

LO-Q PLC

Interim Report

30 June 2006

LO-Q PLC

Interim accounts for the period ended 31 March 2005

Contents

Page:

1	Chairman's statement
2	Group income statement
3	Group balance sheet
4	Group cash flow statement
5 – 6	Notes forming part of the interim accounts

Directors

Jeff McManus (Chairman)
Leonard Sim (Executive)
John Lillywhite (Non-executive)
Anthony Bone (Non-executive)
Steve Drake (Executive)

Secretary

Throgmorton Secretaries Limited

Registered office

The Smith Centre, Fairmile, Henley-on-Thames, Oxon, RG9 6AB

Auditors

Menzies Chartered Accountants, Neville House, 55 Eden Street, Kingston upon Thames, Surrey, KT1 1BW

Principal bankers

Barclays Bank Plc, 5th Floor, 50 Pall Mall, London, SW1Y 5AX

Solicitors

Olswang, Apex Plaza, Forbury Road, Reading, Berkshire, RG1 1AX

Chairman's Report, August 2006

We have had a good start to the season with customer demand, on average, being above last year's levels. This has resulted in a turnover that has increased by 72.4% and with costs having changed by only 23.1%, the loss during the first half of the year has shrunk to £60,900 compared with £202,447 for the similar period last year. The gross value of Q-bot rentals to the end of July has risen compared with last year by 34%

There have been some increases in rental charges but the revenue growth is largely due to improved penetration of Q-bots, with the proportion of guest using the Q-bot up considerably on 2005. The actual income level on any day, when compared with the same day last year, is greatly influenced by such factors as weather. We had a string of rainy Saturdays just after the season started and at that point seemed to be improving only modestly. We are renting more Q-bots this year on days with lower attendances due, we believe, to guests perception of not knowing what the day may be like in regard to length of wait times on the rides. We think that guests do not want to take a chance of not getting a Q-bot if the park turns out to be busy. This sentiment has particularly increased the sales of the more expensive gold service in the two larger parks, as the number of gold Q-bots available is relatively small.

We are encouraging Six Flags to capitalise on the opportunity in corporate sales. On one occasion 600 Q-bots were rented on a corporate outing day, through a single order. Factors that have enhanced our revenue have been the tight management of the Georgia Park sales operation (which is staffed and managed by Lo-Q's own staff); targeted customer selling particularly in the Georgia Park and in the New Jersey Park at the week ends. Our hands-on control on management and sales at the Georgia Park has produced a sales level that is 50% above the other parks. A new ride in the Georgia park has also contributed to the enhanced revenue.

The new management team that is now in place in Six Flags Corporation has been enthusiastic towards our system; with the CEO, Mark Shapiro's positive comments to the financial analysts in New York in July, when asked about the Flash Pass system, (our operating name in the parks), being typical. His interview can be reached via a link on our website.

In the development lab, our team of R&D staff are working on a major system upgrade, which will lead to a new version of our product. Built on our years of user experience, we are producing a system with lower infrastructure costs, simpler installation requirements, and using enhanced state-of-the art radio communication techniques. The new system will give users more information in their own hands. This system is called VQ^{20/20} and is expected to be trialled in the field later this year. It will feature wait times for rides being displayed on the Q-bot and users will be able to book any ride that is on our system without having to go to the ride entrance. The company has already applied for patents covering certain aspects of this recent R&D work. We believe that the new system will allow us to have a greater proportion of the park guests using the system, and will have marked advantages over alternative competitive products that are based on paper, RFID, or mobile telephones.

We are pleased that we were able to announce that Dollywood, which is situated in the Smokey Mountains of Tennessee, have agreed to install a pilot system this autumn. The outcome of a successful pilot will be a three-year contract.

Discussions continue with a number of other parks and park chains and we are still involved in trying to secure further orders for our system.

This month the two millionth customer rented a Q-bot and we are pleased to record this milestone.

Thus barring any major negative event, if the year continues in the current vein we will meet our projected trading levels and we expect that the out-turn for the year will be that the company will thus be profitable.

Lo-q has opted to adopt the International Financial Reporting Standards early. This has resulted in presentational changes. The comparatives and accounting treatment are not materially different of those previously stated.

Jeff McManus
Chairman

LO-Q PLC**Consolidated Interim Income Statement**

	Six months to 30 Jun 2006	Six months to 30 Jun 2005	Audited 15 months to 31 Dec 2005
	£	£	£
Revenue			
Income derived from Q-Bot Rental	653,900	379,362	1,596,482
Cost of Sales	162,024	112,194	273,269
	<hr/>	<hr/>	<hr/>
Gross profit	491,875	267,168	1,323,213
Other Operating Income	0	0	75,671
Administrative expenses	554,375	469,623	1,460,747
	<hr/>	<hr/>	<hr/>
Operating loss	(62,500)	(202,455)	(61,863)
Interest receivable	1,772	219	2,139
Interest payable and similar charges	(172)	(211)	(440)
	<hr/>	<hr/>	<hr/>
Loss on ordinary activities before taxation	(60,900)	(202,447)	(60,164)
Taxation on loss on ordinary activities	0	(2,727)	(29,565)
	<hr/>	<hr/>	<hr/>
Loss on ordinary activities after taxation	(60,900)	(199,720)	(30,599)
	<hr/>	<hr/>	<hr/>
Earnings (loss) per share (pence)			
Basic EPS	(0.41)	(1.40)	(0.21)
Diluted EPS	(0.39)	(1.31)	(0.20)

All amounts relate to continuing activities

There are no recognised gains or losses other than those within the profit and loss account

LO-Q PLC

Consolidated Balance Sheet

	Six months to 30 Jun 2006 £	Six months to 30 Jun 2005 £	Audited 31 Dec 2005 £
Non-Current Assets			
Property, Plant and Equipment	16,298	27,646	18,304
Current Assets			
Inventories	258,681	202,566	208,124
Trade and other receivables			
- Trade receivables	456,880	547,296	43,484
- Other receivables	8,654	15,747	2,717
- Corporation tax	32,477	9,897	30,114
Receivables falling after one year			
Cash and cash equivalents	105,140	39,597	637,429
	861,832	815,103	921,868
Total Assets	<u>878,131</u>	<u>842,749</u>	<u>940,172</u>
Equities And Liabilities			
Called up share capital	147,658	143,478	143,478
Share premium account	4,982,067	4,971,617	4,971,617
Capital reserve	12,473	12,473	12,473
Profit and loss account	(4,374,929)	(4,645,014)	(4,318,964)
Total Equity	<u>767,269</u>	<u>482,554</u>	<u>808,604</u>
Current Liabilities			
Trade Accounts Payable	29,282	71,869	12,860
Taxes Payable	18,951	16,254	15,166
Provisions & Other Liabilities	62,629	272,072	103,542
Total Current Liabilities	<u>110,862</u>	<u>360,195</u>	<u>131,568</u>
Total Liabilities & Equity	<u>878,131</u>	<u>842,749</u>	<u>940,172</u>

LO-Q PLC**Consolidated cash flow statement**

	Six months to 30 Jun 2006	Six months to 30 Jun 2005	Audited 15 months to 31 Dec 2005
	£	£	£
Net cash (outflow)/inflow from operating activities	(543,927)	(104,216)	331,868
Returns on investments and servicing of finance			
Interest received	1,772	219	2,139
Interest paid	(172)	(211)	(440)
Net cash inflow from returns on investments and servicing of finance	1,600	8	1,699
Taxation			
Corporation tax (paid)/received	(2,363)	34,592	41,213
Capital expenditure and financial investments	(7,163)	(1,895)	(3,921)
Cash (outflow)/inflow before use of liquid resources and financing	(551,854)	(71,511)	370,859
Financing			
Net cash inflow from shares issue	14,630	0	0
(Decrease)/Increase in cash	(537,224)	(71,511)	370,859

LO-Q PLC

Notes to the consolidated cash flow statement

Reconciliation of operating loss to net cash flow from operating activities

	Six months to 30 Jun 2006	Six months to 30 Jun 2005	Audited 15 months to 31 Dec 2005
	£	£	£
Operating loss	(62,500)	(202,455)	(61,863)
Depreciation charges	9,169	15,838	38,545
Loss on sale of tangible fixed assets			(1,771)
Decrease/(increase) in stock	(50,557)	2	(9,676)
Decrease/(increase) in debtors	(419,333)	(168,363)	345,486
(Decrease)/increase in creditors	(20,706)	250,762	21,147
	<hr/>	<hr/>	<hr/>
Net cash movement from operating activities	(543,927)	(104,216)	331,868

Reconciliation of net cash flow to movement in net debt

	Six months to 30 Jun 2006	Six months to 30 Jun 2005	Audited 15 months to 31 Dec 2005
	£	£	£
(Decrease)/Increase in cash for the period	(537,224)	(71,511)	370,859
Exchange translation	4,935	13,756	7,273
	<hr/>	<hr/>	<hr/>
Movement in net funds	(532,289)	(57,754)	378,132
Net funds at beginning of period	637,429	97,352	259,297
	<hr/>	<hr/>	<hr/>
Net funds at end of period	105,140	39,597	637,429

Notes to the Interim Statements

1. These accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and show the effects of changes from Generally Accepted Accounting Practice (GAAP) previously adopted in the Accounts.

The interim statement for the six months are unaudited and do not constitute statutory accounts for the purpose of the Companies Acts. The accounts for the year ended 31st December 2005 have been filed with the Registrar of Companies and the auditors' report on those accounts was not qualified.

2. The adjustment necessary to reflect the changes to IFRS are as follows:

2.1 Share-based incentive payments

The company has from time to time issued share options to its staff as an incentive with options always based on the then current market place price. The fair value of employee share plans has been calculated using a Black Scholes model. In accordance with IFRS 2 'Share-based payment' the resulting cost is charged to the income statement over the vesting periods of the plans. The value of the charge is adjusted to reflect the expected and actual levels of options vesting. IFRS 2 has been applied to all grants of equity instruments after 7th November 2002 that were unvested as at 1st January 2005.

The calculation of the share options issued to the employees has resulted in a value which is not material for the financial statement therefore no adjustment has been made.

2.2 IAS 21 deals with the accounting for foreign currency and has had no impact on the translation of the overseas operation.

3. Due to corporation tax losses available no tax charge has been provided.

4. Earnings per share have been calculated on the profits for the period after taxation and 14,699,837 shares in issue. The diluted earnings per share calculation is based on 15,674,599

5. The directors have not declared an interim dividend. No dividend is shown in the income statement.