



("TWL" or the "Company")

Final Results for the year to 31 July 2011, Change of Advisers and Change of Registered Office

4 January 2012

Summary of Final Results

- Turnover up 9.1% to £1,343k (£1,231k).
- Loss for the year of £789k (loss £77k).
- FC Betz business to be exited following losses for the year of approximately £400k.
- Lottery business made a small profit despite costs related to the fraud committed by two former employees, both of whom were subsequently convicted.
- Devilfish online gaming business made a loss of approximately £149k for the year.

Change of Adviser

The Company is pleased to announce the appointment of Allenby Capital Limited as nominated adviser and joint broker with immediate effect. SVS Securities plc will remain as the Company's joint broker.

Change of Registered Office

The Company has today changed its registered office to:

Units 25-27
Hagley Mews
Hall Drive
Hagley DY9 9LQ

This office is also the Company's head office address.

For further information please contact:

The Weather Lottery plc
John Botros (Company Secretary)
Andrew Flitcroft (Finance Director)

07714 209 346
07769 591 096

Allenby Capital Limited (Nomad and Broker)	
Nick Harriss/James Reeve/Nick Athanas	020 3328 5656
SVS Securities plc (Broker)	
Ian Callaway	020 7638 5600
Greycoat Communications (PR)	
Andrew Marshall	07785 297 111

Chairman's Statement

As the results show this has been a difficult year for TWL, not all of which can be attributed to the hard economic climate in the leisure sector. The Audited results for the period are materially in line with the trading statement made on 5 December 2011, with pre-tax losses of £789k, compared to losses in the first half of £321k and for the full year 2009/10 of £77k. The increase in reported loss of £49k when compared to the loss of £740k previously announced in the company's trading statement issued on 5 December 2011 is the result of additional asset write downs and provisions which came to rise during the audit and are considered prudent to include in the year as advised by the Company's auditors.

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

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

The core lottery business has reported a small profit for the year, despite expenses relating to the previously reported fraud committed by two former employees causing costs exceeding £100k for the year. Thankfully this matter is now fully concluded and we believe is fully provided for in the accounts. This is a commendable performance in very difficult circumstances and shows the resilience of the lottery business which has been operating for over 15 years. As announced on 20 June 2011, contract renegotiations have improved the security and profitability during the last quarter of the company's financial year although it will take time for these to be fully realised. TWL also acquired Clicknow, the intermediate search facility available as an additional source of fund raising to charities and other organizations. This will be developed in the coming year. TWL believes Clicknow increases the product range it can offer to fund raisers and increases its profile in this marketplace.

The second acquisition during the year was the Devilfish on-line poker and gaming business. At this subsidiary, losses for the period from acquisition in December 2010 to 31 July 2011 amount to £149k. These include exceptional losses within the casino operation mentioned in the Company's June trading

update. A renegotiation of supplier contracts with effect from 1 September 2011 should significantly improve the results of the operation from that time.

Head office costs for the year amounted to approximately £230k.

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

Lord E T Razzall CBE

Chairman

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2011

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2011

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2011

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

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 July 2011

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2011

1. General Information

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

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

2. Adoption of new and revised International Financial Reporting Standards

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

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

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

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

3. Significant accounting policies

Basis of Accounting

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

The financial information has been prepared on a going concern basis, as at 31 July 2011, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The Group has not availed itself of early adoption options in such standards and interpretations.

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

Going concern

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

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

Business Combinations

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

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

Intangible assets

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

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

Goodwill

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

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

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

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

Revenue recognition

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

Taxation

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Leased assets

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

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

Foreign currencies

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

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

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

Share based payments

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

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

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

Inventories

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

Cash and cash equivalents

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

Trade receivables

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

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

Financial liability and equity

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

Bank borrowings

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

Trade payables

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

Provisions

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Impairment of goodwill

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

Share-based payments

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

5. Segment analysis

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

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

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

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

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

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

6. Operating (loss)

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

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

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

7. Personnel costs

	2011	2010
The average monthly number of employees (including executive and non executive Directors) was	No. 8	No. 9
The split of employees by function within the Group is as follows:		
	No.	No.
Administration and Sales	4	5
Management	4	4
Total	8	9
Their aggregate remuneration comprised		
	2011	2010
	£'000	£'000
Wages and salaries	115	150
Social security costs	11	22
Sums paid to third parties for services	77	57
	203	229

7. Personnel costs (continued)

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

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

8. Finance income and costs

	2011 £'000	2010 £'000
Finance income	-	-
Finance charges	14	8

9. Income taxes

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

Tax rate reconciliation

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

10. Earnings per share

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

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

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

11. Goodwill

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

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

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

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

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

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

Acquisitions

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

- Devil Fish Poker Ltd - an on-line gaming company acquired via a share issue as identified in note 22 to the financial statements;
- Click Now Ltd - a company providing search engine facilities acquired via a share issue as identified in note 22 to the financial statements;
- Soccerdome Ltd - a company with floodlit astro-turf football pitches in Nottingham, acquired via a share issued as identified in note 22 to the financial statements.

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

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

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

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

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

12. Other intangible assets

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

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

13. Property and office equipment

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

14. Subsidiaries

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

Name of subsidiary	Company number	Place of incorporation (or registration) and operation	Proportion of ownership interest & of voting power held	Holding	Principal activity
Prize Provision Services Limited	03152966	England and Wales	100%	Ordinary shares	Lottery provider
Prize Logistics Limited	06221487	England and Wales	100%	Ordinary shares	Lottery administrator
FC Betz Limited	07304154	England and Wales	100%	Ordinary shares	Online gaming activities
Clicknow Limited	05391900	England and Wales	100%	Ordinary shares	Online marketing
Devil Fish Poker Limited	05529624	England and Wales	100%	Ordinary shares	Commission earned via website
Soccerdome Limited	02948017	England and Wales	100%	Ordinary shares	Operates floodlit pitches

15. Inventories

	2011 £'000	2010 £'000
Finished goods	2	2 67

16. Other financial assets

Trade and other receivables

	2011 £'000	2010 £'000
Unpaid share capital	-	160
Trade receivables	47	-
Other receivables	146	65
Prepayments and accrued income	16	104
	209	329 67

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

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

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

Cash and cash equivalents

	2011 £'000	2010 £'000
Cash and cash equivalents	74	48

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

17. Borrowings

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

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

18. Derivatives financial instruments and hedge accounting

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

19. Other financial liabilities

Trade and other payables

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

Other payables comprise:

	£'000	£ 000
Social security and other taxes	36	22
Other	167	39
	203	61

Presented as:

- Current	874	354
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Accrued liabilities and deferred income represents miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the year-end and income received during the period, for which the Group had not supplied the goods or services at the end of the year.

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

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

20. Financial instruments: information on financial risks

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

Capital risk management

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

Gearing ratio

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

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

Debt is defined as long and short-term borrowings.

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

Financial risk management objectives

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

Credit risk

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

Liquidity risk

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

Regulatory compliance risk

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

Interest rate risk

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

21. Deferred taxation

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

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

22. Equity share capital

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

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

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

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

23. Other reserves

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

24. Share-based payments

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

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

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

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

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

25. Cash used in operations

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

26. Analysis of net debt

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

27. Transactions with related parties

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

R R White

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

K G Milhench

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

A Moore

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

Lord E T Razzall

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

J M Botros

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

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

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

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

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

All of the options are exercisable by 2 June 2017.

Remuneration of key management personnel

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

28. Operating lease commitments

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

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

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

29. Controlling Party

No single individual has sole control of the company.

30. Events after the balance sheet date

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

31. Going Concern

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

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

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