at a time. The Company can now present direct to clients' PCs an audio visual PowerPoint presentation and supply additional whiteboard discussions on the benefits of raising funds using The Weather Lottery product. The new software is dramatically reducing travel and marketing time and increasing the number of potential clients who can be reached. The Directors intend to expand the business by seeking new Players at the same time as developing the existing Player base to its full potential.

It is the Directors' belief that there are well over 1,000,000 clients who could benefit from raising funds using The Weather Lottery; with limited competition, the growth potential is substantial, the areas for expansion being in Education, Charity, Sport and any not-for-profit organisation.

The Directors have produced a programme of Commissioned Agent recruitment which is planned from September 2006 to January 2007. It is hoped to recruit a minimum of 100 new Agents countrywide (geographically controlled) throughout this period who will assist in the growth of the product for years to come.

## COMPETITION

The Company's main competitor is The National Lottery which is operated by Camelot. The National Lottery commenced operating their weekly lotteries in 1994 and was an immediate success, generating significant adult awareness prior to the launch. However, since The National Lottery's launch, there has been criticism of The National Lottery due to, inter alia, the allocation of the Lottery proceeds and the perceived low chances of winning. Notwithstanding this, The National Lottery currently generates ticket sales of over £5 billion per annum. Over the past two years, the growth in ticket sales has largely been through new channels, such as the internet.

The annual report for The Gambling Commission (formerly The Gaming Board for Great Britain) published in 2004 showed that over £140 million per annum had been raised by registered charities using society lotteries.

	National Lottery	The Weather Lottery
<b>Run By:</b>	Camelot Group plc.	The Weather Lottery plc.
<b>Listing Status:</b>	Unquoted.	Admission to AIM planned for September 2006.
<b>Market Capitalisation:</b>	Not known	£5.85m (based on the offer for sale price).
<b>Chances of Winning the Jackpot:</b>	14 million to 1 (chances of winning the smaller Hotpicks draw, where the jackpot is £130,000, are 317,814 to 1).	200,000 to 1 per week.
<b>Cost of Ticket:</b>	£1 to £1.50 (Euromillions).	£0.20 minimum 5 draws per week equating to £1 per week.
<b>Jackpot:</b>	£2 million to £3 million (Wednesday) to £5 million (Saturday).	£1 per week gives 5 chances to win up to £50,000. The jackpot is not shared. This is a fixed prize and the jackpot is £10,000 daily but can be won several times.
<b>Numbers Selection:</b>	Balls are drawn at random in a live show.	Transparent Lottery; vehicle for the 6 numbers is the weather page of the Daily Telegraph.
<b>Draws per Week:</b>	Two – Wednesday and Saturday.	5 Draws per week, one on each weekday.
<b>Rollovers:</b>	Yes, if no one wins.	No Rollovers.
<b>Where to buy a ticket:</b>	Newsagents or online.	Personalised application forms (supplied free of charge by The Weather Lottery) distributed by the Beneficiary and also online at <a href="http://www.theweatherlottery.com">www.theweatherlottery.com</a> .
<b>Where Money Goes</b>	Charities get 5.6p in the pound; other good	The Beneficiary gets 35p in a pound, i.e. a

	causes get 22.4p. The Government takes 12p in lottery duty, 50p goes to winner's prizes, 5p to retailers, 4.5p in operating costs and 0.5p to shareholders.	charity, sports club or educational facility, 45p goes to winners prizes and 20p for administration.
<b>How many Beneficiaries:</b>	230,000 (although this number is increasing).	1,500 (although this number is increasing).
<b>How quickly is cash distributed to the Beneficiaries:</b>	The application process can last from two months upwards.	Monthly.
<b>Who decides how the cash is spent:</b>	There are criteria set by the distributors and the Government.	No Restrictions.

\* Most information on the National Lottery was sourced from The Times, Thursday 20 April 2006.

## KEY DIRECTORS

### **Keith Milhench, *Chief Executive, Aged 51***

After completing his mechanical engineering degree at The University of Toronto, specialising in the nuclear fuel handling business sector, Keith Milhench started his career with engineering company, Combustion Engineering Canada Limited. After four years of service he joined Taylor Hitec Engineering Limited in the UK as manufacturing Manager in the UK nuclear industry. In 1992, he formed his own company, Prelude Engineering Limited before changing his career path when he became Managing Director of software based games designer, Games by Design Limited in 1999. He then left Games by Design Limited to form Lottery Service Providers Limited in 2000, taking total responsibility for the branding, marketing and full day-to-day activity of the Company.

### **Andrew Moore, *Non-Executive Chairman, Aged 47***

Andrew Moore has a background in sales and marketing, having trained with Ford Motor Company at the Ford Marketing Institute. He has been involved in many aspects of mergers, acquisitions, flotations and reconstructions. He is Chairman of both ubet2win plc and Catalyst New Opportunities plc, a director of Pavilion Insurance Network plc which are all companies quoted on AIM. He has also been Chairman of Zyzygy plc, and a Director of Emerging UK Investments plc and Hot Group plc and Beaufort International Group plc, all quoted or previously quoted on AIM.

### **Neil Grant McGowan, *Finance Director, Aged 67***

Neil Grant McGowan started his business career with Thomson McLintock & Co. in London, qualifying as a chartered accountant in 1965. After a further four years in the profession, he joined The Charterhouse Group as deputy financial controller, subsequently becoming group company secretary and thereafter finance director of its electrical wholesaling subsidiary. He later joined International Distillers & Vintners Limited, the wine and spirit division of the Grand Metropolitan group of companies, becoming finance director from 1984 to 1988. He left Grand Metropolitan in 1990 and has since pursued a career acting as part-time finance director to a variety of companies. He is currently finance director of The Weather Lottery plc and IQ Holdings plc.

### **Michael John Mills, *Non-Executive Director, Aged 50***

Michael Mills has been on the Board of Directors of several companies over the last 30 years, initially as Managing Director of Regency International Group plc - a manufacturing, wholesale and retailer in the home improvement sector. He held this role until 1989 when he was appointed Chairman of regional housebuilder and property developer, Central Homes plc. He is still Chairman of Central Homes and from the start of 2003 until the start of 2006, he was a Director of Central Associates Ltd - an investor in the SME (small and medium enterprise) and property sector as well as being involved in corporate finance activities. Michael Mills will be appointed Non-Executive Director upon admission.

## **EMPLOYEES**

The Company has 4 employees, two of whom act as Administrators, one fulfilling the Design and Client Liaison function and one Marketing Manager. It is the Directors' belief that the Company will need to recruit very few additional staff to manage a significant increase in clients and Players. This is due to the highly specialised, bespoke computer software that controls the lottery.

## **CORPORATE GOVERNANCE**

The Company intends to develop appropriate measures to ensure that it will (as far as practical, having regard to its size) comply with the spirit of the Combined Code.

The Company has adopted and will operate a share dealing code for Directors and employees under the same terms recommended by AIM.

The Board has established a remuneration committee and an audit committee. The Non-Executive Chairman, Mr A Moore, is chairman of the audit committee and the remuneration committee. The committees have duties and responsibilities formally delegated to them by the Board.

The audit committee is primarily responsible for ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the auditors relating to the Company's accounting and internal controls and for reviewing the effectiveness of the Company's systems of internal control.

The remuneration committee is primarily responsible for monitoring and approving all elements of the executive Directors' remuneration, as well as their performance management.

## **LOCK-IN ARRANGEMENTS**

The Directors have undertaken not to dispose of 95% of their aggregate holdings, being 19,403,750 shares in the Company (which equates to 25.18% of the fully diluted share capital), for a minimum period of twelve months following Admission, except in the very limited circumstances allowed by the AIM Rules. The Directors have also undertaken that for a period of twenty four months, they will only sell their shares through the Company's Broker, and only with the agreement of the Company's Broker and Nominated Adviser. Any sale of shares during this period will be facilitated through SVS.

## **DIVIDEND POLICY**

In the absence of any unforeseen circumstances, it is the Company's intention to pay a dividend, from funds lawfully available, at the earliest time the Board believe to be appropriate.

## **DETAILS OF THE ADMISSION**

The Company will apply for admission to the AIM market.

Dealings in the Ordinary Shares are expected to commence on 13 September 2006.

## **SHARE OPTION SCHEMES**

In order to retain and motivate key employees, the Company may offer a share option scheme in the future. Any scheme implemented will offer no more than 10% of the issued share capital of the Company at the time the scheme commences.

#### **WORKING CAPITAL ADEQUACY AND REASONS FOR THE ADMISSION**

The Directors consider that the Company will have sufficient working capital for at least the next twelve months from Admission. The Company has, in the past, been financed by internal working capital and retained earnings which has limited its potential to expand. With the completion of the recent fund raising by the Company, this should allow the Company to increase sales activity through a sector-focused approach and to recruit key personnel.

The Company is seeking Admission to AIM in order to facilitate access to equity capital markets. This follows its successful capital raisings in May 2006 and further investment from ARC Fund Management in May 2006 which widened the Company's investor base. The Directors believe that Admission to AIM will raise the profile of the Company, by acting as an additional marketing channel. The Directors believe that this will help to enhance the reputation of The Weather Lottery with existing and potential Players, therefore enhancing its opportunities to grow.

## PART TWO: RISK FACTORS

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The attention of prospective investors is drawn to the fact that ownership of shares in the Company will involve a variety of risks which, if they occur, may have a materially adverse effect on the Company's business or financial condition, results or future operations. In such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment.

In addition to the information set out in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Company's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. Additionally, there may be further risks of which the Board are not aware or believe to be immaterial which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser, authorised under the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

- Management and employees

The Company's success depends on its management and employees and on its ability to continue to attract and retain highly skilled and qualified personnel. There can be no assurance that the Company will retain the services of any of its Directors, or attract or retain any senior managers or skilled employees. The departure from the Company of any executive Director or certain senior employees could, in the short term, have a materially adverse effect on the Company's business. Whilst the Company has entered into service agreements or contracts of employment with Directors and senior employees with the aim of securing their services, the retention of their services cannot be guaranteed. The Directors have taken out key man insurance for Keith Milhench.

- Competition

It is possible that new entrants to the sector may emerge and competitors may develop more effective and more cost-competitive services than, or may produce products superior to, those of the Company.

The Company may lose customers to its competitors who may have significantly greater resources than those available to the Company.

- Legal and regulatory matters

The Company is currently subject to a considerable degree of legislation under the Gambling Act 2005 which was implemented in April 2005. Save for the listed exemptions under the Lotteries and Amusement Act 1976, all Lotteries are considered to be unlawful in the United Kingdom. The Weather Lottery falls within the exemptions. In order for the Lottery to remain lawful, it must not sell Lottery lines outside of Great Britain. Lottery lines must not be sold by or to a person under the age of 16 and may not be sold in the street and other public thoroughfare. The Commission's Inspectorate can carry out a detailed inspection of the Lottery operation at any time, so care is taken to preserve relevant records for as long as possible. This legislation has not been fully implemented as yet, and while the Directors do not believe any of the proposed changes to the legislation will have an adverse impact on the Company's operations and performance, there can be no guarantee.

The Company does not currently operate in the United States of America where legislation is considerably stricter, nor does it have any intention to expand its operations to the United States in the future.

- Negative Publicity

The Directors are aware that the industry in which the Company operates can be subject to negative publicity due to underage and excessive gambling. Online gambling, while not being an area in which the Company operates, also has the potential to gather negative publicity. While the Directors do not expect

this to be a problem, there is the possibility that negative publicity could impact on the Company's performance.

- Reliance on Technology

The Company has a fully automated bespoke computer software package that manages the Lottery administration. The maintenance of the technology behind this software package is imperative, as its loss could seriously impact the Company's operational capacity.

- Tax

It should be noted that the information contained within this document relating to taxation may be subject to legislative change. Investors should seek independent tax advice.

- Marketability

Investment in shares traded on AIM carries a higher degree of risk than an investment in shares quoted on the Official List. The share prices of public companies, particularly those operating in high growth sectors, are often subject to significant fluctuations. Following Admission, the market price of the Ordinary Shares may be volatile and an investor may receive less than the amount originally invested on a sale of his or her Ordinary Share in the market. The sale of the Company's shares may be illiquid and it may be difficult for an investor to sell his or her Ordinary Shares.

Shareholders may be materially diluted by any further issue of Ordinary Shares by the Company that may be issued on a non pre-emptive basis to new Shareholders

The Company's Ordinary Shares are intended for capital growth and therefore may not be suitable as a short-term investment. Consequently, the Company's Ordinary Shares may be difficult to buy and sell and may be subject to greater fluctuations. Investors may therefore not realise their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's assets and the market may not grow as rapidly as anticipated. Furthermore, there is no certainty that the Company will be able to achieve its projected levels of sales or profitability.

**The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser, authorised under the Financial Services and Markets Act 2000, who specialises in advising on investments of this nature, before making their decision to invest.**



**PART THREE: SUMMARY FINANCIALS**

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	Year Ended 31 July 2005 (Audited) £	Year Ended 31 July 2006 (Unaudited) £
Turnover	1,505,775	1,439,524
Gross Profit	984,426	955,962
Gross Margin	65.4%	66.4%
Operating Profit	(44,816)	(41,750)
Operating Margin	(3.0%)	(2.9%)
Exceptional Items	447,690	(30,000)

The Weather Lottery's turnover was down in 2006 as a result of the loss of York City FC as a client, whose cash lottery was proving too expensive for them to administer. Otherwise activity was flat, pending the major marketing activity projected with the new clients noted in this document.

Gross margin percentage increased since the prize payouts were reduced as a percentage of sales.

Overheads reduced, predominantly due to a negotiated reduction in prize insurance costs.

PART FOUR: MANAGEMENT ACCOUNTS

THE WEATHER LOTTERY PLC  
PRO FORMA UNAUDITED  
CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	31 July 2006 (based on unaudited figures) £	31 July 2005 (based on audited figures) £
Turnover		1,439,524	1,505,775
Cost of sales		483,562	521,349
Gross profit		<u>955,962</u>	<u>984,426</u>
Gross profit %		66.4%	65.4%
Overheads		997,712	1,029,242
Operating (loss)		<u>(41,750)</u>	<u>(44,816)</u>
Operation (loss) %		(2.9%)	(3.0%)
Interest receivable/(payable)		563	(2,220)
Net (loss) before tax and exceptional items		<u>(41,187)</u>	<u>(47,036)</u>
Exceptional items	2	<u>(30,000)</u>	447,690
Net profit/(loss) before tax		<u>(71,187)</u>	400,654
Taxation		-	7
Profit/(loss) after tax		<u>(71,187)</u>	<u>400,661</u>

**THE WEATHER LOTTERY PLC  
PRO FORMA UNAUDITED  
CONSOLIDATED BALANCE SHEET**

	Notes	31 July 2006 (based on unaudited figures)		31 July 2005 (based on audited figures)	
		£	£	£	£
<b>FIXED ASSETS</b>					
Fixtures & fittings			-		2,788
Intellectual property			53,793		69,165
Goodwill on consolidation			<u>158,598</u>		<u>167,409</u>
			<u>212,391</u>		<u>239,362</u>
<b>CURRENT ASSETS</b>					
Sundry debtors & prepayments		17,585		17,794	
Cash at bank		<u>240,282</u>		<u>32,340</u>	
			<u>257,867</u>		<u>50,134</u>
<b>CURRENT LIABILITIES</b>					
Bank overdrafts			-	1,052	
Trade creditors		229,395		271,810	
Other creditors & accruals		25,364		14,102	
Social security & other taxes		<u>35,553</u>		<u>19,878</u>	
			<u>290,312</u>	306,842	
<b>NET CURRENT LIABILITIES</b>			<u>(32,445)</u>		<u>(256,708)</u>
			<u>179,946</u>		<u>(17,346)</u>
<b>CAPITAL &amp; RESERVES</b>					
Share capital	3		73,202		1,000
Share premium			245,323		47,649
Revenue reserves			<u>(138,579)</u>		<u>(65,995)</u>
			<u>179,946</u>		<u>(17,346)</u>

## THE WEATHER LOTTERY PLC

### Notes to the Pro Forma Unaudited Profit and Loss Account and Balance Sheet

As at 31 July 2006

#### 1. Accounting policies

##### 1.1 Accounting convention

The balance sheet has been prepared under the historical cost convention and is in accordance with applicable accounting standards.

##### 1.2 Intangible assets

Intellectual property relates to the software development of the lottery game. The cost is being amortised over ten years, which is the period over which the software is considered effective.

Consolidation goodwill is being amortised over 20 years, which is its anticipated useful economic life. If there is an indication of a fall in value, an impairment review will be carried out to assess whether an impairment loss is to be recognised in excess of the amortisation charge.

#### 2. Exceptional Items

During the year to 31 July 2006 £30,000 was paid out in compensation to a director who ceased to hold office.

During the year to 31 July 2005 amounts owed by Lottery Service Providers Limited of £447,690 were written off upon the transfer of the company to The Weather Lottery Limited as the debts were no longer considered payable.

#### 3. Called up share capital

Authorised	100,000,000 ordinary shares of £.001 each	<u>£100,000</u>
Issued	73,202,000 ordinary shares of £.001 each	<u>£73,202</u>



The Directors  
The Weather Lottery Plc  
24 St Michael's Road  
Headingley  
Leeds  
Yorkshire  
LS6 3AW

7 September 2006

The Directors  
ARM Corporate Finance Limited  
12 Pepper Street  
London  
E14 9RP

Dear Sirs

**THE WEATHER LOTTERY PLC ("THE COMPANY")**

**INTRODUCTION**

We report on the financial information set out below relating to the Company. This information has been prepared in connection with the admission document dated 7<sup>th</sup> September 2006 ("admission document") prepared by the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

**BASIS OF PREPARATION**

The financial information set out below has been extracted from the audited financial statements of the Company for the period 1 June 2004 to 31 July 2005, the unaudited financial statements of the Company for the period 1 June 2002 to 31 May 2004, after making such adjustments as were considered necessary, and the unaudited management accounts for the year to 31 July 2006. The financial statements of the Company for the period ended 31 July 2005 were audited by the Company's auditors, Rochesters, No. 3 Caroline Court, Caroline Street, Birmingham, B1 3TR and received an unqualified audit opinion. The financial statements for the period 1 June 2002 to 31 May 2004 were unaudited as the company was dormant throughout that period.

Financial statements for the Company were prepared for the period 1 August 2005 to 28 February 2006 for the purpose of the Company re-registering as a public limited company. These financial statements were not presented to the members of the Company nor has any financial information been extracted from them for inclusion in this report. Management accounts have been prepared for the year to 31 July 2006, the figures of which are included herewith.

**RESPONSIBILITY**

Such financial statements are the responsibility of the Company's directors who approved their issue.

The directors of the Company are responsible for the contents of the admission document in which this report is included.

It is our responsibility to form an opinion on the financial information, as to whether the financial information gives a true and fair view for the purposes of the admission document, and to report our opinion to you.

## **BASIS OF OPINION**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the financial information.

## **OPINION**

In our opinion the financial information set out below gives, for the purposes of the admission document, a true and fair view of the state of Company's affairs as at 31 May 2003, 31 May 2004 and 31 July 2005 in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial information for the period to 31 July 2006 is unaudited and we therefore can make no opinion on it.

## **DECLARATION**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Rochesters**

**BALANCE SHEETS**

		Year ended 31 July 2006	Period 1 June 2004 to 31 July 2005	Year ended 31 May 2004	Year ended 31 May 2003
	Notes	£	£	£	£
<b>Fixed assets</b>					
Investments	3	<u>14,357</u>	<u>14,357</u>	-	-
<b>Current assets</b>					
Debtors	4	276,819	34,294	1	1
<b>Creditors: amounts falling due within one year</b>	5	<u>2</u>	<u>2</u>	-	-
<b>Net current assets</b>		<u>276,817</u>	<u>34,292</u>	<u>1</u>	<u>1</u>
<b>Total assets less current liabilities</b>		<u>291,174</u>	<u>48,649</u>	<u>1</u>	<u>1</u>
<b>Capital and reserves</b>					
Called up share capital	6	73,202	1,000	1	1
Share premium	7	245,323	47,649	-	-
Profit and loss account	2	<u>(27,351)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Shareholders' funds</b>		<u>291,174</u>	<u>48,649</u>	<u>1</u>	<u>1</u>

The accompanying notes form an integral part of this financial information.

## NOTES TO THE COMPANY'S FINANCIAL INFORMATION

### 1. Accounting policies

#### 1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective June 2002).

#### 1.2 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

#### 1.3 Consolidated financial statements

In accordance with the Financial Reporting Standard for Smaller Entities (Effective June 2002) the Company is exempt from preparing consolidated financial statements on the basis that the group qualifies as small.

### 2. Profit and loss account

The Company did not trade in the period to 31 July 2005. During the year to 31 July 2006 it received £5,000 in group management charges and incurred expenditure of £31,000, of which £30,000 was compensation for loss of office to a previous director. The Company utilised £1,351 of reserves to facilitate the bonus issue explained in note 8.

### 3. Fixed Asset Investments

	As at 31 July 2006	As at 31 July 2005	As at 31 May 2004	As at 31 May 2003
	£	£	£	£
<b>Cost</b>				
Unlisted investments	14,357	14,357	-	-

The Company's investments at the 31 July 2005 in the share capital of unlisted companies include the following:

Lottery Service Providers Limited	100% holding of Ordinary share capital
Prize Provision Services Limited	100% holding of Ordinary share capital

### 4. Debtors

	As at 31 July 2006	As at 31 July 2005	As at 31 May 2004	As at 31 May 2003
	£	£	£	£
Other debtors	990	990	-	-
Amounts due from subsidiary undertakings	275,829	33,304	-	-
	276,819	34,294	-	-

### 5. Creditors: amounts falling due within one year

	As at 31 July 2006	As at 31 July 2005	As at 31 May 2004	As at 31 May 2003
	£	£	£	£
Other creditors	2	2	-	-



6. Called up share capital	As at 31 July 2006	As at 31 July 2005	As at 31 May 2004	As at 31 May 2003
	£	£	£	£
<b>Authorised:</b>				
Ordinary shares	100,000	1,000	1,000	1,000
<b>Allotted, called up and fully paid:</b>	<b>Number</b>			<b>£</b>
As at 31 May 2003 & 31 May 2004				
Allotted for cash at par	1			1
In period to 31 July 2005				
Allotted for cash at par	989			989
Allotted for cash at £4,765.90	10			10
As at 31 July 2005	1,000			1,000
In period to 31 July 2006				
Sub-division of shares	999,000			-
Bonus issue	49,000,000			49,000
Allotted for cash per note 8	23,202,000			23,202
As at 31 July 2006	73,202,000			73,202
<b>7. Share premium</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 May 2004</b>	<b>As at 31 May 2003</b>
	£	£	£	£
Shares issued in period	245,323	47,649	-	-
<b>8. Share capital transactions</b>				
On 16 May 2006, the £1 ordinary share capital of the Company was subdivided into ordinary shares of £0.001 each. Each £1 ordinary share in issue was hence subdivided into 1,000 £0.001 ordinary shares.				
On the same date, the authorised share capital of the Company was increased to £100,000, consisting of 100,000,000 ordinary shares of £0.001 each.				
On the same date, 49,000,000 £0.001 ordinary shares were issued as a bonus issue, with £47,649 being utilised from share premium and £1,351 from profit and loss reserves, 1,875,000 £0.001 ordinary shares were issued at a price of 8p each, creating additional share premium of £148,125, and 21,327,000 £0.001 ordinary shares were issued at a price of £0.0075 each, creating further share premium of £138,626. Share issue costs were written off against the share premium account.				
As a consequence of these transactions, as at 16 May 2006 73,202,000 £0.001 ordinary shares were in issue, the Company's issued share capital was £73,202 and its share premium reserve was £245,323.				
<b>9. Related party transactions</b>				
The Company made payments of £33,304 on behalf of Lottery Service Providers Limited in the period 1 June 2004 to 31 July 2005. All of this amount was outstanding as at 31 July 2005 and 31 July 2006.				
During the year to 31 July 2006, the Company charged Lottery Service Providers Limited management fees of £5,000 and made loans to it of £237,525. All of this amount was outstanding as at 31 July 2006.				
<b>10. Controlling party</b>				
At 31 July 2006, no single party had control of the Company.				

**11. History**

The Company was incorporated on 12 June 2002 as Flatsell Limited and changed its name to The Weather Lottery Limited on 11 November 2004.

On 19 October 2004, the Company acquired the whole share capital of both Lottery Service Providers Limited and Prize Provision Services Limited from Random Number Lottery Limited.

On 19 May 2006, the Company was re-registered as a public limited company.



The Directors  
The Weather Lottery Plc  
24 St Michael's Road  
Headingley  
Leeds  
Yorkshire  
LS6 3AW

The Directors  
ARM Corporate Finance Limited  
12 Pepper Street  
London  
E14 9RP

7 September 2006

Dear Sirs

## **PRIZE PROVISION SERVICES LIMITED (“THE COMPANY”)**

### **INTRODUCTION**

We report on the financial information set out below relating to the Company. This information has been prepared in connection with the admission document dated 7<sup>th</sup> September 2006 (“admission document”) prepared by the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

### **BASIS OF PREPARATION**

The financial information set out below has been extracted from the audited financial statements of the Company for the period 1 February 2002 to 31 July 2005 after making such adjustments as were considered necessary, and the unaudited management accounts for the year to 31 July 2006. The financial statements of the Company for the year ended 31 July 2005 were audited by the Company’s auditors, Rochesters, No. 3 Caroline Court, Caroline Street, Birmingham, B1 3TR and received an unqualified audit opinion. The financial statements for the period 1 February 2002 to 31 July 2004 were audited by Jerrom Associates, The Exchange, Haslucks Green Road, Solihull, B90 2EL and received unqualified audit opinions.

No financial statements for the Company have been prepared or presented to the members of the Company for any period since 31 July 2005, although management accounts have been prepared for the year to 31 July 2006 the figures of which are included herewith.

### **RESPONSIBILITY**

Such financial statements are the responsibility of the Company’s directors who approved their issue.

The directors of the Company are responsible for the contents of the admission document in which this report is included.

It is our responsibility to form an opinion on the financial information, as to whether the financial information gives a true and fair view for the purposes of the admission document, and to report our opinion to you.

## **BASIS OF OPINION**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the financial information.

## **OPINION**

In our opinion the financial information set out below gives, for the purposes of the admission document, a true and fair view of the state of Company's affairs as at 31 January 2003, 31 July 2004 and 31 July 2005 and of the Company's profits and recognised gains and losses for the period 1 February 2002 to 31 July 2005 in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial information for the period to 31 July 2006 is unaudited and we therefore can make no opinion on it.

## **DECLARATION**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Rochesters**

**PROFIT AND LOSS ACCOUNTS**

		Year ended 31 July 2006	Year ended 31 July 2005	Period 1 Feb 2003 To 31 July 2004	Year ended 31 Jan 2003
	Note s	£	£	£	£
<b>Turnover</b>					
Continuing operations	2	1,439,524	1,505,775	2,176,132	1,288,791
<b>Cost of sales</b>		<u>(483,562)</u>	<u>(521,349)</u>	<u>(776,584)</u>	<u>(484,445)</u>
<b>Gross profit</b>		955,962	984,426	1,399,548	804,346
Administrative expenses		<u>(885,910)</u>	<u>(971,297)</u>	<u>(1,368,231)</u>	<u>(797,526)</u>
<b>Operating profit</b>	3	70,052	13,129	31,317	6,820
Interest receivable		<u>-</u>	<u>194</u>	<u>841</u>	<u>436</u>
<b>Profit on ordinary activities before taxation</b>		70,052	13,323	32,158	7,256
Taxation	6	<u>-</u>	<u>7</u>	<u>-</u>	<u>(7)</u>
<b>Profit for the financial year after taxation</b>		<u>70,052</u>	<u>13,330</u>	<u>32,158</u>	<u>7,249</u>

A statement of movements in reserves is in note 10.

**STATEMENT OF TOTAL  
RECOGNISED GAINS AND LOSSES**

		Year ended 31 July 2006	Year ended 31 July 2005	Period 1 Feb 2003 To 31 July 2004	Year ended 31 Jan 2003
	Notes	£	£	£	£
<b>Profit for the financial year</b>		70,052	13,330	32,158	7,249
Prior year adjustment	5	<u>-</u>	<u>20,513</u>	<u>-</u>	<u>-</u>
<b>Total gains and losses recognised since last annual report</b>		<u>70,052</u>	<u>33,843</u>	<u>32,158</u>	<u>7,249</u>

The accompanying notes form an integral part of this financial information.

**BALANCE SHEETS**

		Year ended 31 July 2006	Year ended 31 July 2005	Period 1 Feb 2003 To 31 July 2004	Year ended 31 Jan 2003
	Notes	£	£	£	£
<b>Current assets</b>					
Stocks		-	-	-	3,910
Debtors	7	177,245	241,634	210,848	139,679
Cash at bank and in hand		141,804	32,340	50,320	64,177
		<u>319,049</u>	<u>273,974</u>	<u>261,168</u>	<u>207,766</u>
<b>Creditors: amounts falling due within one year</b>	8	214,754	239,731	240,255	219,011
<b>Net current assets/(liabilities)</b>		<u>104,295</u>	<u>34,243</u>	<u>20,913</u>	<u>(11,245)</u>
<b>Total assets less current liabilities</b>		<u>104,295</u>	<u>34,243</u>	<u>20,913</u>	<u>(11,245)</u>
<b>Capital and reserves</b>					
Called up share capital	9	80	80	80	80
Profit and loss account	10	104,215	34,163	20,833	(11,325)
<b>Shareholders' funds</b>		<u>104,295</u>	<u>34,243</u>	<u>20,913</u>	<u>(11,245)</u>

The accompanying notes form an integral part of this financial information.

## NOTES TO THE COMPANY'S FINANCIAL INFORMATION

### 1. Accounting policies

#### 1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective June 2002).

#### 1.2 Turnover

Turnover represents takings received for entry into the daily prize draws. The revenue is recognised for the periods that the draws take place.

#### 1.3 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.4 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

### 2. Turnover

The total turnover of the company has derived from its principal activity, wholly undertaken in the United Kingdom.

### 3. Operating loss

	Year ended 31 July 2006	Year ended 31 July 2005	Period 1 Feb 2003 To 31 July 2004	Year ended 31 Jan 2003
	£	£	£	£

The operating loss is stated after charging:

Auditors' remuneration – audit services	3,000	6,000	4,333	4,971
---	-------	-------	-------	-------

### 4. Directors' emoluments

	Year ended 31 July 2006	Year ended 31 July 2005	Period 1 Feb 2003 To 31 July 2004	Year ended 31 Jan 2003
	£	£	£	£
Emoluments and other benefits	-	-	-	-

### 5. Prior year adjustments

In the periods to 31 July 2004, the Company had previously made a provision for the difference between actual prize payouts and the amount anticipated to be paid based on mathematical odds. This accounting policy was amended in the year to 31 July 2005, in accordance with the requirements of Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets), in order that just the actual payouts are accounted for. This change in accounting policy meant an increase in the restated profit of the period to 31 July 2004 (on that initially reported) of £20,513 and an increase in the profit for the year to 31 July 2005 of £13,683.

Were the prior year adjustment to have been made in the financial statements to 31 January 2003, the profit for the year to 31 January 2003 would have increased instead by £3,654 and the profit for the period to 31 July 2004 increased by £16,859.

6. Taxation	Year ended	Year ended	Period	Year ended
	31 July 2006	31 July 2005	1 Feb 2003 To 31 July 2004	31 Jan 2003
	£	£	£	£
Corporation tax charge	-	-	-	7
Under/(over) provision in prior years	-	(7)	-	-
	-	(7)	-	7
<b>7. Debtors</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	£	£	£	£
Amounts owed by group undertakings	177,245	241,634	210,848	139,679
Included in the amounts owed at 31 January 2003 was £138,328 which was due after more than one year.				
<b>8. Creditors: amounts falling due within one year</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	£	£	£	£
Trade creditors	202,879	230,148	234,670	193,526
Corporation tax	-	-	-	7
Accruals and deferred income	7,500	7,000	4,001	23,792
Social security & other taxes	4,375	2,583	1,584	1,686
	214,754	239,731	240,255	219,011
<b>9. Called up share capital</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	£	£	£	£
<b>Authorised:</b>				
Ordinary shares of 10p each	10,000	10,000	10,000	10,000
<b>Allotted, called up and fully paid:</b>	<b>Number</b>			<b>£</b>
As at 31 January 2003, 31 July 2004, 31 July 2005 & 31 July 2006	800			80
Allotted for cash at par				
<b>10. Reserves</b>	<b>Year ended 31 July 2006</b>	<b>Year ended 31 July 2005</b>	<b>Period 1 Feb 2003 To 31 July 2004</b>	<b>Year ended 31 Jan 2003</b>
	£	£	£	£
<b>Profit and loss account</b>				
Balance brought forward	34,163	20,833	(11,325)	(18,574)
Retained profit/(loss) for the year	70,052	13,330	32,158	7,249
Balance carried forward	104,215	34,163	20,833	(11,325)



**11. Ultimate parent company**

In the period 1 February 2002 to 31 July 2004, the company's ultimate parent company was Random Number Lottery Limited, a company registered in England and Wales. On 19 October 2004, The Weather Lottery Limited, a company registered in England and Wales, acquired the entire share capital of Prize Provision Services Limited and as a consequence became the company's ultimate parent company.

**12. Contingent liabilities**

As at 31 July 2005, the Company was in dispute with H M Revenue & Customs who were arguing that betting duty should be levied on the company. The effect of this ruling would have a financial impact on all companies within the group. No provision is included in the financial statements in respect of this as the potential liability could not be accurately estimated. Subsequent to the year end, the VAT Tribunal ruled in the Company's favour and agreed that no betting duty was due. The Company anticipates receiving costs but the amount concerned is unknown and as such no contingent asset can be disclosed.

**13. Related party transactions**

The Company was charged £355,153 gross of Value Added Tax for administration charges from Lottery Service Providers Limited in the year to 31 July 2005, £410,262 in the year to 31 July 2005, £536,355 for the period to 31 July 2004 and £316,720 for the year to 31 January 2003.

Within Debtors are amounts due from other group companies as follows:

	As at 31 July 2006	As at 31 July 2005	As at 31 July 2004	As at 31 Jan 2003
	£	£	£	£
Lottery Service Providers Limited	177,245	241,634	207,204	138,328
Random Number Lottery Limited	-	-	3,644	1,351

**14. Controlling party**

At 31 July 2006, no single party had control of the Company.



The Directors  
The Weather Lottery Plc  
24 St Michael's Road  
Headingley  
Leeds  
Yorkshire  
LS6 3AW

The Directors  
ARM Corporate Finance Limited  
12 Pepper Street  
London  
E14 9RP

7 September 2006

Dear Sirs

## **LOTTERY SERVICE PROVIDERS LIMITED (“THE COMPANY”)**

### **INTRODUCTION**

We report on the financial information set out below relating to the Company. This information has been prepared in connection with the admission document dated 7<sup>th</sup> September 2006 (“admission document”) prepared by the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

### **BASIS OF PREPARATION**

The financial information set out below has been extracted from the audited financial statements of the Company for the period 1 February 2002 to 31 July 2005, after making such adjustments as were considered necessary, and the unaudited management accounts for the year to 31 July 2006. The financial statements of the Company for the year ended 31 July 2005 were audited by the Company’s auditors, Rochesters, No. 3 Caroline Court, Caroline Street, Birmingham, B1 3TR and received an unqualified audit opinion. The financial statements for the period 1 February 2002 to 31 July 2004 were audited by Jerrom Associates, The Exchange, Haslucks Green Road, Solihull, B90 2EL and received unqualified audit opinions.

No financial statements for the Company have been prepared or presented to the members of the Company for any period since 31 July 2005, although management accounts have been prepared for the year to 31 July 2006 the figures of which are included herewith.

### **RESPONSIBILITY**

Such financial statements are the responsibility of the Company’s directors who approved their issue.

The directors of the Company are responsible for the contents of the admission document in which this report is included.

It is our responsibility to form an opinion on the financial information, as to whether the financial information gives a true and fair view for the purposes of the admission document, and to report our opinion to you.

## **BASIS OF OPINION**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the financial information.

## **OPINION**

In our opinion the financial information set out below gives, for the purposes of the admission document, a true and fair view of the state of Company's affairs as at 31 January 2003, 31 July 2004 and 31 July 2005 and of the Company's profits and recognised gains and losses for the period 1 February 2002 to 31 July 2005 in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial information for the period to 31 July 2006 is unaudited and we therefore can make no opinion on it.

## **DECLARATION**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Rochesters**

**PROFIT AND LOSS  
ACCOUNTS**

	Notes	Period			
		Year Ended 31 July 2006 £	Year ended 31 July 2005 £	1 Feb 2003 To 31 July 2004 £	Year ended 31 Jan 2003 £
<b>Turnover</b>					
Continuing operations	2	344,478	359,626	475,168	292,408
<b>Administrative expenses</b>		<u>(451,469)</u>	<u>(408,760)</u>	<u>(592,547)</u>	<u>(406,940)</u>
<b>Operating (loss)</b>	3	(106,991)	(49,134)	(117,379)	(114,532)
Interest receivable		563	30	-	-
Interest payable		-	(2,444)	(4,862)	(1,877)
Amounts written off loans	5	<u>-</u>	<u>447,690</u>	<u>-</u>	<u>-</u>
<b>Profit/(Loss) on ordinary activities before taxation</b>		(106,428)	396,142	(122,241)	(116,409)
Taxation	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit/(loss) for the financial year after taxation</b>		<u>(106,428)</u>	<u>396,142</u>	<u>(122,241)</u>	<u>(116,409)</u>

A statement of movements in reserves is in note 14.

The retained profit/(loss) for the financial period, as stated above, recognises all gains and losses for the period 1 February 2002 to 31 July 2005 as defined by Financial Reporting Standard No 3.

The accompanying notes form an integral part of this financial information.

**BALANCE SHEETS**

		Year Ended 31 July 2006 £	Year Ended 31 July 2005 £	Period 1 Feb 2003 To 31 July 2004 £	Year ended 31 Jan 2003 £
<b>Fixed asset</b>					
Intangible assets	7	53,793	69,165	84,537	107,595
Tangible assets	8	-	2,788	18,728	22,953
		<u>53,793</u>	<u>71,953</u>	<u>103,265</u>	<u>130,548</u>
<b>Current assets</b>					
Stocks		-	-	-	1,575
Debtors	9	16,639	16,804	9,321	17,809
Cash at bank and in hand		98,478	-	-	39
		<u>115,117</u>	<u>16,804</u>	<u>9,321</u>	<u>19,423</u>
<b>Creditors: amounts falling due within one year</b>	10	528,627	342,047	756,951	77,411
		<u>(413,510)</u>	<u>(325,243)</u>	<u>(747,630)</u>	<u>(57,988)</u>
<b>Net current liabilities</b>					
		(359,717)	(253,290)	(644,365)	72,560
<b>Total assets less current liabilities</b>					
<b>Creditors: amounts falling due after more than one year</b>	11	-	-	5,067	599,753
		<u>(359,717)</u>	<u>(253,290)</u>	<u>(649,432)</u>	<u>(527,193)</u>
<b>Capital and reserves</b>					
Called up share capital	13	80	80	80	80
Profit and loss account	14	(359,797)	(253,370)	(649,512)	(527,273)
<b>Shareholders' funds</b>		<u>(359,717)</u>	<u>(253,290)</u>	<u>(649,432)</u>	<u>(527,193)</u>

The accompanying notes form an integral part of this financial information.

## NOTES TO THE COMPANY'S FINANCIAL INFORMATION

### 1. Accounting policies

#### 1.1 *Accounting convention*

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective June 2002).

#### 1.2 *Basis of preparing the accounts*

Although the company has net liabilities, the financial statements have been prepared on a going concern basis as the directors' projections indicate a continual increase in lineage which should move the company into profit during the next five years.

#### 1.3 *Turnover*

Turnover represents net invoiced sales of services, excluding value added tax.

#### 1.4 *Intangible assets*

Intangible assets relate to the software development of the lottery game. The cost is being amortised over ten years, which is the period over which the software is considered effective.

#### 1.5 *Tangible fixed assets*

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% reducing balance

#### 1.6 *Stock*

Stock is valued at the lower of cost and net realisable value.

#### 1.7 *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

#### 1.8 *Hire purchase and leasing commitments*

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

## 2. Turnover

The total turnover of the company has derived from its principal activity, wholly undertaken in the United Kingdom.

## 3. Operating loss

	Year ended 31 July 2006 £	Year ended 31 July 2005 £	Period 1 Feb 2003 To 31 July 2004 £	Year ended 31 Jan 2003 £
The operating loss is stated after charging:				
Depreciation – owned assets	2,788	5,113	18,969	11,214
Depreciation – assets on hire purchase contracts or finance leases	-	-	5,937	-
Loss on disposal of fixed assets	-	5,827	-	-
Amortisation of intangible assets	15,372	15,372	23,058	15,372
Auditors' remuneration – audit services	5,685	19,950	4,958	2,030

4. Directors' emoluments	Year	Year	Period	Year
	ended	ended	1 Feb 2003	ended
	31 July	31 July	To	31 Jan 2003
	2006	2005	31 July	
	£	£	2004	£
			£	
Emoluments and other benefits	109,000	99,846	89,102	54,750

#### 5. Exceptional Items

Upon the transfer of the company on 19 October 2004, the amount owed to Random Number Lottery Limited of £447,690 was assigned to The Weather Lottery Limited at nil cost. Given the net liabilities of the company, the amount due was considered uncollectable by The Weather Lottery Limited and was subsequently written off by both companies.

#### 6. Taxation

No liability to UK corporation tax arose on ordinary activities for the period 1 February 2002 to 31 July 2006.

#### 7. Intangible fixed assets

	£
<b>Cost</b>	
At 31 January 2003, 31 July 2004, 31 July 2005 and 31 July 2006	153,710
	<hr/>
<b>Amortisation</b>	
At 1 February 2002	30,743
Charge for the year	15,372
At 31 January 2003	46,115
Charge for the period	23,058
At 31 July 2004	69,173
Charge for the year	15,372
At 31 July 2005	84,545
Charge for the year	15,372
At 31 July 2006	99,917
	<hr/>
<b>Net Book Value</b>	
At 31 January 2003	107,595
	<hr/>
At 31 July 2004	84,537
	<hr/>
At 31 July 2005	69,165
	<hr/>
At 31 July 2006	53,793
	<hr/>

## 8. Tangible Fixed Assets

	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 February 2002	41,743	-	41,743
Additions	6,332	-	6,332
At 31 January 2003	48,075	-	48,075
Additions	3,917	16,764	20,681
At 31 July 2004	51,992	16,764	68,756
Disposals	-	(16,764)	(16,764)
At 31 July 2005 and 31 July 2006	51,992	-	51,992
<b>Depreciation</b>			
At 1 February 2002	13,908	-	13,908
Charge for the year	11,214	-	11,214
At 31 January 2003	25,122	-	25,122
Charge for the period	18,969	5,937	24,906
At 31 July 2004	44,091	5,937	50,028
Charge for the year	5,113	-	5,113
Eliminated on disposals	-	(5,937)	(5,937)
At 31 July 2005	49,204	-	49,204
Charge for the year	2,788	-	2,788
At 31 July 2006	51,992	-	51,992
<b>Net Book Value</b>			
At 31 January 2003	22,953	-	22,953
At 31 July 2004	7,901	10,827	18,728
At 31 July 2005	2,788	-	2,788
At 31 July 2006	-	-	-

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Motor vehicles £
<b>Cost</b>	
At 1 February 2002	-
Additions	-
At 31 January 2003	-
Additions	16,764
At 31 July 2004	16,764
Disposals	(16,764)
At 31 July 2005	-
<b>Depreciation</b>	
At 1 February 2002	-
Charge for the year	-
At 31 January 2003	-
Charge for the period	5,937
At 31 July 2004	5,937
Eliminated on disposals	(5,937)
At 31 July 2005	-
<b>Net Book Value</b>	
At 31 January 2003	-
At 31 July 2004	10,827
At 31 July 2005	-



<b>9. Debtors</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other debtors	7,714	4,476	4,557	14,917
Prepayments and accrued income	8,925	12,328	4,764	2,892
	<u>16,639</u>	<u>16,804</u>	<u>9,321</u>	<u>17,809</u>
<b>10. Creditors: amounts falling due within one year</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	-	1,052	37,167	31,036
Trade creditors	26,514	41,662	38,024	22,026
Hire purchase	-	-	2,891	-
Amounts owed to group undertakings	453,071	274,938	659,393	-
Other creditors	17,864	7,100	6,500	5,000
Social security & other taxes	31,178	17,295	12,976	19,349
	<u>528,627</u>	<u>342,047</u>	<u>756,951</u>	<u>77,411</u>
<b>11. Creditors: amounts falling due after more than one year</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Hire purchase	-	-	5,067	-
Amounts owed to group undertakings	-	-	-	599,753
	<u>-</u>	<u>-</u>	<u>5,067</u>	<u>599,753</u>
<b>12. Operating lease commitments</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
The following payments are committed to be paid within one year:				
Expiring:				
Within one year	4,000	4,208	504	2,948
In two to five years	-	-	-	-
In more than five years	25,000	25,000	25,000	25,000
	<u>29,000</u>	<u>29,208</u>	<u>25,504</u>	<u>27,948</u>
<b>13. Called up share capital</b>	<b>As at 31 July 2006</b>	<b>As at 31 July 2005</b>	<b>As at 31 July 2004</b>	<b>As at 31 Jan 2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Authorised:</b>				
Ordinary shares of 10p each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid:</b>	<b>Number</b>			<b>£</b>
As at 31 January 2003, 31 July 2004, 31 July 2005 & 31 July 2006	800			80
Allotted for cash at par	<u>                    </u>			<u>                    </u>

14. Reserves	Year		Period	
	Ended 31 July 2006	Ended 31 July 2005	1 Feb 2003 To 31 July 2004	Year Ended 31 Jan 2003
	£	£	£	£
<b>Profit and loss account</b>				
Balance brought forward	(253,370)	(649,512)	(527,271)	(410,864)
Retained profit/(loss) for the year	(106,427)	396,142	(122,241)	(116,409)
Balance carried forward	(359,797)	(253,370)	(649,512)	(527,273)

#### 15. Ultimate parent company

In the period 1 February 2002 to 31 July 2004, the company's ultimate parent company was Random Number Lottery Limited, a company registered in England and Wales. On 19 October 2004, The Weather Lottery Limited, a company registered in England and Wales, acquired the entire share capital of Lottery Service Providers Limited and as a consequence became the company's ultimate parent company.

#### 16. Contingent liabilities

As at 31 July 2005, a group company, Prize Provision Services Limited, was in dispute with H M Revenue & Customs who were arguing that betting duty should be levied on the company. The effect of this ruling would have a financial impact on all companies within the group. No provision is included in the financial statements in respect of this as the potential liability cannot be accurately estimated. Subsequent to the year end, the VAT Tribunal ruled in the company's favour and agreed that no betting duty was due.

#### 17. Related party transactions

Included within Other Debtors are amounts due to the Company from K Milhench, a director, of £4,476 at 31 July 2005 and £4,557 at 31 July 2004. The maximum amount outstanding during the whole period was £4,557.

The Company paid management charges of £21,700 to Random Number Lottery Limited in the period to 31 July 2004 and £16,000 in the year to 31 January 2003.

The Company received £355,478 for administration charges from Prize Provision Services Limited for the year to 31 July 2006, £359,626 for the year to 31 July 2005, £475,168 for the period to 31 July 2004 and £292,408 for the year to 31 January 2003.

During the year to 31 July 2005, The Weather Lottery Limited made payments of £33,304 on behalf of the Company.

During the year to 31 January 2003, the Company paid £6,537 to Lottery Connections Limited, a company in which K Milhench was a significant shareholder, for the provision of a tele-sales and marketing campaign.

Within Creditors are amounts due to other group companies as follows:

	As at 31 July 2006	As at 31 July 2005	As at 31 July 2004	As at 31 Jan 2003
	£	£	£	£
The Weather Lottery Limited	275,826	33,304	-	-
Prize Provision Services Limited	177,245	241,634	207,204	138,328
Random Number Lottery Limited	-	-	452,189	461,425

#### 18. Controlling party

At 31 July 2006, no single party had control of the Company.

## PART SIX: STATUTORY & GENERAL INFORMATION

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### INFORMATION ON THE COMPANY

#### 1. The Company

- 1.1 The Company was incorporated in England and Wales on 12 June 2002 as a private limited company with liability limited by shares with registration number 4458947 under the name Flatsell Limited.
- 1.2 On 11 November 2004, the Company changed its name to The Weather Lottery Limited.
- 1.3 On 19 May 2006, the Company was re-registered as a public limited company.
- 1.4 The liability of the Members of the Company is limited.

#### 2. Share Capital

- 2.1 The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 Ordinary shares of £1 each, of which 1 such ordinary share was taken up by the subscriber.
- 2.2 On 16 May 2006, the authorised share capital was increased to £100,000 by the creation of a further 99,000 Ordinary shares of £1 each.
- 2.3 On 16 May 2006, the 100,000 ordinary shares of £1 each were each divided into 1000 Ordinary Shares of £0.001 each.
- 2.4 On 30 September 2004, Arc Fund Management Limited entered into an investment agreement with the Company whereby it subscribed for shares at an aggregate consideration of £47,659. In satisfaction of this agreement, on 20 October 2004, 99 ordinary shares of £1.00 each were allotted.
- 2.5 On 27 May 2005, a further 900 ordinary shares of £1.00 each were subscribed for in cash at par.
- 2.6 On 24 April 2006, the Company entered into a conditional agreement with The Treatment Centre Company plc (“The Treatment Centre”) whereby The Treatment Centre subscribed for 21,327 ordinary shares of £1 each in the capital of the Company and such shares were allotted to the shareholders of The Treatment Centre in the proportions in which such shareholders held shares in The Treatment Centre. The conditions attaching to this agreement were satisfied on 16 May 2006, and on that date, 21,327,000 Ordinary shares of £0.001 were issued credited as fully paid up at a premium of £0.0065 per share.
- 2.7 On 3 May 2006, the Company entered into an agreement with Arc Fund Management Limited (“Arc”), whereby Arc agreed to procure that the Arc EIS 4 Growth Fund, either alone or with a number of its clients, would subscribe for 1,875,000 ordinary shares of £0.001 each in the capital of the Company for an aggregate consideration of £150,000. The shares were issued on 16 May 2006.
- 2.8 On 16 May 2006, it was resolved inter alia:
  - 2.8.1 to generally and unconditionally authorise the Directors pursuant to section 80 of the Act to exercise any power of the Company to allot and grant rights to subscribe for or to convert securities into shares of the Company up to a maximum nominal amount equal to the nominal amount of the authorised but unissued share capital at the date of the passing of this resolution provided that the authority given should expire five years after the passing of the resolution unless previously renewed, revoked, or varied save that the Directors might, notwithstanding such expiry, allot any shares or grant any such rights under this authority in pursuance of an offer or agreement so to do made by the Company before the expiry of the authority; and
  - 2.8.2 The Directors were empowered pursuant to section 95 of the Act unconditionally and irrevocably to allot equity securities as if section 89 of the Act did not apply to such allotment, up to a maximum nominal amount equal to the nominal amount of the authorised but unissued share capital at the date of the passing of the resolution provided that the authority should expire five years after the passing of the resolution unless previously renewed, revoked or varied, save that the Directors might, notwithstanding such expiry, allot any shares or grant any such rights under

the authority in pursuance of an offer or agreement so to do made by the Company before the expiry of the authority.

- 2.9 On 16 May 2006, a further 49,000,000 Ordinary Shares were issued credited as fully paid up at par by capitalisation of the Company's reserves.
- 2.10 On 7 September 2006, the Company allotted 3,852,737 Ordinary shares to SVS Securities plc for cash at par conditional on Admission, for the payment of professional costs relating to the Admission.
- 2.11 Save as disclosed:
- 2.11.1 there has been no issue of share or loan capital of the Company for cash or otherwise or any change in the number of classes of which any such capital is comprised and no such issue is proposed;
- 2.11.2 no person has any preferential subscription rights for any shares of the Company that are unissued;
- 2.11.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option;
- 2.11.5 no shares are currently in issue with a fixed date on which entitlement to a dividend arises, and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

### 3. **Subsidiary Companies**

- 3.1 The Company has two wholly owned subsidiaries, namely Lottery Service Providers and Prize Provision Services, which were both acquired on 19 October 2004.
- 3.2 Lottery Service Providers was incorporated in England and Wales on 23 December 1999 as a private company with liability limited by shares under registration number 3898797.
- 3.3 Prize Provision Services was incorporated in England and Wales on 30 January 1996 as a private company with liability limited by shares under registration number 3152966.

### 4. **Summary of Memorandum and Articles of Association**

The Articles of Association of the Company contain provisions, inter alia, to the following effect:

#### 4.1 **Rights attaching to Ordinary Shares:**

##### 4.1.1 **Votes of Members**

- (a) Subject to any rights or restrictions attached to any Shares, on a show of hands every member who (being an individual) is present in person or, (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote and on a poll every member shall have one vote for every 10p in nominal value of Shares of which he is the holder.
- (b) Unless the Directors otherwise determine, no member shall vote at a general meeting either in person or by proxy in respect of any Share held by him unless all monies presently payable by him in respect of that Share have been paid.

##### 4.1.2 **Dividends**

- (a) Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividends shall exceed the amount recommended by the Directors.
- (b) Subject to the provisions of the Act, the Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the Directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividends as well as on shares which confer rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Directors may also pay, at intervals settled by them, any dividend payable at a fixed rate, if it appears to them, that the profits available for distribution justify the payment. Provided the Directors act in good faith, they shall not incur any liability to the holders of shares conferring

- preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.
- (c) Except as otherwise provided by the rights attached to any Shares, all dividends shall be declared and paid according to the amounts paid up on which the dividend is paid. Subject to this, all dividends shall be apportioned and paid proportionately to the amounts paid up on Shares during any portion of the period in respect of which the dividend is paid; but if any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.
  - (d) A general meeting declaring a dividend may upon the recommendation of the Directors, direct that it shall be satisfied wholly or partly by the distribution of assets in accordance with the Articles.
  - (e) No dividend or other moneys payable in respect of a Share shall bear interest against the Company unless otherwise provided by the rights attached to the Share.
  - (f) Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

#### **4.1.3 Distribution of assets on liquidation**

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide among the members in specie, the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

#### **4.1.4 Restriction on transferability of Shares**

The Directors may, in their absolute discretion, refuse to register the transfer of a Share whether or not it is fully paid, to a person of whom they do not approve and they may refuse to register the transfer of a Share on which the Company has a lien. The Directors may also refuse to register a transfer if it does not otherwise comply with the Articles.

#### **4.1.5 Redeemable Shares**

Subject to the provisions of the Act, Shares may be issued which are liable to be redeemed at the option of the Company or the holder on such terms and in such manner as may be provided as the Articles.

#### **4.1.6 Directors' borrowing powers**

Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow money upon such terms and in such manner as they think fit subject (in the case of any security convertible into shares) to section 80 of the Act; to grant any mortgage, charge or standard security over its undertaking, property, and uncalled capital or any part thereof; and to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary of the Company or its holding company or of any third party. Provided that the Directors restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to the Subsidiaries so as to secure that the aggregate principal amount for the time being remaining outstanding of all monies borrowed by the Group shall not exceed an amount equal to one and one half times the aggregate of the nominal amount of the issued share capital of the Company and the total amount of the reserves of the Group, as determined in accordance with the Articles.

#### **4.1.7 Issue of Shares**

There are no pre-emption rights on the issue of Shares by the Company.

## 4.2 Non-UK Shareholders

There is no limitation in the Memorandum or Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company, including notices of general meetings, unless he has given an address in the UK to the Company to which such notices may be sent.

## 5. Substantial Interests

At the date of this document and immediately following Admission, save as disclosed in paragraph 6 below, the Company is only aware of the persons shown in the table below who are interested or will be interested whether directly or indirectly, jointly or severally in 3 per cent or more of the issued share capital of the Company or could exercise control over the Company:

Name	Number of Ordinary Shares	Percentage of Ordinary Shares held at date of document	Percentage of Ordinary Shares held on Admission
Share Nominees Limited	12,420,251	16.97%	16.12%
Lunar Bright Limited	4,611,165	6.299%	5.98%
John Christopher Green	5,000,000	6.83%	6.49%
SVS Securities plc	3,852,737	-	5.00%

## 6. Directors' Interests

- 6.1 The interests of the Directors and persons connected with them (within the meaning of section 346 of the Act) and their immediate families in the ordinary share capital of the Company, which have been notified to the Company pursuant to sections 324 and 328 of the Act and which are recorded in the Company's register of Directors' interests maintained under section 325 of the Act are as follows at the date of this document and immediately following Admission:

Shareholder	Number of Ordinary Shares	Percentage of Issued Share Capital at date of document	Percentage of Issued Share Capital held on Admission
Andrew Moore	5,537,500	7.56%	7.19%
Keith George Milhench	7,500,000	10.25%	9.73%
Neil Grant McGowan	1,850,000	2.53%	2.40%
Michael Mills	5,537,500*	7.56%	7.19%

All of the above interests of the Directors are beneficial.

\* Note: these shares were transferred by Andrew Moore on 7 September 2006.

- 6.2 There are no outstanding loans or guarantees which have been granted or provided by the Company to or for the benefit of any of the Directors.
- 6.3 Save as disclosed in this document, none of the Directors has any interest in any transaction which is of an unusual nature or contains unusual conditions or which is significant to the business of the Company and which remains in any respect outstanding or unperformed.
- 6.4 Save as specified in paragraph 7 below, there are no service agreements or proposed service agreements between any of the Directors and the Company (excluding contracts expiring or determinable by the Company within one year without payment of compensation).
- 6.5 The aggregate remuneration to be paid and benefits in kind (including pension contributions) to be granted to the Directors by the Company under the arrangements in force at the date of this document are estimated to be £140,000 for the financial period ending on 31 July 2007. For the financial period which ended 31 July 2006, they were £109,000.
- 6.6 Save as disclosed, no Director has, or has had, any direct or indirect interest in any asset which, during the 5 years immediately preceding publication of this document, has been, or is proposed to be, acquired or disposed of by, or leased to, the Company.
- 6.7 In addition to their directorships of the Company, the Directors have held the following directorships of UK companies within the five years prior to the date of this document:

Name	Current Directorships	Past Directorships
Keith George Milhench  Andrew Moore	Lottery Service Providers Limited Prize Provision Services Limited  Catalyst New Opportunities plc Central Associates Limited Central Group Limited Forknall Limited Pavilion Insurance Network plc Pentoc Limited ubet2win plc United Kingdom Independence Party Limited Who Wants to be an Entrepreneur Limited	Kingston Hawks Limited Worldaspect Limited Random Number Lottery Limited 7 Group plc 7 Private Equity Limited 10 Leisure Limited 10 Property Limited 10 (Subsidiary) Limited Ashdene Group plc Askchurch Limited Beaufort International Group plc  Birkdale Group Trustees Limited  Brickgleam Limited Central Homes plc Emerging Investments UK Limited Emerging UK Investments plc Estates Direct Limited Longlife Health Limited Loyalty Magic Limited Previous Company Limited Private Equity Limited The Entrepreneurs Club (Central London) Limited The Hot Group plc Victoria Guarantee Limited Vision Outdoor Limited Zyzygy plc
Neil Grant McGowan	Lottery Service Providers Limited IQ Holdings plc Prize Provision Services Limited Rangedetail Limited Southern Bear plc Southern Bear Trading Limited	Ashdene Group plc Birkdale Group Trustees Limited Bonusscreen Limited Cocktail Bars Limited The Direct Edge Limited Fareham Woods Golf Club (Holdings) Limited Furniture.co.uk Limited FWGC (Realisations) Limited The Health Group Limited Meadowhunter Limited Model Guide Limited Officepad Limited Ruxley Park Golf Centre Limited Scoreloop Limited Southern Golfscaping Limited Welcome Golf Limited Welcome Golf (South) Limited Wavepart Limited World Franchise Solutions Limited Yourhealth Plus Limited Random Number Lottery Limited Towerinput (Manufacturing) Limited Towerinput Limited
Michael John Mills	Central Homes plc Elitelevel Limited	Central Associates Limited Previous Company Limited Victoria Guarantee Limited Zyzygy plc

- 6.8 None of the Directors are a member of any partnership or have been a member of any partnership with the five years prior to the date of this document.
- 6.9 Mr A Moore was appointed a non-executive director of The International Sportsman's Club plc on 26 January 1998 and resigned on 4 February 1999. The International Sportsman's Club plc went into compulsory liquidation on 6 January 2000 following the issue of a winding up petition on 10 November 1999, with a total deficit of approximately £3,000, and was dissolved on 12 March 2003.
- 6.10 Mr A Moore was appointed as a non-executive director of Retreads International Limited on 17 February 1997 and resigned on 10 July 1998. Retreads International Limited went into receivership on 10 October 1997 with a total deficit of approximately £449,000. It was subsequently wound up compulsorily following the issue of a petition on 21 October 1997 and dissolved on 6 April 2005.
- 6.11 Mr A Moore was appointed a non-executive director of Spotlight Advertising Limited on 16 May 1997. He resigned on 30 June 1998 and Spotlight Advertising Limited went into liquidation on 8 October 1998 with a total deficit of approximately £787,000.
- 6.12 Mr A Moore was appointed as a non-executive director of Mill House Media Company Limited, a subsidiary of 10 Group plc, on 8 July 2000. He resigned as a director on 7 November 2000. This company went into administrative receivership on 28 March 2001 with a total deficit of approximately £971,000 (of which £304,000 was owed to 10 Group plc). It was dissolved on 9 December 2003.
- 6.13 Mr A Moore was appointed as a non-executive director of Netrest Limited on 14 July 2000. He resigned as a director on 5 September 2000 and following the issue of petition on 29 December 2000, the company went into liquidation on 5 March 2001 with a total deficit of approximately £17,000. At the time that Netrest Limited went into liquidation, it was a non-trading company associate with Mill House Media Company Limited. The case manager at The Official Receiver's Office has confirmed that both the administrative and the investigative work on the Netrest file has been concluded and that there are no outstanding issues in relation to the liquidation. It is due to be dissolved on 5 October 2006.
- 6.14 Mr N G McGowan was appointed as a director of 10 Group plc on 24 January 2003. Subsequently, it changed its name to Ashdene Group plc and went into liquidation on 3 May 2005, following the issue of a petition on 22 November 2004.
- 6.15 Mr N G McGowan was a director of Fareham Woods Golf Club (Holdings) Limited until August 2001 which went into administrative receivership on 14 May 2002 with an estimated shortfall to creditors of £587,576. The Company was dissolved on 15 November 2005.
- 6.16 Mr N G McGowan was a Director of Ruxley Park Golf Centre Limited which went into creditors' voluntary liquidation on 28 September 1994 and was dissolved on 10 April 2005.
- 6.17 Save as disclosed, none of the Directors was or has been a director of a company at the time of or within the 12 months preceding the date of receivership or liquidation of such company, has any unspent conviction and has not been the subject of any criticism by any statutory or regulatory authority.
- 6.18 No Director:
- 6.18.1 has any unspent convictions in relation to any offence involving deception or fraud; or
  - 6.18.2 has ever been declared bankrupt or has been the subject of an individual voluntary arrangement; or
  - 6.18.3 has ever had any public criticism by any professional, statutory or regulatory authority including any order or undertaking disqualifying him from serving as a director (whether in the UK or overseas).

## 7. Directors' Remuneration and Service Agreements

- 7.1 On 1 April 2006, the Company entered into a consultancy agreement with Mr A Moore to act as Non-Executive Chairman of the Company with a salary of £30,000 per annum. The duration of the appointment is 12 months and it may be terminated on or after such period by either party on not less than 12 months notice. The contract imposes certain restrictions on specified activities which may interfere with any contract between the Company and any third party; soliciting customers; soliciting employees; revealing trade secrets; business methods; or other confidential information. This consultancy agreement was



amended by a side letter dated 7 September 2006.

7.2 On 1 April 2006, the Company entered into a consultancy agreement with Mr N G McGowan to act as Part time Finance Director of the Company with a salary of £18,000 per annum. The duration of the appointment is 12 months and it may be terminated on or after such period by either party on not less than 12 months notice. The contract imposes certain restrictions on specified activities which may interfere with any contract between the Company and any third party; soliciting customers; soliciting employees; revealing trade secrets; business methods; or other confidential information. This consultancy agreement was amended by a side letter dated 7 September 2006.

7.3 On 1 April 2006, the Company entered into a service contract with Mr K G Milhench appointing him as Chief Executive of the Company at a salary of £70,000 per annum. The duration of the appointment is 12 months and may be terminated on or after such period by either party on not less than 12 months' notice. The contract imposes certain restrictions on activities which compete with those of the Company; disclosing confidential information; soliciting customers, soliciting employees and interfering with suppliers. This service contract was amended by a side agreement dated 7 September 2006.

7.4 Mr M J Mills has agreed to provide his services as a non-executive Director on the terms of a letter of appointment dated 7 September 2006. The appointment is for an initial term of one year, starting on Admission and then terminable at any time by either party on 6 months' notice. The fee payable for his services is £6,000 per annum.

#### 8. **Working Capital**

The Directors are of the opinion that the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

#### 9. **Material Contracts**

9.1 Save for the Agreements referred to in paragraphs 2.4, 2.6 and 2.7, the Company has entered into the following contracts which are or may be of a material nature (not being contracts entered in the ordinary course of business) in the two years immediately prior to the date of this document.

9.2 A Nominated Adviser Agreement dated 7 September 2006 appointing ARM as Nominated Adviser in connection with the Company's AIM Admission. The fee of £25,000 plus VAT will be payable upon Admission to trading on AIM. Following Admission, an annual fee of £25,000 plus VAT will be payable by the Company in quarterly instalments in advance. No fee will be payable by the Company under the Nominated Adviser Agreement for the quarter immediately following Admission.

9.3 A letter of engagement dated 22 June 2006 appointing SVS as financial advisers to the Company for the Admission. SVS has agreed to bear the professional fees of Irwin Mitchell, ARM and itself, as relates to the placing in return for 5% of equity in the Company.

#### 10. **Intellectual Property**

10.1 Games By Design Limited ("GBD") granted to Lottery Service Providers with effect from 20 October 2000 for a minimum term of 99 years, an exclusive licence to use certain intellectual property in Great Britain, principally know-how, for the purpose of lotteries carried on pursuant to Section 5 of the Lotteries and Amusements Act 1976 relating to secret processes and production techniques owned by GBD as at 2 October 2000. The licence is not subject to the payment of royalties or other sums and is subject to termination only in the event that Lottery Service Providers becomes insolvent, enters into compulsory liquidation or ceases to carry on its business otherwise than due to a solvent bona fide reconstruction or amalgamation.

10.2 Save as stated in paragraph 10.1, neither the Company nor the Subsidiaries hold any material intellectual property rights.

#### 11. **Litigation**

So far as the Directors are aware, neither the Company nor the Subsidiaries are involved in any litigation or arbitration proceedings which are having or may have a significant effect on the Group's financial position and no such material litigation, arbitration or claim is known to be pending or threatened against the Company or the Subsidiaries.

## 12. **Taxation**

The following paragraphs include advice about the tax position of shareholders who are resident or ordinarily resident in the UK for tax purposes and who hold their Shares as investments and not as an asset of a financial trade. They are intended only as a general guide and do not constitute advice to any shareholder on his personal tax position and may not apply to certain classes of investor (such as dealers or UK insurance companies). The comments are based on current legislation and HM Revenue & Customs practice. Any investor who is in doubt as to his tax position and, in particular, anyone who is subject to taxation in a jurisdiction other than the UK is strongly advised to consult his professional adviser.

### 12.1 **Taxation of the Company**

The Company will be liable to UK corporation tax, the rate of which depends on the level of its profits for each accounting period. The current rates of corporation tax are between 0% and 30%. For example, where the Company's taxable profits exceed the top level (currently £1,500,000) the Company will be liable to UK Corporation Tax at the rate of 30% of its taxable profits.

### 12.2 **Taxation of Dividends**

Under current UK tax legislation, no tax is required to be withheld from dividend payments by the Company.

A UK resident shareholder who is an individual will be entitled on receipt of a dividend to a notional tax credit equal to one ninth of the net dividend (ie. one tenth of the aggregate of the net dividend and associated tax credit).

The rate of income tax payable on such dividends by a UK individual shareholder whose total income, including the dividend and the associated tax credit, falls within the threshold for lower or basic rate tax, will be reduced to 10%. Accordingly, the tax credit will discharge such shareholder's liability to UK income tax on the dividend. To the extent that the tax credit exceeds that shareholder's liability to UK income tax, such shareholder will not be entitled to claim payment of the excess from HM Revenue & Customs.

The rate of income tax payable on such dividends by a UK individual shareholder whose total income, including the dividend and associated tax credit, is above the threshold for higher rate tax is 32.5% which, taking into account the 10% tax credit, gives an effective rate of tax of 25% on the actual amount of the dividend received. Trustees of UK resident discretionary settlements will be liable to income tax at the rate applicable to trusts – currently being 32.5% of the gross dividend which, taking into account the tax credit, gives an effective rate of tax of 25% of the net dividend received.

Shareholders will not be entitled to a repayment from HM Revenue & Customs in respect of the tax credit.

### 12.3 **UK Corporate Shareholders**

A shareholder which is a UK resident company will in general not be liable to UK corporation tax on dividends received on its Ordinary Shares.

### 12.4 **Inheritance Tax (“IHT”) Relief**

Ordinary shares in companies, the shares of which are unlisted or which are admitted to trading on AIM, such as those of the Company, generally qualify for 100% IHT Business Property Relief, provided that they have been held for two years prior to an event giving rise to a potential charge of IHT. Any shareholder who has any doubts as to his IHT position should consult a professional adviser, especially before making any gift or transfer of shares.

### 12.5 **Capital Gains Tax (“CGT”)**

Changes to the structure of capital gains tax for individuals, trustees and personal representatives were introduced on 6 April 1998, including changes to the rules relating to the holding of shares. A disposal of shares is generally treated on a LIFO (last in, first out) basis for the purpose of calculating gains chargeable to tax subject first to matching with “same day” and “following 30 days acquisitions”. In addition, gains made by individuals, trustees and personal representatives after 5 April 1998 may qualify for taper relief. This relief reduces the amount of a chargeable gain on disposal, depending on the length of time the shares have been held since 6 April 1998. With effect from 6 April 2000, disposals of any shareholdings in

unquoted qualifying trading companies will qualify as business assets, eligible for enhanced rates of taper relief. Shareholdings disposed of on or after 6 April 2002 qualify for the maximum relief of 75% after two years of ownership, reducing the effective capital gains tax rate to 10% for a higher rate taxpayer.

### **Chargeable gains – corporate shareholders**

The above changes to the taxation of chargeable gains do not apply to corporate shareholders, to which share “pooling” and indexation rules will continue to apply.

### **CGT Gift Relief**

If shares in a trading company are transferred other than at arm’s length, the deemed capital gain can be “held over”, ie any CGT liability is postponed until a subsequent arm’s length disposal by the transferee, who effectively inherits the transferor’s base cost. The relief must be claimed by both the transferor and the transferee within five years from 31 January of the tax year after that in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. If CGT gift relief is claimed, the effect of the gift is that the ownership for taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable. [Again, CGT gift relief will not currently apply since the Company is not a trading company but hopefully should apply once an acquisition has been completed. CGT gift relief is available in respect of shares in an AIM company.]

## **12.6 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

12.6.1 The allotment and issue of Ordinary Shares by the Company will not give rise to a charge to stamp duty or SDRT.

12.6.2 Transfers of Ordinary Shares will be liable to ad valorem stamp duty at the rate of 50p per £100 (or part thereof) of the actual consideration paid (subject to a minimum level of stamp duty of £5). An unconditional agreement to transfer Shares will be subject to SDRT at the rate of 0.5% (rounded up to the nearest £5) of the consideration paid, payable by the seventh day of the month following the date of the agreement or if the agreement was conditional, the date of satisfaction of any applicable condition.

Liability to stamp duty and SDRT is generally that of the transferee. Special rules apply to the agreements made by market makers in the ordinary course of their business, broker-dealers and certain other persons. Agreements to transfer shares to charities will not give rise to stamp duty or SDRT.

## **13. General**

13.1 No amount is being raised by the Company by the Introduction. The total costs and expenses of, or incidental to, the Introduction payable by the Company, are estimated to be approximately £16,000. As set out in 9.3, SVS has agreed to bear the professional fees of Irwin Mitchell, ARM and itself.

13.2 There have been no interruptions in the Company’s business in the last 12 months which may have or have had a significant effect on its financial position.

13.3 The Ordinary shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made. It is now intended to apply for the admission of the Company’s Ordinary shares to AIM.

13.4 The accounting reference date of the Company is 31 July of each year.

13.5 Save as disclosed in the document, there are no investments in progress which are significant

13.6 The financial information contained in this Document does not constitute full statutory accounts as referred to in section 240 of the Act.

13.7 Save as described in this document, there are no patents, or intellectual property rights, licences, or particular contracts which are or may be of fundamental importance to the Company’s business.

13.8 Save as disclosed elsewhere, no person directly or indirectly (other than the Company’s professional advisers and trade suppliers) has in the last twelve months received, or is contractually entitled to receive, directly or indirectly from the Company on or after Admission, any payment or benefit from the Company to the value

of £10,000 or more or securities in the Company to such value or entered into any contractual arrangements to receive the same from the Company at the date of this document.

- 13.9 ARM has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which it appears. It has made no enquiries and accepts no liability whatsoever for the content of or omissions from this document for which the Directors are solely responsible.
- 13.10 SVS has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which it appears. It has made no enquiries and accepts no liability whatsoever for the content of or omissions from this document for which the Directors are solely responsible.
- 13.11 Rochesters has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which it appears.
- 13.12 Save as disclosed in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.

**14. Document Available for Inspection**

Copies of this document will be available free of charge to the public at the offices of Irwin Mitchell at 150 Holborn, London, EC1N 2NS and SVS Securities plc at 2 London Wall Buildings, London Wall, London, EC2M 5PP from the date of this document until the date one month after the date of Admission.

7 September 2006