

# PROBABILITY PLC

## Annual Report and Accounts for the year ended 31 March 2009

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### Statutory information

Probability Plc is a Public Limited Company incorporated in the United Kingdom (Registration No. 5830059). The Company's ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange (AIM).

### Directors

Graham Parr (*Chairman*)  
Charles Cohen  
Glenn Elliott  
William Henbrey  
Adam Neilson  
Michael Watson  
Matthew Wreford

### Secretary and registered office

MH Secretaries Limited, Staple Court, 11 Staple Inn Buildings, London, WC1V 7QH

### Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

### Nominated Adviser and Broker

Collins Stewart Europe Ltd, 88 Wood Street, London, EC2 7QR

## **Probability Plc**

### **Chairman's Statement**

This has been another year of excellent progress for Probability in the face of difficult headwinds from the wider economy from which no one has been immune. I am pleased to be able to report nevertheless that Probability has not only weathered these difficulties but also thrived. We are consolidating our technological and commercial head start in the emergent field of mobile gaming, putting us in an even stronger position to further our ambitions in the regulated gaming space globally. The final result of near break-even for the year is fully in line with management expectations.

The basis of our strength as a Company is our absolute focus on one area of gaming technology and services, and the people who use it. This depth of knowledge helps us not only as a direct to consumer operator in attracting and retaining customers, but as a business-to-business partner for on-line and off-line companies wishing to benefit from our mobile expertise and range of content.

We have maintained a disciplined approach to cost and cash management, ending the year with a similar amount of cash as we began it. Surpluses from the growth this year have been reinvested into our capacity to develop new and exciting products, as well as the brand licenses we have pursued which have proven powerful tools for recruiting and retaining customers. As well as new games, we have also invested in our back-office systems for managing customer relationships and in preparing for the many opportunities now being lined up for our business-to-business services.

We remain committed to, and confident of, our direct-to-consumer strategy. This side of our business provided most of our income, offering mobile only gaming services distributed primarily to customers already surfing the mobile internet or downloading other types of games from their network operators.

Having established a foothold in the business-to-business market, gaining experience by working with Rank Group plc and News International for example, we also believe that there is considerable opportunity now to scale up this side of our business. More and more entities around the world are expressing a real interest in exploring mobile as a delivery channel for their services and we have invested in developing those aspects of our platform and service which partners such as these require. The deals which we have recently concluded with, for example, mFuse and Dragonfish (888) are part of a medium term strategy to build up our capabilities in this area.

I wish to extend my personal gratitude to everyone in the team at Probability for their continued loyalty and hard work, and look forward to working closely with them all as we drive this business forward to the enormous success which we all believe lies ahead of us.

**Graham Parr**  
*Chairman*

**27 July 2009**

## **Probability Plc**

### **Business Review**

The 58% increase in revenues this year bringing us close to break even, is an excellent result. This, along with the continued development of our service and offering, positions Probability well for future growth as both a direct-to-consumer and business-to-business specialist in all types of regulated mobile cash gaming.

A big contributor to that growth this year has been on widening our portfolio of mobile games, particularly with branded content offering mass consumer appeal. “Grease” slots – themed on the classic movie - has been a huge and instant success, whilst “Rameses Riches”, a five-reel slot developed through our alliance with NextGen Gaming of Australia, has attracted many players who have played the same game on various on-line casino sites. Below the surface, we have also upgraded our CRM capability to create what we call “live CRM”, a real-time promotional management system which can respond to changes in player behaviour in minutes with targeted offers and personalised bonuses. This is all achieved within a strong framework of risk management and social responsibility.

We fully intend to continue a high intensity of innovation as we pursue future growth in both the direct and business to business markets. Gaming and lottery consumers generally have an unquenchable thirst for new content. Whereas a few years ago it was enough for a gaming service to offer a handful of own-brand slots, alongside the standard casino fare, many on-line gaming operators now offer a choice exceeding 1,000 games and release schedules more punishing than a Hollywood studio. This is a trend which suits Probability very well. Supplying this demand is at the heart of our growth and investment strategy – both in direct-to-consumer marketing and business-to-business.

The software platform which Probability has built, and continues to invest in, has two great strengths in this fast changing and unpredictable environment. First, it allows for very rapid development of a wide range of game formats with the highest quality standards and full regulatory compliance. Secondly, our whole service is now readily connected to other operating platforms, such as Orbis (a back-office system widely used by bookmakers) and the mFuse NOVO system. This means that any gaming operator which uses these platforms can add mobile content from Probability quickly and without major technical investment up-front.

There remains significant growth potential in both our direct to consumer and business to business markets. The coming year will see us expand direct to consumer marketing to new territories where the regulatory environment allows and the Company is actively investigating the potential for additional operating licences in the EU and more widely. The deals which we have concluded now with mFuse and Dragonfish/888 are key milestones in the development of this business-to-business strategy and we hope to be able to expand this offering even faster in the coming year.

None of this would, of course, be possible without the hard work and creativity of everyone working in and with Probability – as well as the continued support and involvement of our investors and shareholders. I hope we continue to retain that support for, as impressive as the performance to date may be, this is only just the beginning.

**Charles Cohen**  
*Chief Executive*

**27 July 2009**

## **Probability Plc**

### **Corporate Governance**

The Directors recognise the value and importance of high standards of corporate governance.

Since admission to AIM in August 2006 the Board has been set up to comply with the main provisions of the Combined Code.

The Company also follows the recommendations on corporate governance from the Quoted Companies Alliance for companies with shares traded on AIM.

Given the Company's size and the constitution of the Board, the following is a brief summary of the main aspects of corporate governance currently in place.

With effect from the Admission to the AIM market in August, the Board has established an Audit Committee and a Remuneration Committee with formally delegated responsibilities.

The Remuneration Committee is chaired by Graham Parr. Its other members are currently Matthew Wreford and William Henbrey. This committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives. The remuneration and terms and conditions of appointment of the Non-executive Directors will be set by the Board.

The Audit Committee is chaired by Graham Parr. Its other members are Michael Watson and Matthew Wreford. The Audit Committee monitors the quality of internal controls and ensures that the financial performance of the Company is properly measured and reported on. It reviews reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

As the Board is small, there is not a separate Nominations Committee and recommendations for appointments to the Board are considered by the Board as a whole.

The Directors follow the guidance set out by Rule 21 of the AIM Rules relating to dealings by Directors in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

### **Going Concern**

Under Company Law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Group and Company are going concerns. As part of the normal business practice the Group prepares annual and longer term plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources to enable them to continue in business for the foreseeable future. For this reason the Company and Group continue to adopt the going concern basis in preparing the financial statements.

## Probability Plc

### Directors' report

The Directors present their report and accounts for the year ended 31 March 2009.

#### *Principal activities*

The business of the Group is to develop and operate gambling services for mobile phone users.

#### *Results and dividends*

The trading results for the year and the Group and Company's financial position at the end of the year are shown in the attached financial statements and are discussed in the business review on page 3.

The Company will not be paying a dividend this year.

#### *Annual General Meeting*

The date and other details of the next Annual General Meeting of the Company are contained within the notice of the meeting, which accompanies this report.

#### *Directors*

The Directors who served during the year and their interests in the share capital of the Company were as follows:

	Ordinary shares of 1p each			Exercise price
	31 March 2009	31 March 2008	Options granted 31 March 2009	
Graham Parr	172,662	172,662	126,616	43p
Charles Cohen	2,179,800	2,160,000	612,880 62,403	15p 43p
William Henbrey	20,500	-	-	
Matthew Wreford	-	-	-	
Michael Watson	<i>Appointed 6 June 2008</i>	-	-	
Robert Spriddell	<i>Resigned 6 June 2008</i>	-	-	
Glenn Elliott	<i>Appointed 3 July 2008</i>	-	15,000	1p
Richard Sowerby	<i>Appointed 3 July 2008 Resigned 30 June 2009</i>	-	-	
John Scaife	<i>Resigned 3 July 2008</i>	2,160,000	-	

The following Director was appointed after 31 March 2009:

Adam Neilson *Appointed 15 June 2009*

There have been no changes to the holdings since 31 March 2009.

#### *Post balance sheet events*

There have been no material post balance sheet events.

## Probability Plc

### Directors' report (Continued)

#### *Creditors payments*

The creditors payment period at 31 March 2009 was 40 days.

#### *Substantial shareholders*

As at 24 July 2009, the following shareholders had direct or indirect interests over 3% or more of the issued share capital of the Company:

	<b>Holding</b>	<b>% of total</b>
IPGL Limited	4,636,995	21.5
Colter Limited	3,562,890	16.5
Charles Cohen	2,160,000	10.0
John Scaife	1,760,000	8.1
Forest Nominees	1,367,011	6.3
Foresight VCT 2,3 & 4 (combined)	1,315,788	6.1
Lynchwood Nominees	994,538	4.6
Guild Ventures Limited	657,894	3.0

#### *Key Performance Indicators (KPI's)*

The Company publishes unaudited KPI'S every quarter through the Regulatory News Service. During the year we reported quarterly on net gaming revenues, customer recruitment and cash reserves. Our annual net gaming revenue and cash reserves are shown in the income statement and balance sheet respectively.

The basis upon which the Company calculates KPI's is that commonly used by the gambling industry. The range of KPI's provided is considered appropriate for a Company of our type and stage of development. The Board continually reviews the package of information provided as part of its commitment to providing investors with meaningful and timely information relating to the performance of the business.

#### *Use of financial instruments*

Details of the Group's management of financial instruments are detailed in note 14 to the financial statements.

### **Risks relating to the business of the Group**

#### *Casino risk*

The Group is exposed to gaming risk in relation to its mobile casino operations operated by its Alderney subsidiary. Whilst the Group's mobile casinos and other games incorporate a house "edge" designed to provide a return to the Group over a large number of bets, in the short term the Group's mobile casinos and other games may experience losses.

#### *Lack of operating history; history of losses*

The Group has incurred net losses since it was incorporated. Furthermore, whilst the Group has achieved significant growth in its revenue over the past twelve months there can be no guarantee that this revenue or the historic levels of growth can or will be sustained.

## **Probability Plc**

### **Directors' report** *(Continued)*

#### *Dependence upon affiliate and marketing partners*

The Group has established affiliate and marketing relationships which provide the Group with new customers. There is no guarantee that the Group will be able to maintain these alliances, enter into further alliances or that existing partners will not enter into relationships with the Group's competitors. The loss of any of these relationships could have a material adverse effect on the Group's ability to develop and successfully market its products and services.

#### *Dependence on third parties*

The Group's business is dependent on mobile networks and manufacturers' products, mobile content providers and media Groups, as well as other service providers who, for example, provide payment processing and customer age and ID verification. If there is any interruption to the products or services provided by other third parties or if there are problems in supplying the products or services, the Group's business could be adversely affected.

#### *Possibility of player fraud (including identity theft)*

As an operator of remote gambling services, players register with the Group's Alderney subsidiary and place bets without any employee of the Group meeting the player in person. Accordingly, the Group is not able to verify that the information provided by each player upon registration is genuinely that person's information, only that the information provided is prima facie correct through reference to third party databases such as the electoral register, credit reference, drivers licence and passport numbers.

This creates a financial risk, as the Group is obliged to refund any bets to the victim of the identity fraud, a reputational risk to the Group's standing as a socially responsible operator, and a regulatory risk under the terms of the Alderney subsidiary's E-Gambling Licence.

#### *Competition*

The Group expects to experience increasing competition from a number of companies operating within the mobile gambling market. This may affect the Group's ability to recruit customers cost effectively or restrict access to potential new customers where there is a shortage of available media space.

#### *Changes in consumer preferences*

There are a number of trends in consumer preferences which may impact on both the Group and its industry as a whole. These include the growth in gambling, the growth in mobile content and the growing acceptance of electronic payment mechanisms.

#### *Technological/industry standards change*

The markets for the Group's games and the mobile phones on which they are operated are characterised by rapidly changing technology, evolving industry standards and increasingly sophisticated customer expectations. Such changes may render the Group's existing products obsolete and unmarketable if the Company is unable to respond in a timely fashion.

#### *Key personnel*

The Group depends on the services of its senior management and its key technical, sales and marketing personnel. The loss of the services of any of these persons could have a material adverse effect on the Group's business, operating results and/or financial position.

## **Probability Plc**

### **Directors' report** (*Continued*)

#### *System failures and breaches of security*

The successful operation of the Group's business depends upon maintaining the integrity of the Group's computer systems. Such systems vulnerable to damage, breakdown or interruption from events which are beyond the Group's control, such as fire, flood and other natural disasters; power loss or telecommunications or data network failures; improper or negligent operation of the Group's system by employees, or unauthorised physical or electronic access; and interruptions to the Internet system's integrity generally as a result of attacks by computer hackers or viruses or other types of security breaches. Any such damage or interruption could cause significant disruption to the operations of the Group.

#### *Regulatory risk*

The Group's gambling activities are operated under the jurisdiction of the Alderney Gambling Control Commission, where it is licensed, and its gambling operations are based. The regime under which Alderney permits remote gambling operations to be operated within its jurisdiction may be altered or restricted through legislation in Alderney which renders the Group's operating base unusable or uneconomic. In addition, territories where the Company wishes to market its Alderney based gambling services may impose restrictions upon remote gambling services which would restrict the Company's ability to market to potential customers in that territory or to service existing customers by, for example, restricting financial transactions.

Where such restrictions exist, or come into existence in the future, and/or in each case are actively enforced, the Company may not be able to offer its gambling/gaming services, or may be required to seek on-shore gambling/gaming licences local to these territories. Restrictions on promotion and/or the operation of remote gambling/gaming services in any particular location might also diminish or inhibit the Company's ability to secure distribution in such territories.

#### **Disclosure of information to auditors**

So far as each Director at the date of approval of this report is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **Auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution that BDO Stoy Hayward LLP be reappointed as auditors of the Company will be put to the Annual General Meeting.

This report was approved by the Board on 27 July 2009.

**Charles Cohen**  
*Chief Executive*

## **Probability Plc**

### **Directors' responsibilities**

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

### **Group financial statements**

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

### **Parent company financial statements**

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

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

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **Probability Plc**

### **Independent Auditors' Report to the Shareholders of Probability Plc**

We have audited the Group and parent company financial statements (the "financial statements") of Probability Plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, and related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The Directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company 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 other transactions is not disclosed.

We read other information in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, Business Review and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company'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.

## **Probability Plc**

### *Opinion*

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009;
- 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.

### **BDO Stoy Hayward LLP**

Chartered Accountants and Registered Auditors  
55 Baker Street  
London  
W1U 7EU

27 July 2009

**Probability Plc****Consolidated income statement for the year ended 31 March 2009**

	<b>Note</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Continuing operations</b>			
<b>Net gaming revenue</b>		4,987	3,157
Operating expenses		(994)	(782)
Administrative expenses		(4,246)	(3,542)
Other administrative expenses		(4,154)	(3,472)
Share-based payments		(92)	(70)
		<hr/>	<hr/>
<b>Operating loss</b>	3	(253)	(1,167)
Finance income	7	100	52
		<hr/>	<hr/>
<b>Loss before tax</b>		(153)	(1,115)
Tax expense	8	-	(195)
		<hr/>	<hr/>
<b>Loss after tax attributable to equity holders of the parent</b>		(153)	(1,310)
		<hr/>	<hr/>
<b>Loss per share (pence)</b>			
Basic and diluted	4	(0.71)	(7.06)
		<hr/>	<hr/>

The notes on pages 17 to 34 form part of these financial statements.

**Probability Plc**

**Consolidated statement of recognised income and expense for the year ended 31 March 2009**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss for the period</b>	(153)	(1,310)
<b>Total recognised income and expense for the year</b>	(153)	(1,310)
	<u>          </u>	<u>          </u>

The notes on pages 17 to 34 form part of these financial statements

**Probability Plc****Consolidated balance sheet at 31 March 2009**

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9	109		118	
		<hr/>		<hr/>	
Total non-current assets			109		118
<b>Current assets</b>					
Trade and other receivables	11	782		537	
Cash and cash equivalents		2,244		2,501	
		<hr/>		<hr/>	
Total current assets			3,026		3,038
			<hr/>		<hr/>
<b>Total assets</b>			<b>3,135</b>		<b>3,156</b>
<b>Current liabilities</b>					
Trade and other payables	12	608		568	
Provisions	13	238		238	
		<hr/>		<hr/>	
Total current liabilities			846		806
			<hr/>		<hr/>
<b>Total liabilities</b>			<b>846</b>		<b>806</b>
			<hr/>		<hr/>
<b>TOTAL NET ASSETS</b>			<b>2,289</b>		<b>2,350</b>
			<hr/> <hr/>		<hr/> <hr/>

The notes on pages 17 to 34 form part of these financial statements.

**Probability Plc**

**Consolidated balance Sheet at 31 March 2009**

**Capital and reserves attributable to equity holders of the Company**

Share capital	16	216	216
Share premium	17	5,240	5,240
Reverse acquisition reserve	17	1,380	1,380
Retained earnings	17	(4,547)	(4,486)
		<hr/>	<hr/>
		2,289	2,350
		<hr/>	<hr/>
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>2,289</b>	<b>2,350</b>
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 12 to 34 were approved and authorised for issue by the Board of Directors on 27 July 2009 and were signed on its behalf by:

**Charles Cohen**  
*Chief Executive*

The notes on pages 17 to 34 form part of these financial statements.

**Probability Plc****Consolidated cash flow statement for the year ended 31 March 2009**

	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>				
Loss before income and tax	(153)		(1,115)	
Adjustments for:				
Depreciation	50		43	
Share-based payments	92		70	
Finance income	(100)		(52)	
	<hr/>		<hr/>	
		(111)		(1,054)
<b>Cash flows from operating activities before changes in working capital</b>				
(Increase) in trade and other receivables	(245)		(237)	
Increase in trade and other payables	40		168	
Increase in provisions	-		238	
	<hr/>		<hr/>	
		(205)		169
		<hr/>		<hr/>
<b>Cash flow from operating activities</b>		(316)		(885)
<b>Cash flow from investment activities</b>				
Capital expenditure	(41)		(44)	
Finance income	100		52	
	<hr/>		<hr/>	
		59		8
<b>Cash flow from financing activities</b>				
Issue of ordinary shares ( net of share issue cost)	-		1,707	
	<hr/>		<hr/>	
		-		1,707
<b>(Decrease)/Increase in cash and cash equivalents</b>		(257)		830
<b>Cash and cash equivalents at the beginning of the year</b>		2,501		1,671
		<hr/>		<hr/>
<b>Cash and cash equivalents at the end of the year</b>		2,244		2,501
		<hr/> <hr/>		<hr/> <hr/>

The notes on pages 17 to 34 form part of these financial statements.

## Probability Plc

### Statutory information

Probability Plc is a Public Limited Company incorporated in the United Kingdom under the Companies Act 1985 (Registration No. 5830059). The Company's registered address is Staple Court, 11 Staple Inn Buildings, London, WC1V 7QH. The Company's ordinary shares are traded on the Alternative Investment Market (AIM). Copies of this report will be made available to shareholders.

### Notes forming part of the financial statements for the year ended 31 March 2009

#### 1 Accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, issued by the International Accounting Standards Board (IASB).

##### *Basis of preparation*

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as these were not effective for the year 2009. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods:

IAS1 (amendment) – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – IAS1 (amendment) has been endorsed for use in the EU.

IFRIC13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC13 has been endorsed for use in the EU.

IFRS2(amendment) – Vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). IFRS2 (amendment) has been endorsed for use in the EU.

IFRS3 (revised) – Business combinations (effective for accounting periods beginning on or after 1 July 2009). IFRS3 (revised) has been endorsed for use in the EU.

IFRS8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) contains requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The standard is concerned only with disclosure and replaces IAS14 – Segment reporting. IFRS8 has been endorsed for use in the EU.

Amendments to IAS32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009). These amendments have been endorsed for use in the EU.

IFRS1 (revised) – First time adoption of IFRS (effective for accounting periods beginning on or after 1 July 2009). IFRS1 (revised) has not yet been endorsed for use in the EU.

IFRIC15 – Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009). IFRIC15 has not yet been endorsed for use in the EU.

IFRIC16 – Hedges of a net investment in a foreign operation (effective for accounting periods beginning on or after 1 October 2008). IFRIC16 has been endorsed for use in the EU.

IFRIC17 – Distributions of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009). IFRIC17 has not yet been endorsed for use in the EU.

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2009 (*Continued*)

#### *Accounting policies (Continued)*

IFRIC 18 – Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009). IFRIC18 has not yet been endorsed for use in the EU

IAS39 (amended) – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009) IAS39 (amended) has not yet been endorsed for use in the EU.

IAS39 (amended) – Reclassification of financial assets: effective date and transition (effective for accounting periods beginning on or after 1 July 2009). IAS39 (amended) has not yet been endorsed for use in the EU.

IFRS1 First Time Adoption of IFRS and IAS27 Consolidated and Separate Financial Statements (amended) effective for accounting periods beginning on or after 1 January 2009. This amendment has been endorsed for use in the EU.

IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosures (amended) (effective for periods beginning on or after 1 July 2008). This amendment has not been adopted for use in the EU.

Amendment to IFRS7: Improving Disclosures about financial instruments (effective for accounting periods beginning on or after 1 January 2009). This amendment has not yet been endorsed for use in the EU.

Amendments to IFRIC9 and IAS39: Embedded Derivatives (effective for accounting periods beginning on or after 30 June 2009). This amendment has not yet been endorsed for use in the EU.

Improvements to IFRSs (effective for various accounting periods starting from 1 July 2009). These improvements have not yet been endorsed for use in the EU.

Amendments to IFRS2: Group Cash settled share based payment transactions (effective for accounting periods beginning on or after 1 January 2010). This amendment has not yet been endorsed for use in the EU.

#### *Basis of consolidation*

On 12 June 2006, the Company became the legal parent of Probability Games Corporation Limited ('PGC') and its subsidiaries in a share-for-share transaction. Due to the relative size of the Companies, PGC shareholders became the majority holders of the share capital of the Company at the date of the combination. Further, the Company's continuing operations and executive management were those of PGC. Accordingly, the substance of the combination was that PGC acquired Probability Plc in a reverse acquisition.

Under the requirements of the Companies Act 1985, it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results would be those of Probability Plc and PGC would be included only in relation to its performance from 12 June 2006. However, this would portray the combination as the acquisition of PGC by Probability Plc and would, in the opinion of the Directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the Directors have adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view.

In invoking the true and fair override, the Directors note that reverse acquisition accounting is endorsed under International Financial Reporting Standard 3 'Business Combinations'.

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)

#### Accounting policies (Continued)

There are a number of effects on the consolidated financial statements of adopting reverse acquisition accounting. The principal effect of consolidating using reverse acquisition accounting is that no goodwill arose on consolidation. No goodwill arose as the fair value of Probability plc was equal to the book value at the date of the combination. A reverse acquisition reserve is created which reflects the difference between the book value of the shares issued by Probability Plc as consideration for the acquisition of PGC and the share capital and share premium in PGC. Under normal acquisition accounting the goodwill arising on the investment by Probability Plc in PGC would be shown on the consolidated balance sheet and (would be subject to an annual impairment review) in accordance with IFRS 3 'Business Combinations'. The Directors believe that by adopting reverse acquisition accounting the consolidated income statement more fairly reflects the actual trading results of the Group

The following tables indicate the principal effects on the composition of reserves at 31 March 2009 and 31 March 2008.

31 March 2009	Reverse acquisition accounting (as disclosed) £ '000	Normal acquisition accounting £ '000	Impact of reverse acquisition accounting £ '000
Share Capital	216	216	-
Share Premium	5,240	5,240	-
Reverse Acquisition reserve	1,380	-	1,380
Profit and Loss reserve	(4,547)	(3,628)	(919)
Goodwill	-	460	(460)
31 March 2008	Reverse acquisition accounting (as disclosed) £ '000	Normal acquisition accounting £ '000	Impact of reverse acquisition accounting £ '000
Share Capital	216	216	-
Share Premium	5,240	5,240	-
Reverse Acquisition reserve	1,380	-	1,380
Profit and Loss reserve	(4,486)	(3,567)	(919)
Goodwill	-	460	(460)

#### Net gaming revenue

Revenue is recognised to the extent that its probable economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Revenue is recognised when a bet is placed by the player.

Revenue comprises net gaming revenue derived from mobile phone gambling operations.

Net gaming revenue is defined as the difference between the amount of bets placed by the players less amounts won by players. It is stated after deduction of certain bonuses granted to players.

Commission that is derived from the Group's "white label" operations (third party entities that use the Group's platform) and Poker is included within net gaming revenue.

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2008

#### Accounting policies *(Continued)*

##### *Foreign currency*

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

##### *Intangible assets*

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

##### *Deferred taxation*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2009 (*Continued*)

#### Accounting policies (*Continued*)

##### *Property, plant and equipment*

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value, of each asset evenly over its expected useful life as follows:

Fixtures and fittings	-	25% per annum straight line
Computer equipment	-	25% per annum straight line

##### *Financial instruments*

The carrying amounts of cash and cash equivalents, trade receivables, other accounts receivable, trade payables and other accounts payable approximate to their fair value.

##### *Financial assets*

###### Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost.

They principally comprise amounts due from credit card companies, mobile networks and from e-payment companies. An estimate for doubtful debts is made when recovery is no longer probable. Bad debts are written off when there is objective evidence that they will not be recovered..

##### *Cash and cash equivalents*

Cash comprises cash in hand and balances kept with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. They include short-term bank deposits originally purchased with maturities of one month or less.

##### *Equity*

Equity issued by the Company is recorded at the proceeds received, net of direct issue cost.

##### *Financial liabilities*

###### Trade and other payables

Trade and other payables are recognised at fair value and subsequently carried at amortised cost.

###### Player liabilities

Player liabilities are the amount that clients place in the Group's electronic "wallet" or bankroll, including provision for bonuses granted by the Group. These amounts are repayable on demand in accordance with the applicable terms and conditions. Player liabilities are recognised at fair value and subsequently measured at amortised cost.

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2008

#### Accounting policies *(Continued)*

##### *Share-based payments*

The Group accounts for share-based payments in accordance with IFRS 2 which deals with share-based payments made for services or goods rendered. The fair value of share options granted is calculated using the most appropriate option pricing model. The expense is spread over the period from the date of grant to the date that options vest and are exercisable, based on the Company's best estimate of the shares that will eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

##### *Dividends*

Dividends are recognised when they become legally payable. In the case of interim dividends this is when paid. In case of final dividends this is when approved by the shareholders at the Annual General Meeting.

##### *Leases*

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases and rentals payable are charged to the income statement on a straight-line basis over the term of the lease.

##### *Provisions*

Provisions are recognised when the Group has a present or constructive obligation as a result of a past event from which it is probable that it will result in an outflow of economic benefit that can be reasonably estimated

##### *Critical accounting, estimates and judgements*

The preparation of consolidated financial statements under IFRS requires the Directors to make estimates and judgements that effect the application of policies and reported amounts.

The areas requiring the use of estimates and critical judgements that may significantly impact the Group's earnings and financial position are deferred taxation, share-based payments and provisions.

Estimates and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ from these estimates and assumptions.

These policies together with references to the related notes to the financial statements can be found below:

Deferred taxation	Note 8
Provisions	Note 13
Share-based payments	Note 18

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)

#### 2 Segmental analysis

The total net gaming revenue of the Group for the year has been wholly derived by the Group's Alderney subsidiary from its customers. The Group, therefore, has only one business and only one geographical segment.

#### 3 Operating loss

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
This has been arrived at after charging/(crediting) to administrative expenses:		
Depreciation of property, plant and equipment	50	43
Sub-lease rental income	(44)	(24)
Operating lease expense	97	97
Auditors' remuneration		
- Audit services	50	44
- Taxation compliance	12	10
- Other services	15	12

#### 4 Loss per share

	<b>2009</b>	<b>2008</b>
Loss attributable to ordinary shareholders ( £'000)	153	1,310
Weighted average number of shares (in thousands)	21,597	18,546
Basic and diluted loss per share (in pence)	0.71	7.06

There are no potentially dilutive shares in issue at either balance sheet date.

The number of share options in issue at balance sheet date was 1,850,045 (2008- 1,904,000)

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)

#### 5 Staff costs

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (including directors) comprise:		
Wages and salaries	1,201	1,206
Employer's national insurance contributions and similar taxes	122	120
	<u>1,323</u>	<u>1,326</u>
Share-based payments (see note 18)	92	70
	<u>1,415</u>	<u>1,396</u>

The average number of employees, including Directors, during the period was 22 (2008 - 22).

The Group does not pay any pension contribution.

All staff costs are shown within administrative expenses.

#### 6 Directors' remuneration

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments	349	334
Termination payments	-	100
	<u>349</u>	<u>434</u>
Share-based payments	33	70
	<u>382</u>	<u>504</u>

#### 7 Finance income and expense

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest received	100	52
	<u>100</u>	<u>52</u>

**Probability Plc**

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**8 Tax expense**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax expense</i>	-	-
	<hr/>	<hr/>
<i>Deferred tax expense</i>	-	-
Previously recognised deferred tax assets written off in the year	-	195
	<hr/>	<hr/>
	-	195
	<hr/>	<hr/>
<b>Total tax charge</b>	-	195
	<hr/> <hr/>	<hr/> <hr/>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before tax	(153)	(1,310)
Expected tax charge based on the standard rate of corporation tax in the UK of 28% ( 2008-30%)	(43)	(393)
Expenses not deductible for tax purposes	30	30
Previously recognised deferred tax asset written off in the year	-	195
Tax losses carried forward to future periods	4	354
Capital allowances in excess of depreciation	-	9
	9	
	<hr/>	<hr/>
Total tax expense	-	195
	<hr/> <hr/>	<hr/> <hr/>

A deferred tax asset of approximately £1,554,000 (2008- £1,540,000 ) has not been recognised on losses available for carry forward as the recoverability of any asset is dependant upon sufficient profits being achieved in future years to utilise this asset. The timings of such profits are uncertain.

**Probability Plc**

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**9 Property, plant and equipment**

	<b>Fixtures and fittings £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
Cost at 1 April 2007	52	101	153
Additions	12	32	44
Cost at 31 March 2008	<u>64</u>	<u>133</u>	<u>197</u>
Depreciation at 1 April 2007	(11)	(25)	(36)
Charge for the year	(15)	(28)	(43)
Depreciation at 31 March 2008	<u>(26)</u>	<u>(53)</u>	<u>(79)</u>
Closing net book value at 31 March 2008	<u>38</u>	<u>80</u>	<u>118</u>
Cost at 1 April 2008	64	133	197
Additions	3	38	41
Cost at 31 March 2009	<u>67</u>	<u>171</u>	<u>238</u>
Depreciation at 1 April 2008	(26)	(53)	(79)
Charge for the year	(16)	(34)	(50)
Depreciation at 31 March 2009	<u>(42)</u>	<u>(87)</u>	<u>(129)</u>
Closing net book value at 31 March 2009	<u>25</u>	<u>84</u>	<u>109</u>

## Probability Plc

Notes forming part of the financial statements for the year ended 31 March 2009 (*Continued*)

### 10 Subsidiaries

The principal subsidiaries of Probability Plc, all of which have been included in these consolidated financial statements, are as follows:

<b>Name</b>	<b>Country of incorporation</b>	<b>Proportion of ownership interest</b>
Probability Games Corporation Ltd	Great Britain	100%
Probability Games (Alderney) Ltd	Channel Islands	100%

<b>Name</b>	<b>Activity</b>	<b>Class of holding</b>
Probability Games Corporation Ltd	Research, development and marketing services	Ordinary
Probability Games (Alderney) Ltd	Gaming services	Ordinary

### 11 Trade and other receivables

	<b>2009 £'000</b>	<b>2008 £'000</b>
Trade receivables	286	286
Other receivables	118	108
Prepayments	378	143
	<hr/>	<hr/>
	782	537
	<hr/> <hr/>	<hr/> <hr/>

### 12 Trade and other payables

	<b>2009 £'000</b>	<b>2008 £'000</b>
Trade payables	227	272
Social security taxes	39	50
Other payables	41	19
Player liabilities	125	69
Accruals	176	158
	<hr/>	<hr/>
	608	568
	<hr/> <hr/>	<hr/> <hr/>

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)

#### 13 Provisions

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Other taxation and social security	238	238
	<hr/>	<hr/>
	238	238
	<hr/> <hr/>	<hr/> <hr/>

This prudent provision arises in relation to potential risks associated with the Group's structures in regard to other taxation and social security, and represents the Directors' best estimate of any potential obligation which could arise. The main uncertainties relate to the amount, if any, and timing of any charges, on which the Directors are seeking further advice.

#### 14 Financial risk management

The Group is exposed to certain risks arising from its use of financial instruments.

The Group's financial assets and liabilities are shown in the table below and they can be classified wholly as either receivables or payables. The Group has operated with a positive cash balance throughout the period and has no bank debt or other loan obligations.

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>		
Trade and other receivables	404	394
Cash and cash equivalents	2,244	2,501
<b>Financial liabilities</b>		
Trade and other payables	608	568
Provisions	238	238

All financial assets are classified as loans and receivables and all financial liabilities are held at amortised cost. In the Directors' opinion there is no material difference between the book value and the fair value of any of the financial instruments.

The Group has some exposure to credit risk, interest rate risk and liquidity risk. The Group does not have any material exposure to currency risk or market price risk. There has been no material change to the financial instruments used within the business during the period and therefore no material changes to the risk management policies put in place by the Board which are now disclosed below.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. Whilst acknowledging this responsibility, it has delegated the authority and day to day responsibility for designing and operating systems and controls which meet these risk management objectives to the finance and administration function.

The Board regularly reviews the effectiveness of these processes in meeting its objectives and considers any necessary changes in response to changes within the business or the environment in which it operates.

**14 Financial risk management ( *Continued* )**

*Credit risk*

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the balance sheet date. The Group's maximum exposure to credit risk by type of financial asset equals the carrying value of financial assets shown in 2009 and 2008.

<b>Trade and other receivables are due:</b>	<b>2009</b>	<b>2008</b>
<b>Current</b>	<b>£'000</b>	<b>£'000</b>
Within 30-60 days	404	394

None of these balances are overdue or impaired.

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. In practice, the Group has limited exposure to credit risk as the receivables in the balance sheet are predominantly received from well established trade suppliers who are payment collectors including one top tier bank. Nevertheless, these relationships are monitored closely by the Board and the risk of default is considered to be low.

Cash from clients is paid straight into Group's bank account. Any surplus is deposited with a UK based bank. The credit risk on such assets is considered to be low.

*Interest rate risk*

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The Group's income and operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Surplus funds are invested in short-term secured and fixed- term deposit accounts such that the Group is not unduly exposed to market interest rate fluctuations.

At the period end the amount held in fixed term deposit was £1m. Interest is earned on the fixed term deposit at a rate 2% gross per annum. Interest received from such deposits amounted to £ 100,000. If interest rates are to shift by 1 percentage either way it would have no material impact on the Group's results.

## Probability Plc

Notes forming part of the financial statements for the year ended 31 March 2009 (*Continued*)

### 14 Financial risk management (*Continued*)

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital, including cash. The Board's policy is to manage its working capital flows such that it will always have sufficient cash to allow it to meet its liabilities as and when they become due.

Budgeted cash flow forecasts are prepared for the Board setting out anticipated working capital flows together with future obligations from capital projects in progress and resulting impact on its cash balances and are reviewed on a 90 day basis.

The Group has no committed bank borrowing facilities.

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
<b>Trade and other payables are due for settlement:</b>		
<b>Current</b>		
Within 30-60 days	608	568

#### *Capital*

The Group considers its capital to comprise of the equity attributable to shareholders.

The primary objective is to maximise the return for the equity shareholders through a combination of capital growth and equity distributions. In order to achieve its objectives in these areas, the Group seeks to maintain a capital structure appropriate to its size, strategy for growth and underlying business risks.

Other than disclosed elsewhere in Note 14 there are no demands or restrictions on the Company's capital.

### 15 Leases

The Group operates a lease on a part of a building. The lease commenced 3 October 2006 and is for duration of 10 years.

Future lease payments are due as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	97	97
Later than one year and not later than five years	388	388
Later than five years	388	388
	<hr/>	<hr/>
	873	873
	<hr/> <hr/>	<hr/> <hr/>

**Probability Plc**

**Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)**

**16 Share capital**

	<b>Authorised</b>			
	<b>2009 Number</b>	<b>2009 £'000</b>	<b>2008 Number</b>	<b>2008 £'000</b>
<i>Ordinary shares of 1p each</i>	_____	_____	_____	_____
At end of the year	100,000,000	1,000	100,000,000	1,000
	=====	=====	=====	=====
	<b>Issued and fully paid</b>			
	<b>2009 Number</b>	<b>2009 £'000</b>	<b>2008 Number</b>	<b>2008 £'000</b>
<i>Ordinary shares of 1p each</i>	_____	_____	_____	_____
At end of the year	21,611,091	216	21,592,955	216
	=====	=====	=====	=====

During the year, 18,136 shares were exercised through the share option scheme for a total consideration of £181.

## Probability Plc

Notes forming part of the financial statements for the year ended 31 March 2009 (Continued)

### 17 Reserves

	Share premium	Retained earnings	Reverse acquisition reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2007	3,569	(3,246)	1,380	1,703
Proceeds on share issue	1,664	-	-	1,664
Share issue costs	(8)	-	-	(8)
Options exercised	15	-	-	15
Share-based payments	-	70	-	70
Loss for the year	-	(1,310)	-	(1,310)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	5,240	(4,486)	1,380	2,134
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 April 2008	5,240	(4,486)	1,380	2,134
Proceeds on share issue	-	-	-	-
Share issue costs	-	-	-	-
Options exercised	-	-	-	-
Share-based payments	-	92	-	92
Loss for the year	-	(153)	-	(153)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	5,240	(4,547)	1,380	2,073
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following describes the nature and purpose of each reserve within owners' equity

Reserve	Description and purpose
Share capital	Investment in the Company by its members.
Share premium	Amount subscribed for share capital in excess of nominal value.
Reverse acquisition reserve	Amounts arising after share for share exchange which occurred on 12 June 2006 when Probability Plc acquired the entire share capital of Probability Games Corporation Ltd by means of share for share exchange.
Retained earnings	Cumulative net gains and losses recognised.

**18 Share-based payments**

The Group operates two equity-settled share-based remuneration schemes for employees and directors: an inland revenue EMI approved scheme and an unapproved scheme for executive directors and certain employees. All UK employees are eligible to participate in the EMI scheme, the only vesting condition being that the individual remains an employee of the Group over the vesting period. The options will lapse if they are not exercised as stated in the contracts.

	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>Weighted average exercise price</b>	<b>Number '000</b>	<b>Weighted average exercise price</b>	<b>Number '000</b>
Outstanding at beginning of the year	21p	2,846	21p	2,479
Granted during the year	1p	147	1p	647
Exercised during the year	1p	(18)	8p	(226)
Lapsed during the year	10p	(216)	60p	(54)
		<hr/>		<hr/>
Outstanding at the end of the year		2,759		2,846
		<hr/> <hr/>		<hr/> <hr/>

The exercise price of options outstanding at the end of the year ranged between 1p and 71p (2008 - 1p and 71p) and their weighted average contractual life was 3 years (2008- 3 years).

Of the total number of options outstanding at the end of the year, 1,850,045 (2008 – 1,895,000) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of options exercised during the year was 1p.

The weighted average fair value of each option granted during the year was 53.5p (2008- 54.5p)

## Probability Plc

### Notes forming part of the financial statements for the year ended 31 March 2009 (*Continued*)

#### 18 Share-based payments (*Continued*)

The following information is relevant in the determination of the fair value of options granted during the year under the equity share based remuneration schemes operated by the Group:

	2009	2008
<i>Equity-settled</i>		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date	54p	54p
Exercise price	1p	1p
Weighted average contractual life	10y	10y
<i>Equity-settled</i>		
Expected volatility	15%	15%
Expected dividend growth rate	0%	0%
Risk-free interest rate	1%	5%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

	2009	2008
	£'000	£'000
The share-based remuneration expense comprises:		
Equity-settled schemes	92	70

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

#### 19 Related party transactions

Amounts paid to Directors in respect of remuneration for their services are set out in note 6.

There was no balance owed / owing to and from Directors at the end of the year.

**Probability Plc****Company balance sheet at 31 March 2009 ( UK GAAP )**

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Fixed assets</b>					
Investments	2	121		121	
		<hr/>		<hr/>	
			121		121
<b>Current assets</b>					
Debtors	4	4,474		4,941	
		<hr/>		<hr/>	
			4,474		4,941
			<hr/>		<hr/>
			4,595		5,062
<b>Creditors: amounts falling due within one year</b>					
	5	(54)		(82)	
		<hr/>		<hr/>	
			(54)		(82)
			<hr/>		<hr/>
<b>Net assets</b>			<b>4,541</b>		<b>4,980</b>
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital	8	216		216	
Share premium reserve	9	5,240		5,240	
Profit and loss account	9	(915)		(476)	
		<hr/>		<hr/>	
			4,541		4,980
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>4,541</b>		<b>4,980</b>
			<hr/> <hr/>		<hr/> <hr/>

The financial statements on pages 35 to 38 were approved and authorised for issue by the Board of Directors on 27 July 2009 and were signed on its behalf by:

**Charles Cohen**  
*Chief Executive*

## Probability Plc

### Notes to the Company balance sheet at 31 March 2009

#### 1 Accounting policies

##### *Basis of preparation*

The Company's Balance sheet has been prepared under historical cost convention and in accordance with applicable United Kingdom Accounting Standards (UK GAAP)

##### *Investments*

Investments held as fixed assets are stated at cost, less any provision for impairment in value.

##### *Share based employee remuneration*

The Company has applied FRS 20 "share-based payment" to all share options and conditional share awards which were granted to employees and had not vested at 31 March 2009. A charge is recognised on the same basis as that recognised for the Group under IFRS 2.

##### *Taxation*

Current tax, including UK corporation 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.

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

A deferred tax asset is regarded 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 future reversal of the underlying timing differences can be deducted.

##### *Financial instruments*

Disclosures of financial instruments have not been included in the Company's financial statements as its consolidated financial statements include appropriate disclosures.

#### 2 Investments

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Investment in subsidiaries	121	121
	<hr/>	<hr/>
	121	121
	<hr/> <hr/>	<hr/> <hr/>

The entities in which the Company holds the investments are disclosed in Note 10 in the consolidated financial statements.

## Probability Plc

### Notes to the Company balance sheet at 31 March 2009 (Continued)

#### 3 Staff cost

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Non executive directors	116	80
	<hr/>	<hr/>
	116	80
	<hr/> <hr/>	<hr/> <hr/>

#### 4 Debtors

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed from subsidiary undertaking	4,460	4,932
Prepayments	13	9
	<hr/>	<hr/>
	4,473	4,941
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	21	40
Accruals	33	42
	<hr/>	<hr/>
	54	82
	<hr/> <hr/>	<hr/> <hr/>

#### 6 Parent company losses

The parent company has taken advantage of the exemption from presenting its own profit and loss account as permitted by section 230 of the Companies Act 1985. The consolidated loss for the year includes a loss after tax of £531,000 (2008- loss £346,000) which has been dealt with in the financial statements of the parent company.

#### 7 Share based payments

The disclosures in note 18 to the consolidated financial statements are identical for the Company.

## Probability Plc

### Notes to the Company balance sheet at 31 March 2009 *(Continued)*

#### 8 Share capital

The disclosure in note 16 to the consolidated financial statements are identical for the Company.

#### 9 Reserves

	<b>Share premium</b>	<b>Profit and loss account</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2008	5,240	(476)
Proceeds on share issue	-	-
Share-based payment	-	92
Loss for the year	-	(531)
	<hr/>	<hr/>
At 31 March 2009	5,240	(915)
	<hr/> <hr/>	<hr/> <hr/>