

The Weather Lottery plc

Directors' report and consolidated
financial statements

Registered number 04458947

31 July 2007

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Directors, Secretary and Advisers

Directors	K G Milhench – Chief Executive N G McGowan – Finance Director A Moore – Non-Executive Chairman M Mills – Non-Executive Director
Company Secretary	N G McGowan
Registered Office	24 St. Michael's Road Headingley Leeds LS6 3AW
Nominated Adviser	Blomfield Corporate Finance Limited 12 Pepper Street London E14 9RP
Auditors	Rochesters 3 Caroline Court Caroline Street St Paul's Square Birmingham B3 1TR
Broker	SVS Securities plc 2 London Wall Buildings London Wall London EC2M 5PP
Solicitors	Dawsons 2 New Square Lincoln's Inn London WC3A 3RZ
Registrars	SLC Registrars Limited Thames House Portsmouth Road Esher Surrey KT10 9AD
Principal Bankers	HSBC Bank plc 33 Park Row Leeds LS11LD

Chief Executives Statement

The financial statements accompanying this statement reflect our first full financial year whilst being quoted on the AIM Market. During the year, lottery lines played stayed level at approximately 28,500 however this does not reflect the churn rate that was experienced. Therefore whilst players opened 4,000 new lottery lines, the same number of lines were lost due to normal attrition rates

In order to reduce the churn rate, our website was re-launched in December 07 creating clarity to the navigation and fundraising element. One of the major benefits of the new website is a client can now register online directly from the website. We also plan to introduce special £100,000 draws to enhance player growth. A Society must qualify for the £100,000 draw by achieving additional lines.

We have been pleased by the number of new client enquiries that we received during the year. This remains very healthy but the translation of these enquiries to playing lines has proved more difficult. 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.

Recent operational developments include the employment of a new experienced marketing manager in December. In addition, a nationwide project to establish commissioned agents throughout the country has been implemented. This will be supplemented by county seminars to promote The Weather Lottery. Finally, email databases are being purchased to enhance our presence in the field of Charities Sports and Education.

A major risk to the Company is the loss of clients and agents to attract future players. Hence all the above efforts to mitigate this risk. In addition, new systems for converting enquiries into clients and lines are in place to increase Society entry and lineage increase.

Financial review

The year ended 31 July 2007 showed a loss after tax of £170,000 compared to a loss after tax of £82,000 in the year ended 31 July 2006. The increased loss was due to the additional costs of being quoted on AIM. The Company has taken action and made cost savings by reducing the number of games from five to four per week.

Strategy and Outlook

The Weather Lottery's objective remains to build and expand its paper based and online entry for Society Lotteries in the fields of Charity, Education and Sport. Whilst considerable progress has been made in establishing these services much has still to be done to improve, expand and enhance them.

It is intended to enhance shareholder value by continued expansion of business both organically and by strategic acquisition.

The Weather Lottery is registered and governed by the Gambling Commission without which we could not trade, under the new Gaming Act 2005 and we do not anticipate any changes to the law which would affect our business.

I look forward to 2008 as being a pivotal year in the development of your Company. We now have in place the facilities to allow it to take opportunities to grow to a higher level

K G Milhench

Chief Executive

Registered number 04458947 / 31 July 2007

Chairman's statement

I am pleased to report the Annual Results of our Company for the 12 month period ending 31st July 2007.

Unfortunately the Company recorded a loss for the period of £170,000 as a result of static sales and the increased costs of the AIM listing.

However we believe that recent marketing initiatives which are now being implemented will at last enable the Company to move forward and begin to achieve significant sales momentum.

I would like to thank the staff and Directors for their endeavours and hard work in the continued development of the business of The Weather Lottery plc.

A Moore
Non Executive Chairman

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2007.

Principal activities and business review

The principal activity of the Group in the year under review was that of lottery administrators.

The results for the year are set out in the profit and loss account on page 12. A review of the business and future developments is provided in the Chief Executive's statement on page 4.

The loss for the financial year after tax amounted to £170,000 (2006: £82,000).

Proposed dividend

The directors do not recommend the payment of a dividend (2006: £Nil).

Directors and their interests

The beneficial interests of the directors of the Company at the end of the year in the issued ordinary share capital of the Company were as follows:

	Ordinary share capital	
	As at 31 July 2007	As at 31 July 2006 (or date of appointment)
	No. of 0.1p shares	No. of 0.1p shares
K G Milhench	7,500,000	7,500,000
N G McGowan	1,850,000	1,850,000
A Moore	13,700,000*	13,700,000*
M Mills (appointed 7 September 2006)	5,537,500*	5,537,500*

* - The holding of A Moore includes 5,537,500 held on trust for M Mills, which are also disclosed above.

None of the directors have held or exercised any share options during the year, or held any other beneficial interest.

Directors' report *(continued)*

Major interests in shares

As at 28 January 2008, the latest practical date before publication of this report, the following persons held interests in excess of 3 per cent. of the issued ordinary share capital of the Company as at that date:

	Ordinary share capital	
	Percentage holding	No of shares
SVS (Nominees) Limited*	17.44%	14,529,087
Share Nominees Limited	14.92%	12,430,995
A Moore	6.65%	5,537,500
M Mills	6.65%	5,537,500
Lunarbright Limited	5.54%	4,611,165
J Green	4.82%	4,015,000

* include 7,500,000 shares held on behalf of K G Milhench

No other person has notified an interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with sections 198 to 208 of the Companies Act 1985.

Remuneration

It is intended that the Company will provide competitive remuneration packages to attract, retain and motivate high quality people in competition with comparable companies.

Remuneration payable to the Company's directors during the year was as follows:

Director	Payee	2007 £	2006 £
K G Milhench		70,000	106,333
N G McGowan	Rangedetail Ltd	18,000	17,290
A Moore	Central Associates Ltd	30,000	16,636
M Mills	Central Associates Ltd	6,000	-

In addition to the remuneration above, K G Milhench also received benefits-in-kind to the value of £31,814 (2006 £22,648).

Relations with shareholders

There is an opportunity, at the Company's Annual General Meeting, for individual shareholders to raise general business matters with the full Board and notice of the Company's Annual General Meeting is circulated to all shareholders at least twenty-one clear days before such meeting.

Financial instruments

The group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities are set out below.

- *Treasury policies and financial risk* – Procedures have been established to manage surplus funds and interest rate risk. Treasury policies are subject to Board approval and are implemented on a day to day basis by K G Milhench.

Directors' report *(continued)*

- *Management of funds* – Surplus funds are intended to finance the development and growth of the Group and the effective management of the surpluses is based upon policies determined by the Board. Surplus funds are invested through the use of short-term deposits. It is not the Group's policy to invest in financial derivatives, other than to effect a hedge against an existing exposure.

Charitable and political donations

There were no charitable or political contributions during the year (2006: £Nil).

Employee involvement and disabled employees

The Group endeavours to keep its employees as fully informed as practicable about the Group's affairs. Employees are made aware of the Group's financial performance and are encouraged to contribute to the development of the business.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. It is Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Payment to suppliers

It is the Group's policy to settle the terms of payment with suppliers when business is agreed, to ensure that suppliers are made aware of them and to pay bills in accordance with these terms. The days purchases in trade creditors at 31 July 2007 were 62 days. (2006: 65 days).

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution to confirm the re-appointment of Rochesters as auditors will be put to the members at the Annual General Meeting.

By order of the board

K G Milhench
Chief Executive

29 January 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the Group's profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the Group and to prevent and detect any fraud and other irregularities.

Independent auditors' report to the members of The Weather Lottery plc

We have audited the Group and parent company financial statements of The Weather Lottery plc for the year ended 31 July 2007 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Cash Flows and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and group financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' Report is consistent with the financial statements. In addition we report to you if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's Statement, Chairman's Statement, information on Directors and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatement of material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are 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 information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2007 and of the loss of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Rochesters

Registered Auditors

No 3 Caroline Court
Caroline Street
Birmingham
B3 1TR

Date: 29 January 2008

Consolidated profit and loss account
for the year ended 31 July 2006

	Note	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Turnover	2	1,500	1,440
Cost of sales		(530)	(484)
Gross profit		<u>970</u>	<u>956</u>
Administrative expenses		(1,141)	(1,039)
Operating (loss)	2, 3	(171)	(83)
Interest receivable and similar income	6	<u>1</u>	<u>1</u>
(Loss)/profit on ordinary activities before taxation (82)	3	(170)	
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
Retained (loss)/profit for the financial period		<u><u>(170)</u></u>	<u><u>(82)</u></u>
Earnings per ordinary share			
Basic and fully diluted	8	<u><u>(0.22)p</u></u>	<u><u>(0.51)p</u></u>

None of the Group's operations were acquired or discontinued during the current year. All operations are considered to be continuing.

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2007

There are no recognised gains or losses for the current year or preceding period other than the loss shown in the profit and loss account above.

Consolidated balance sheet
at 31 July 2006

	Note	2007 £000	2006 £000
Fixed assets			
Intangible fixed assets	10	190	212
Current assets			
Debtors	12	47	10
Cash at bank and in hand		121	240
		168	250
Creditors: amounts falling due within one year	13	(292)	(293)
Net current assets/(liabilities)		(124)	(43)
Total assets less current liabilities		66	169
Creditors: amounts falling due after more than one year		-	-
Net assets/(liabilities)		66	169
Capital and reserves			
Called up share capital	15	83	73
Share premium account	16	302	245
Profit and loss account	16	(319)	(149)
Equity shareholders' funds	17	66	169

The financial statements were approved by the Board of Directors and authorised for issue on 29 January 2008.
 They are signed on the Board's behalf by:

K G Milhench
Director

A Moore
Non-executive Chairman

Company balance sheet
at 31 July 2007

	Note	2007 £000	2006 £000
Fixed assets			
Investments	11	14	14
Current assets			
Debtors	12	279	277
Cash at bank and in hand		<u>7</u>	<u>-</u>
		286	277
Creditors: amounts falling due within one year	13	<u>(23)</u>	<u>-</u>
Net current assets/(liabilities)		<u>263</u>	<u>277</u>
Total assets less current liabilities		277	291
Creditors: amounts falling due after more than one year		<u>-</u>	<u>-</u>
Net assets/(liabilities)		<u>277</u>	<u>291</u>
Capital and reserves			
Called up share capital	15	83	73
Share premium account	16	302	245
Profit and loss account	16	(108)	(27)
Equity shareholders' funds	17	<u>277</u>	<u>291</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 January 2008. They are signed on the Board's behalf by:

K G Milhench
Director

A Moore
Non-executive Chairman

Consolidated cash flow statement

for the year ended 31 July 2006

	Note	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Net cash (outflow) from operating activities	18	(187)	(60)
Returns on investments and servicing of finance	19	1	1
Capital expenditure and financial investments	19	-	
Acquisitions and disposals		-	-
Cash (outflow) before financing		(186)	(59)
Financing	19	67	268
Increase/(decrease) in cash in the period	20	(119)	209

Reconciliation of net cash flow to movement in net funds

for the year ended 31 July 2007

	Note	Year ended 31 July 2007 £000	Period ended 31 July 2006 £000
Increase/(decrease) in cash in the period		(119)	209
Repayment of capital element of finance leases		-	-
Change in net debt resulting from cash flows		(119)	209
Other		-	-
Movement in net debt in the period		(119)	209
Net funds at the start of the period		240	31
Net funds at the end of the period	20	121	240

Notes

(forming part of the financial statements)

1. Accounting policies

Basis of accounting

Both the Company and Group financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 July 2007.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover represents takings received for entry into the daily prize draws. The revenue is recognised upon receipt of the money for the period that the draws take place.

Fixed asset investments

Fixed asset investments are valued at the cost of investment less any write downs made for a considered permanent diminution in value.

Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration 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 recognised as an asset and amortised over a period of 20 years, which the directors consider to be the estimated useful life of the goodwill.

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.

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

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.

Notes *(continued)*

1. Accounting policies *(continued)*

Deferred taxation

The charge for taxation is based on the 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.

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, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

2. Segmental analysis

The operating profit/(loss) for the years ended 31 July 2007 and 31 July 2006 are entirely derived from its principal activity, wholly undertaken in the UK. Hence, no separate segmental analysis has been prepared.

3. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Depreciation – owned assets	-	3
Amortisation of intangible assets	14	15
Amortisation of goodwill	8	9
Hire of plant and machinery	-	11
Hire of other assets	25	25
Auditors' remuneration:		
Audit fees	8	8
Other fees paid to the auditors	-	-
	=====	=====

Notes (continued)

4. Directors' emoluments

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Aggregate emoluments in respect of services	102	129
Compensation for loss of office	-	30
Sums paid to third parties for director services	54	34
	<u>156</u>	<u>193</u>

None of the directors have accrued retirement benefits or held share options during the period to 31 July 2007 (2006 None). There are no long-term incentive schemes in place.

5. Employee costs

The average monthly number of employees (including Directors) was:

	Year ended 31 July 2007 No.	Year ended 31 July 2006 No.
Directors	4	3
Administration	5	3
Total	<u>9</u>	<u>6</u>

Their aggregate remuneration comprised:

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Wages and salaries	149	151
Sums paid to third parties for services	54	34
Social security costs	21	19
Termination payments	-	30
Total	<u>224</u>	<u>234</u>

Notes (continued)

6. Interest payable and receivable

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Interest payable on hire purchase agreements	-	-
Interest payable	<u>-</u>	<u>-</u>
Interest receivable on bank deposits	<u>1</u>	<u>1</u>
Interest receivable	<u><u>1</u></u>	<u><u>1</u></u>

7. Tax on loss on ordinary activities

a) Analysis of charge in the period

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Current tax:		
UK Corporation tax	-	-
Total current tax (Note 7(b))	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Notes (continued)

7. Tax on loss on ordinary activities (continued)

b) Factors affecting the tax charge for the period

	Year ended	Period ended
	31 July	31 July
	2007	2006
	£000	£000
(Loss)/profit on ordinary activities	<u>(170)</u>	<u>(83)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (period ended 31 July 2006: 19%)	(34)	(16)
Effects of:		
Disallowed expenses and non-taxable income	1	2
Depreciation in excess of capital allowances	1	3
Taxable losses and excess charges carried forward	<u>32</u>	<u>11</u>
Current tax charge for the period (Note 8(a))	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in the periods ended 31 July 2007 or 31 July 2006 in respect of the taxable losses carried forward of approximately £857,000 (2006 £700,000) as there is insufficient evidence that it will be recoverable against taxable profits during the next 12 months.

8. Earnings per ordinary share

The calculation of basic earnings per share is based on losses of £170,000 (2006: £82,000) and ordinary shares of 77,254,052 (2006: 16,042,083 shares) being the weighted average number of ordinary shares in issue during the period.

The profit for the period and the weighted average number of ordinary shares for the purposes of calculating the fully diluted earnings per share are the same as for the basic earnings per share calculation. This is because there are no share options in place that would have a dilutive effect on the calculation.

9. Company result for the financial period

The Weather Lottery plc has not presented its own profit and loss account as permitted by section 230(4) of the Companies Act 1985. The loss for the financial period as dealt with in the accounts of the Company is £81,000 (2006: Loss of £26,000).

Notes (continued)

10. Intangible fixed assets

Group

	Goodwill £000	Software Development £000	Total £000
COST:			
As at 1 August 2006	176	154	330
Additions	-	-	-
As at 31 July 2007	176	154	330
AMORTISATION:			
As at 1 August 2006	18	100	118
Additions	8	14	22
As at 31 July 2007	26	114	140
NET BOOK VALUE:			
As at 31 July 2007	150	40	190
As at 31 July 2006	158	54	212

11. Investments

	Group 31 July 2007 £000	Company 31 July 2007 £000	Group 31 July 2006 £000	Company 31 July 2006 £000
Cost as at 1 August 2006 and 31 July 2007	-	14	-	14
	-	14	-	14
Shares in group undertakings	-	14	-	14
	-	14	-	14

As at 31 July 2007, investments in which the Group or the Company held 20 percent or more of the nominal value of any class of share capital are as follows:

	Principal activity	Class and percentage of shares held and voting rights
<i>Subsidiary undertaking</i>		
Lottery Service Providers Limited	Lottery administrators	100% ordinary
Prize Provision Services Limited	Lottery management	100% ordinary

Both the subsidiary undertakings are incorporated in England and Wales and operate in England. The

results of the subsidiary undertakings are consolidated in the Group financial statements.

Notes *(continued)*

12. Debtors

	Group 31 July 2007 £000	Company 31 July 2007 £000	Group 31 July 2006 £000	Company 31 July 2006 £000
Amounts due from subsidiary undertakings	-	246	-	276
Other debtors	32	24	3	1
Prepayments and accrued income	15	9	7	-
	<u>47</u>	<u>279</u>	<u>10</u>	<u>277</u>

13. Creditors: amounts falling due within one year

	Group 31 July 2007 £000	Company 31 July 2007 £000	Group 31 July 2006 £000	Company 31 July 2006 £000
Trade creditors	263	15	229	-
Accruals and deferred income	18	8	23	-
Social security & other taxes	11	-	41	-
	<u>292</u>	<u>23</u>	<u>293</u>	<u>-</u>

Notes (continued)

14. Financial instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities can be found on pages 7 and 8. Disclosure dealt with in this note excludes short-term debtors and creditors where permitted by FRS 13.

Interest rate risk profile of financial assets

The interest rate risk profile of the Group's financial assets was as follows:

Sterling	Fixed rate financial assets £000	Floating rate financial assets £000	Financial assets on which no interest is earned £000	Total £000
As at 31 July 2007	-	121	-	121
As at 31 July 2006	-	240	-	240

Floating rate financial assets comprise:

	31 July 2007 £000	31 July 2006 £000
Interest bearing bank accounts	121	240
	121	240

There were no financial liabilities at 31 July 2007 or 31 July 2006.

Fair values of financial assets and liabilities

The fair value based upon the market value or discounted cash flows of the financial instruments detailed above was not materially different from the book values as at 31 July 2007 or 31 July 2006.

Notes (continued)

15. Called up share capital

	31 July 2007 £000	31 July 2006 £000
Authorised		
100,000,000 ordinary shares of 0.1p each	<u>100</u>	<u>100</u>
Allotted, issued and paid		
83,304,730 ordinary shares of 0.1p each	<u>83</u>	<u>73</u>
(2006: 73,202,000 ordinary shares of 0.1p each)		

On 7 September 2006 3,852,730 ordinary shares were issued at par . On 9 July 2007 a further 6,250,000 ordinary shares were issued at 1.5p giving rise to a share premium of £87,500, less share issue expenses of £30,000.

16. Share premium and reserves

	Share Premium Account £000	Profit and loss account £000
Group		
As at 1 August 2006	245	(149)
Premium on new share capital subscribed less expenses	57	-
Bonus share issue	-	-
Retained profit for the year	<u>-</u>	<u>(170)</u>
At 31 July 2007	<u>302</u>	<u>(319)</u>
Company	£000	£000
As at 1 August 2006	245	(27)
Premium on new share capital subscribed less expenses	57	-
Bonus share issue	-	-
Retained profit/(loss) for the year	<u>-</u>	<u>(81)</u>
At 31 July 2007	<u>302</u>	<u>(108)</u>

Notes (continued)

17. Reconciliation of shareholders' funds

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Group		
Profit/(loss) for the financial period	(170)	(82)
New share capital subscribed (including premium and expenses)	<u>67</u>	<u>268</u>
Total movements during the year	(103)	186
Opening shareholders' funds	<u>169</u>	<u>(17)</u>
Closing shareholders' funds	<u>66</u>	<u>169</u>

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Company		
Profit/(loss) for the financial period	(81)	(26)
New share capital subscribed (including premium and expenses)	<u>67</u>	<u>268</u>
Total movements during the year	(14)	242
Opening shareholders' funds	<u>291</u>	<u>49</u>
Closing shareholders' funds	<u>277</u>	<u>291</u>

18. Reconciliation of operating loss to operating cash flows

	Year ended 31 July 2007 £000	Period ended 31 July 2006 £000
Operating (loss)	(171)	(83)
Depreciation and amortisation	22	27
Loss on disposal of fixed assets	-	-
(Increase)/decrease in debtors	(37)	8
Increase/(decrease) in creditors	(1)	(12)
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from operating activities	<u>(187)</u>	<u>(60)</u>

Notes (continued)

19. Analysis of cash flows for headings netted in the cash flow statement

	Year ended 31 July 2007 £000	Year ended 31 July 2006 £000
Returns on investments and servicing of finance		
Interest payable	-	-
Interest received	<u>1</u>	<u>1</u>
Net cash inflow from returns on investments and servicing of finance	<u>1</u>	<u>1</u>
Capital expenditure and financial investment		
Proceeds from disposal of fixed assets	-	-
Payments to acquire investments	<u>-</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment	<u>-</u>	<u>-</u>
Financing		
Issues of ordinary share capital (including premium/expenses)	67	268
Repayment of hire purchase obligations	<u>-</u>	<u>-</u>
Net cash inflow from financing	<u>67</u>	<u>268</u>

20. Reconciliation of net funds to the amounts shown in the balance sheet

	1 August 2006 £000	Cash flow £000	Non cash movement £000	31 July 2007 £000
Cash at bank and in hand	240	(119)	-	121
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>240</u>	<u>(119)</u>	<u>-</u>	<u>121</u>

Notes (continued)

21. Controlling party

No single individual has sole control of the Group or Company.

22. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £nil (2006: £Nil).

23. Other financial commitments

At 31 July 2007 the Group had outstanding annual commitments under non-cancellable operating leases which fall due as follows:

	Year ended 31 July 2007 £000	Period ended 31 July 2006 £000
Within one year	-	-
Two to five years	8	8
Over five years	25	25
	<hr/> 33 <hr/>	<hr/> 33 <hr/>