

The Weather Lottery plc
(“The Weather Lottery” or the “Company”)

Half-yearly Report for the period ended 31 January 2008

29 April 2008

Chief Executive Statement

The past six months have seen an improvement in cost control of administration expenses, which is reflected in the financial figures for the six months to 31 January 2008. The second half of the financial year to 31 July 2008 is a pivotal time in the development of the Weather Lottery.

As announced in January 2008, a nationwide project to establish commissioned agents throughout the country has been implemented. Twenty new sales agents have been recruited in the past two months alone. In conjunction with the commissioned agent network, a national programme of agent and client seminars is being prepared at present. These seminars, which will start from May 2008, will be run on a county by county basis will be held twice weekly throughout 2008/2009. I anticipate that both of these projects will develop the growth of The Weather Lottery.

The purchase of email databases continues to enhance our presence in the field of Charities, Sports and Education.

Heads of terms have been signed to develop a national lottery for a number of National Charities under one umbrella group. This sister system of The Weather Lottery will be developed throughout 2008.

We have been pleased by the number of new client enquiries that we received during the six month period this remains very healthy. We have taken a number of steps to strengthen our sales and marketing effort with a view to converting more enquiries into new clients and lines in the current financial year.

Major steps in employment recruitment and client focus have now been implemented and it is my belief, based on these new client recruitment projects, that The Weather Lottery has the foundations and credibility to grow from strength to strength.

Keith Milhench

Enquiries:

The Weather Lottery plc	0113 2750002
Keith Milhench	
www.theweatherlottery.com	

SVS Securities plc	020 7638 5600
Peter Manfield	

Blomfield Corporate Finance Ltd	020 7512 0191
Nick Harriss	

**UNAUDITED INTERIM FINANCIAL REPORT OF
THE WEATHER LOTTERY PLC
FOR THE PERIOD ENDED 31 JANUARY 2008**

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Period ended 31 January 2008 (unaudited) £'000	Period ended 31 January 2007 (unaudited) £'000	Year ended 31 July 2007 (audited) £'000
Revenue		691	761	1,500
Cost of Sales		432	272	530
Gross Profit		259	489	970
Administrative expenses		(319)	(568)	(1,133)
Profit from operations		(60)	(79)	(163)
Finance expenses		-	-	-
Finance income		3	-	1
(Loss) before taxation		(57)	(79)	(162)
Taxation		-	-	-
(Loss) attributable to equity holders		(57)	(79)	(162)
Earnings per share				
Basic and fully diluted	2	(0.07)p	(0.10)p	(0.21)p

All results derive from continuing operations.

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

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CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 January 2008 (unaudited) £'000	As at 31 January 2007 (unaudited) £'000	As at 31 July 2007 (audited) £'000
ASSETS				
Non-current assets				
Goodwill		158	158	158
Intangible assets	3	33	47	40
		191	205	198
Current assets				
Trade and other receivables		29	17	47
Cash and cash equivalents		138	163	121
		167	180	168
Total Assets		358	385	366
LIABILITIES				
Current liabilities				
Trade and other payables		300	265	281
Current tax liabilities		41	38	11
		341	303	292
Total Liabilities		341	303	292
Net Assets		17	82	74
EQUITY				
Capital and reserves attributable to equity holders				
Called up share capital	4	83	77	83
Share premium account		302	233	302
Retained earnings		(368)	(228)	(311)
Total equity		17	82	74

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 August 2006	73	245	(149)	169
Issue of shares less issue costs	4	(12)	-	(8)
Profit for the period	-	-	(79)	(79)
Balance at 31 January 2007	77	233	(228)	82
Issue of shares less issue costs	6	69	-	75
Profit for the period	-	-	(83)	(83)
Balance as 31 July 2007	83	302	(311)	74
Profit for the period	-	-	(57)	(57)
Balance at 31 January 2008	83	302	(368)	17

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Period ended 31 January 2008 (unaudited) £'000	Period ended 31 January 2007 (unaudited) £'000	Year ended 31 July 2007 (audited) £'000
Net cash generated from/(used in) operations	5	14	(69)	(187)
Cash flow from investing activities:				
Interest received		3	-	1
Net cash generated from investing activities		3	-	1
Cash flow from financing activities:				
Net proceeds from issue of shares		-	8	67
Net cash generated from financing activities		-	8	67
Increase/(decrease) in cash and cash equivalents		17	(77)	(119)
Increase/(decrease) in cash and cash equivalents		17	(77)	(119)
Cash and cash equivalents at beginning of period		121	240	240
Cash and cash equivalents at end of period		138	163	121

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NOTES TO THE INTERIM FINANCIAL REPORT

1. Accounting policies

Basis of Accounting

The financial statements for the year ending 31 July 2008 will be the first results to be prepared on the basis of International Accounting Standards, International Financial Reporting Standards and International Accounting Standards Board adopted for use in the EU (called "IFRS" in this document).

These interim results for the six months ended 31 January 2008 have been prepared using the historical cost and fair value conventions on the basis of the accounting policies set out below, which the Company expects to apply to its financial statements for the year ending 31 July 2008 which are to be prepared in accordance with IFRS. Whilst 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.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Plc's equity and its net income are provided in Note 6.

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 Section 240 of the Companies Act 1985. The Company's statutory financial statements for the year ended 31 July 2007 prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Sections 237 (2) and (3) of the Companies Act 1985.

The results for the six months ended 31 January 2008 were approved by the Board on 28th April 2008.

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.

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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

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 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 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.

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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 January 2008 (unaudited) £'000	Period ended 31 January 2007 (unaudited) £'000	Year ended 31 July 2007 (audited) £'000
(Losses) attributable to equity	(57)	(79)	(162)
Weighted average number of ordinary shares:			
Basic and fully diluted	83,304,730	76,412,614	77,254,052

The basic and fully diluted weighted average number of ordinary shares are the same due to there being no share options in place during the period.

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3. Intangible Fixed Assets

	Software Development £'000
Cost:	
As at 1 August 2007	154
Additions	-
As at 31 January 2008	154
Depreciation:	
As at 1 August 2007	114
Charge for Period	7
As at 31 January 2008	121
Net Book Value:	
As at 31 January 2008	33
As at 31 July 2007	40

4. Share capital

	As At 31 January 2008 £'000	As At 31 January 2007 £'000	As At 31 July 2007 £'000
Authorised:			
100,000,000 ordinary shares of 0.1p each	100	100	100
Issued and fully paid:			
83,304,730 ordinary shares of 0.1p each (31 January 2007 77,054,737 ordinary shares)	83	77	83

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5. Cash used in Operations

	As At 31 January 2008 £'000	As At 31 January 2007 £'000	As At 31 July 2007 £'000
(Loss) from operations	(60)	(79)	(163)
Amortisation of intangible assets	7	7	14
Decrease/(increase) in debtors	18	(7)	(37)
Increase/(decrease) in creditors	49	10	(1)
	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations	14	(69)	(187)

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6. Explanation of Transition to IFRS

The Group has applied IFRS1 “First Time Adoption of International Financial Reporting Standards” as a starting point for reporting under IFRS. The Group’s date of transition is 1 August 2006 and comparative information has been restated to reflect the Group’s adoption of IFRS except where otherwise required or IFRS1 requires an entity to comply with each IFRS and IAS effective at the reporting date for its first financial statements prepared under IFRS. As a general rule IFRS1 requires such standards to be applied retrospectively. However, the standard allows several optional exemptions from full retrospective application.

The Group has elected to take advantage of the following exemption. Business combinations made prior to 1 August 2006 will not be accounted for under IFRS3 “Business Combinations” and as such the value of goodwill in the balance sheet at that date will be the same amount under IFRS as that recorded in the UK GAAP financial statements, subject to the completion of an annual impairment review.

The reconciliations of equity at 1 August 2006 (date of transition to IFRS) and at 31 July 2007 (date of last UK GAAP financial statements) and the reconciliation of profit for 2006 and 2007, as required by IFRS1, are set out below. The reconciliation of equity at 31 January 2008 and the reconciliation of profit for the six months ended 31 January 2008 are also included below to enable a comparison of the 2008 published interim figures with those published in the corresponding period of the previous financial year.

Reconciliation of Profit from UK GAAP to IFRS

	6 months ended 31 January 2008 £'000	6 months ended 31 January 2007 £'000	Year ended 31 July 2007 £'000
UK GAAP (loss) for the financial period	(61)	(82)	(170)
Amortisation of goodwill	4	3	8
(Loss) from continuing operations - IFRS	(57)	(79)	(162)

Reconciliation of Net Assets from UK GAAP to IFRS

	31 January 2008 £'000	31 January 2007 £'000	31 July 2007 £'000
Net assets per UK GAAP	5	79	66
Amortisation of goodwill	12	3	8
Net assets - IFRS	17	82	74

International Financial Reporting Standards require goodwill to be frozen as at the date of transition to IFRS, 1 August 2006, and to be subject to review for impairment rather than regular amortisation. Previously amortised amounts in the UK GAAP accounts for the period ended 31 January 2007 and the year ended 31 July 2007 of £3,000 and £8,000 respectively have been reversed in the IFRS income statement. The effect of the transition on the balance sheet is shown above.

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7. Interim Financial Report

The unaudited interim financial report, which is the responsibility of the directors and was approved by them on 28th April 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

*This report is available on The Weather Lottery's website at www.theweatherlottery.com. Copies are available from the Company at its registered office:
24 St. Michael's Road, Headingley, Leeds, LS6 3AW for a period of one month, free of charge.*

Independent review report to THE WEATHER LOTTERY PLC

Introduction

We have been engaged by the company to review the condensed consolidated set of financial statements in the half yearly financial report for the six months ended 31 January 2008 which comprise a condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and associated notes numbered 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial reports in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 31 January 2008 is not prepared, in all material respects, in accordance with the Accounting Standards Board statement "Half-yearly financial reports".

**Rochesters
Chartered Accountants**

28 April 2008

No 3 Caroline Court
13 Caroline Street
Birmingham
B3 1TR