



THE WEATHER LOTTERY PLC

Ticker: TWL

("The Weather Lottery", "TWL" or the "Company")

Half Year Results for the Six-Months to 31 January 2011

Dated: 15 April 2011

Chairman's Statement

It is now one year since the new Board took control of The Weather Lottery Plc (TWL). In that time TWL has expanded its range of activities and the products it offers beyond its core Lottery Services operation.

On January the company announced the full year's figures to July 31<sup>st</sup> 2010. The Directors took the view on the information available to them that the trading in the FC Betz Limited subsidiary was of a satisfactory order. In taking this view they had regard to the capital value in the multi-year contracts entered into with a number of the Football clubs to whose database FC Betz had exclusively contracted to provide Gaming and Lottery products and services. However following a strategic six-month review in February it became clear that FC Betz was not able to access the full databases under the contracts.

Legal advice received has advised the Board that in certain cases FC Betz cannot access the full database to which it believes it is contractually entitled because of prior third party claims to the same Intellectual Property Rights in the database. On the basis of this inability to access its contractual IPR rights FC Betz is renegotiating the terms of the contracts at a much lower fee with a view to terminating the agreements at the end of this season next month. Although if successful the renegotiations may give rise to an extraordinary profit in the future on professional advice the Board believes it prudent to charge the full pro rata cost, before any potential re-negotiated reductions to the contracts to the P&L Account and not capitalise any of the rights. This item constitutes a significant part of the half-year losses of £321,000.

In addition you may have seen the announcement relating to the charges that have been laid against K Millhench and one other ex-employee accused of defrauding the company of some £80,000. As a result of further progress with the criminal case the Company is now satisfied it knows the full extent of the losses from this matter and that is included and fully provided for in the amount of half-year loss. In fact the company holds certain assets by way of security from Mr Millhench against these losses but for legal reasons related to the on-going trial it is not possible to realise these assets at present.

However on a brighter note I am pleased to report that the group's assets have increased significantly enabling the company to undertake larger acquisitions. Notwithstanding the events above TWL still trades without the burden of any bank debt.

The Lottery business has now been stabilised thanks to the efforts of Robert White and his new team. It is now showing signs of growth with new corporate clients, new subscribers and the investment in new lottery brands such as FCLotto. The costs of managing the Lottery division have been considerably reduced during this period and the Board looks forward to a profitable contribution at an operating level from now on.

Notwithstanding the matters referred to in the opening paragraphs of this statement The FC Betz subsidiary has gone from pre revenue to over 2500 active players which have resulted in a small first time operating profit in January. Whilst the board accepts this as an important milestone we also recognise that this is a very competitive marketplace and we must continue to seek better value from our investments in this business and create complimentary marketing initiatives to drive traffic to the brand. It remains to be seen whether the business can make a meaningful contribution to profit given the contractual difficulties it has experienced

The acquisition of Devilfish the well-known on-line Poker brand in December 2010 has provided TWL with another revenue stream and a database of over 20,000 registered players which will enable us to promote our other products and services to. The board believes that now we have stripped out considerable and unnecessary operating costs of the Poker operation and removed the burden of the costs of listing on the plus market.

The company is actively pursuing other acquisitions and opportunities in related fields and hopes to make an announcement shortly. TWL as stated above has no bank debt and contemplates a further fund raising to assist with these acquisitions and development of existing and new opportunities

The Right Hon Lord E T Razzall CBE

Chairman

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## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Year		
		Period ended 31 Jan 2011 (unaudited) £'000	Period ended 31 Jan 2010 (unaudited) £'000	ended 31 Jul 2010 (audited) £'000
Revenue		668	633	1,231
Cost of Sales		461	392	317
Gross Profit		207	241	914
Administrative expenses		(521)	(228)	(983)
Profit from operations		(314)	13	(69)
Finance expenses		(7)	-	(8)
Finance income		-	-	-
Profit before taxation		(321)	13	(77)
Taxation		-	-	-
Attributable to equity holders		(321)	13	(77)
Basic (loss)/profit per ordinary share	2	(0.14)p	0.02p	(0.08)p
Fully diluted (loss)/profit per ordinary share	2	(0.13)p	0.02p	(0.07)p

All results derive from continuing operations.

There are no recognised income or expenses other than the loss for the period.

## CONDENSED CONSOLIDATED BALANCE SHEET

	Period ended 31 Jan 2011 Notes (unaudited) £'000	Period ended 31 Jan 2010 (unaudited) £'000	Year ended 31 Jul 2010 (audited) £'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	64	5	4
Goodwill	572	158	158
Intangible assets	30	-	18
	666	163	180
Inventories	8	-	2
Trade and other receivables	365	20	329
Cash and cash equivalents	32	35	48
	405	55	379
Total Assets	1,071	218	559
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	722	184	354
Current tax liabilities	-	-	-
	722	184	354
Net Assets	349	34	205
<b>EQUITY</b>			
Capital and reserves attributable to equity holders			

Called up share capital	3	268	99	186
Share premium account		859	302	476
Retained earnings		(778)	(367)	(457)
Total equity		349	34	205

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 August 2009	83	302	(380)	5
Issue of new shares	16	-	-	16
Profit for the period	-	-	13	13
Balance at 31 January 2010	99	302	(367)	34
Issue of new shares	87	174	-	261
Loss for the period	-	-	(90)	(90)
Balance at 31 July 2010	186	476	(457)	205
Issue of new shares	82	383	-	465
Profit for the period	-	-	(321)	(321)
Balance at 31 January 2011	268	859	(778)	349

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Period ended 31 Jan 2011 Notes(unaudited) £'000	Period ended 31 Jan 2010 (unaudited) £'000	Year ended 31 Jul 2010 (audited) £'000
Net cash (used in) operations	4	(22)	(23)	(69)
Interest and financing costs		(7)	-	(8)
Net cash(outflow) from operating activities		(29)	(23)	(77)
Cash flow from investing activities:				
Acquisition of subsidiary undertakings		(40)	-	-
Purchase of tangible assets		(73)	-	(18)
Net cash generated from investing activities		(113)	-	(18)
Cash flow from financing activities:				
Net proceeds from issue of shares		126	-	85
Net cash generated from financing activities		126	-	85
(Decrease)/increase in cash and cash equivalents		(16)	(23)	(10)
Cash and cash equivalents at beginning of period		48	58	58

Cash and cash equivalents at end of period	32	35	48
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## NOTES TO THE INTERIM FINANCIAL REPORT

### 1. Accounting policies

#### Basis of Accounting and Preparation

These interim results for the six months ended 31 January 2011 have been prepared using the historical cost and fair value conventions on the basis of the accounting policies set out below. This interim report has been prepared in accordance with IFRS's, it is not in accordance with IAS 34 and therefore is not fully compliant with IFRS.

These interim results have been prepared under the historical cost convention. Areas where other bases are applied are identified in the accounting policies below.

The financial information set out in this interim report does not constitute statutory accounts as defined in the Companies Act 2006. The Company's statutory financial statements for the year ended 31 July 2010 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified, did not include a reference to any matters which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This announcement contains certain forward-looking statements with respect to the operations, performance and financial position of the Groyup. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of the preparation of this announcement and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Interim Financial Report should be construed as a profit forecast.

The results for the six months ended 31 January 2011 were approved by the Board on 15 March 2011.

#### 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 January and 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.

#### Business combinations

The purchase method of accounting is used for all acquired businesses as defined by IFRS3 - 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 acquisition consideration plus directly attributable costs of acquisition over the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired.

Goodwill arising on acquisitions before the date of transition to IFRS is subject to alternative policies for valuation as described below.

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

#### Intangible assets

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.

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of an asset less its estimated residual value over its economic life as follows:

Software development                      - 10 years

Website development costs            - 3 years

In addition to amortisation, at each balance sheet date the Group reviews the carrying amounts of its 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). Recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued 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 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 in prior years.

#### Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### Trade receivables

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.

## Trade payables

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

## 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, associate or jointly controlled entity at the date of acquisition.

Goodwill is 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. Goodwill arising on acquisition before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Revenue recognition

Revenue represents takings received for entry into the prize draws. The revenue is recognised upon receipt of the money for the period that the draws take place, net of VAT and other sales-related taxes.

## Taxation

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

The charge for taxation is based on the taxable profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial information that arises from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

## 2. Earnings per ordinary share

The calculation of basic earnings per share is based on the results and weighted average number of ordinary shares as follows:

	Period ended 31 Jan 2011 (unaudited) £'000	Period ended 31 Jan 2010 (unaudited) £'000	Year ended 31 Jul 2010 (audited) £'000
Attributable to equity	(321)	13	(77)
Weighted average number of ordinary shares:			
Basic	227,915,849	85,403,087	101,942,173
Fully diluted	251,915,849	85,403,087	105,942,173

The fully diluted number of ordinary shares includes 24 million options, to subscribe for Ordinary shares of 0.1p each, which were issued in June 2010. None of these options have been exercised in the period.

## 3. Share capital

	As at 31 Jan 2011 £'000	As at 31 Jan 2010 £'000	As at 31 Jul 2010 £'000	
Issued and fully paid: 267,638,071 ordinary shares of 0.1p each		268	99	186

#### 4. Cash used in Operations

	Period ended 31 Jan 2011 £'000	Period ended 31 Jan 2010 £'000	Year ended 31 Jul 2010 £'000
(Loss)/Profit from operations	(314)	13	(69)
Depreciation of tangible assets	13	-	2
Share based payments	-	-	32
(Increase) in inventories	(6)	-	-
(Increase) in debtors	(36)	(4)	(155)
Increase/(decrease) in creditors	321	(32)	121
Cash (used in) operations	(22)	(23)	(69)

#### 5. Interim Financial Report

The unaudited interim financial report, which is the responsibility of the directors and was approved by them on 15 March 2011 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

This report is available on The Weather Lottery's website at [www.theweatherlottery.com](http://www.theweatherlottery.com). Copies are available from the Company at its registered office:

Derby House Stud, Retford Road, Mattersey, Doncaster, DN10 5HJ for a period of one month, free of charge.