

**Report of the Directors and
Financial Statements For The Year Ended 31 December 2007
For
Lo-Q plc**

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For The Year Ended 31 December 2007**

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Lo-Q plc

**Company Information
For The Year Ended 31 December 2007**

DIRECTORS:	Jeff McManus Chairman Leonard Sim Executive Steve Drake Executive Colin Robertson Executive (appointed 19 February 2008) John Lillywhite Non-Executive Anthony Bone Non-Executive
SECRETARY:	Throgmorton Secretaries LLP
REGISTERED OFFICE:	42 Portman Road Reading Berkshire RG30 1EA
REGISTERED NUMBER:	3959429 (England and Wales)
AUDITORS:	Menzies Chartered Accountants & Registered Auditors 3rd Floor, King's House 12-42 Wood Street Kingston Upon Thames Surrey KT1 1TG
BANKERS:	Barclays Bank plc 5th Floor 50 Pall Mall London SW1Y 5AX

Lo-Q plc

**Chairman's Report
For The Year Ended 31 December 2007**

I am pleased to report that the company made progress on all fronts in 2007 with a second year of operating profit. Our profit before tax for 2007 was £551,235.

As our staff are responsible for collecting the Q-bot rental from park guests in all of the major customer's parks in which we operate, the profit and loss statement this year includes the total income that is derived from these daily rentals. The value of our sales, at over £7 million, illustrates the advances that the Company has made in recent years with annual growth running in the region of 40% for each of the last three years.

Based on our in depth experience over six years of operation, we have established a minimum useable life of all the major components of the system, including software, of five years. We have therefore agreed with our auditors to write down the capital and research and development cost of upgrades over a matching five-year basis. As previously required by the accounting standard we were writing off the costs as they occurred.

The introduction of the new VQ2020 system into our major customer's parks in Chicago and Montreal, Canada was well received by the parks' guests. The ability to book rides using the Q-bot, from any where in the park, rather than from a booking station, has proved very popular.

We have also enhanced the Q-bot's operating system so that the guest can reserve shows as well as rides, and we installed this upgraded software into Dollywood.

All credit is due to our development and installation teams for getting the systems up and running in all these parks, in time for the start of the 2007 season.

In 2008 our systems are now in an eighth major customer's park, in San Antonio, Texas, as well as Legoland Windsor. With the introduction of the Text-Q system in Drayton Manor on a trial basis, we have increased the number of parks in which we operate by 40%.

As well as selling more of the upgraded VQ2020 systems we hope to be selling more Text-Q systems this year. Our ability to offer potential customers a choice of line management solutions is proving to be quite beneficial.

We are currently talking to a number of different companies in terms of product cross-integration and we expect these discussions will be of medium and long-term benefit.

We look forward to a successful summer season in 2008.

Jeff McManus
7 April 2008

Lo-Q plc

Report of the Directors For The Year Ended 31 December 2007

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

The principal activity of the group is the development and application of virtual queuing technologies.

The group made a Profit before tax of £551,235. After taxation a sum of £546,350 has been transferred to retained earnings.

The group will continue to develop, market, sell, and operate its virtual queuing technologies.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the chairman's report and annexed financial statements.

DIVIDENDS

The directors are not proposing the payment of a dividend for the year ended 31 December 2007.

KEY PERFORMANCE INDICATORS

The company has a very seasonal cash flow due to its income arising largely from park operations, through the daily sales of Q-bots. Park attendances peak in the summer months, and so income peaks in these months. The company watches the cash generated during each week's trading in detail and includes this inflow in the monthly production of cash position modelling. Due to the lack of income during the winter recess this cash forecasting is crucial to company operations during this period.

Overhead costs are to a large extent known well in advance and are thus very predictable.

Systems are sold to finance houses and then leased back in accordance with the park's contract. Little cash is spent on assets other than the large amounts on R&D (in IP origination) and thus the company's profitability translates largely into cash at the bank.

RESEARCH AND DEVELOPMENT

The group's research and development activities relate to the development of virtual queuing technologies, by applying state of the art communications and information technology. During the year the company capitalised £301,298 (2006 - £218,304 was expended) into research and development.

Lo-Q plc

Report of the Directors For The Year Ended 31 December 2007

DIRECTORS

The directors during the year under review were:

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

The beneficial interests of the directors holding office on 31 December 2007 in the issued share capital of the company were as follows:

	As at 31 December 2007	As at 1 January 2007
Ordinary Share Capital £0.01 shares		
Jeff McManus Chairman	904,172	904,172
Leonard Sim Executive	4,398,575	4,398,575
Steve Drake Executive	214,384	214,384
John Lillywhite Non-Executive	41,000	41,000
Anthony Bone Non-Executive	240,079	240,079

132,000 of Jeff McManus' shares are owned by Jeff McManus Limited, a company in which he is a director and controlling shareholder.

Details of the directors' share options are disclosed in Note 3.

GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the group's objective to obtain the best possible terms for all business and abide by the terms of business agreed. At 31 December 2007 trade creditors represented 39 days (2006 - 36 days) purchases for the group, and 34 days (2006 - 39 days) purchases for the company.

FINANCIAL INSTRUMENTS

Details of the group's financial risk management objectives and policies, including the use of financial instruments, are included within the accounting policies in note 1 to the financial statements.

**Report of the Directors
For The Year Ended 31 December 2007**

SUBSTANTIAL SHAREHOLDINGS

As at 27 March 2008 the company had been notified that the following were interested in 3% or more of the ordinary share capital of the company:

	Number of Ordinary Shares	% of Issued Ordinary Share Capital
Leonard Sim	4,398,575	28.71%
Barclayshare Nominees Limited	1,028,996	6.72%
Jeff McManus	954,172	6.23%
Sinjul Nominees Limited	810,500	5.29%
L R Nominees Limited	786,355	5.13%
Ian Johnson	580,000	3.79%

CORPORATE GOVERNANCE

The directors acknowledge the importance of the 'Principles of Good Governance and Code of Best Practice' published by the London Stock Exchange (usually described as the 'Combined Code') and intend to apply them as appropriate to the company given its size and nature.

The company holds Board meetings regularly throughout the year at which financial and other reports are considered.

An Audit Committee has been established comprising John Lillywhite and Anthony Bone, both non-executive directors.

A Remuneration Committee has also been established comprising John Lillywhite and Anthony Bone which meets as and when necessary but at least annually to review, inter alia, the performance and salaries of the executive directors.

DISABLED EMPLOYEES

The Group's policy is one of equal opportunity in the selection, training, career development and promotion of staff. The Group has a policy not to discriminate against disabled employees for those vacancies that they are able to fill and will provide facilities, equipment and training to assist any disabled persons employed.

All necessary assistance with initial training courses will be given. Once employed, a career plan will be developed so as to ensure suitable opportunities for each disabled person. Arrangements will be made, wherever possible, for re-training employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

EMPLOYEES

The Group's policy is to consult and discuss with employees, by way of meetings and through personal contact by directors and other senior executives, matters likely to affect employees' interests.

Information on matters of concern to employees is given in meetings, handouts, letters and reports, which seek to achieve a common awareness on the part of all employees on the financial and economic factors affecting the Group's performance.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Lo-Q plc

**Report of the Directors
For The Year Ended 31 December 2007**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Menzies Chartered Accountants & Registered Auditors, will be proposed for re-appointment in accordance with Section 385A of the Companies Act 1985.

ON BEHALF OF THE BOARD:

.....
Throgmorton Secretaries LLP - Secretary

Date:

Report of the Independent Auditors to the Members of Lo-Q plc

We have audited the financial statements of Lo-Q plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, Statement of Recognised Income and Expense, Consolidated Balance Sheet, Company Balance Sheet and the related notes to the financial statements. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out on pages 5 and 6.

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 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other 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 only the Report of the Directors and the Chairman's 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.

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 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.

**Report of the Independent Auditors to the Members of
Lo-Q plc**

OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs adopted for use in the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit and cash flow for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulations; and
- the information given in the Directors' report is consistent with the financial statements.

Menzies Chartered Accountants & Registered
Auditors
3rd Floor, King's House
12-42 Wood Street
Kingston Upon Thames
Surrey
KT1 1TG

Date:

Lo-Q plc

**Consolidated Income Statement
For The Year Ended 31 December 2007**

	Notes	2007 £	2006 £
CONTINUING OPERATIONS			
Revenue	2	7,805,545	1,978,554
Cost of sales		<u>(6,160,589)</u>	<u>(432,336)</u>
GROSS PROFIT		1,644,956	1,546,218
Administrative expenses		<u>(1,078,803)</u>	<u>(1,208,753)</u>
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		566,153	337,465
Exceptional items	4	<u>-</u>	<u>(663,337)</u>
OPERATING PROFIT/(LOSS)		566,153	(325,872)
Finance costs	5	(19,749)	(354)
Finance income	5	<u>4,831</u>	<u>4,618</u>
PROFIT/(LOSS) BEFORE TAX	6	551,235	(321,608)
Tax	7	<u>(4,885)</u>	<u>52,400</u>
PROFIT/(LOSS) FOR THE YEAR	8	<u>546,350</u>	<u>(269,208)</u>
Attributable to:			
Equity holders of the parent		<u>546,350</u>	<u>(269,208)</u>
Earnings per share expressed in pence per share:			
Basic	9	3.69	(1.83)
Diluted		<u>3.46</u>	<u>(1.73)</u>

All disclosures relate only to continuing operations.

Lo-Q plc

**Statement of Recognised Income and Expense
For The Year Ended 31 December 2007**

	2007 £	2006 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	<u>546,350</u>	<u>(269,208)</u>
TOTAL RECOGNISED INCOME AND EXPENSE RELATING TO THE YEAR	546,350	(269,208)
Prior year adjustment	-	(5,812)
Foreign exchange movement on consolidation	42,981	(42,917)
	<hr/>	<hr/>
TOTAL RECOGNISED INCOME AND EXPENSE SINCE LAST ANNUAL REPORT	<u>589,331</u>	<u>(317,937)</u>
Attributable to: Equity holders of the parent	<u>589,331</u>	<u>(317,937)</u>

Lo-Q plc

**Consolidated Balance Sheet
31 December 2007**

	Notes	2007 £	2006 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	479,390	-
Property, plant and equipment	11	22,341	15,008
		501,731	15,008
CURRENT ASSETS			
Inventories	13	171,657	195,226
Trade and other receivables	14	87,376	89,199
Tax receivable		475	55,952
Prepayments		33,016	20,375
Cash and cash equivalents	15	630,854	643,968
		923,378	1,004,720
CURRENT LIABILITIES			
Trade and other payables	16	226,017	506,326
		226,017	506,326
NET CURRENT ASSETS			
		697,361	498,394
NET ASSETS			
		1,199,092	513,402
SHAREHOLDERS' EQUITY			
Called up share capital	17	149,292	147,658
Share premium	18	4,991,266	4,982,067
Shares to be issued reserve	18	66,250	-
Capital redemption reserve	18	12,473	12,473
Other reserves	18	27,381	8,105
Retained earnings	18	(4,047,570)	(4,636,901)
Total equity		1,199,092	513,402
TOTAL EQUITY			
		1,199,092	513,402

The financial statements were approved by the Board of Directors on 7 April 2008 and were signed on its behalf by:

.....
Jeff McManus - Chairman

The notes form part of these financial statements

Lo-Q plc

Company Balance Sheet
31 December 2007

	Notes	2007 £	2006 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	478,763	-
Property, plant and equipment	11	16,760	9,878
Investments	12	735	691
		<u>496,258</u>	<u>10,569</u>
CURRENT ASSETS			
Inventories	13	67,030	120,468
Trade and other receivables	14	1,065,708	401,718
Tax receivable		-	56,197
Prepayments		30,722	20,375
Cash and cash equivalents	15	79,249	179,016
		<u>1,242,709</u>	<u>777,774</u>
CURRENT LIABILITIES			
Trade and other payables	16	206,316	121,116
NET CURRENT ASSETS			
		<u>1,036,393</u>	<u>656,658</u>
NET ASSETS			
		<u>1,532,651</u>	<u>667,226</u>
SHAREHOLDERS' EQUITY			
Called up share capital	17	149,292	147,658
Share premium	18	4,991,266	4,982,067
Shares to be issued reserve	18	66,250	-
Capital redemption reserve	18	12,473	12,473
Other reserves	18	27,381	8,105
Retained earnings	18	(3,714,011)	(4,483,077)
Total shareholders' equity		<u>1,532,651</u>	<u>667,226</u>
TOTAL EQUITY			
		<u>1,532,651</u>	<u>667,226</u>

The financial statements were approved by the Board of Directors on 7 April 2008 and were signed on its behalf by:

.....
Jeff McManus - Chairman

The notes form part of these financial statements

Lo-Q plc

**Consolidated Cash Flow Statement
For The Year Ended 31 December 2007**

	Notes	2007 £	2006 £
Cash flows from operating activities			
Cash generated from operations	24	378,956	(44,831)
Interest paid		(19,749)	(354)
Tax received		<u>55,477</u>	<u>46,608</u>
Net cash from operating activities		<u>414,684</u>	<u>1,423</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(427,666)	-
Purchase of tangible fixed assets		(15,796)	(14,132)
Interest received		<u>4,831</u>	<u>4,618</u>
Net cash from investing activities		<u>(438,631)</u>	<u>(9,514)</u>
Cash flows from financing activities			
Share issue		<u>10,833</u>	<u>14,630</u>
Net cash from financing activities		<u>10,833</u>	<u>14,630</u>
(Decrease)/Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	25	<u>643,968</u>	<u>637,429</u>
Cash and cash equivalents at end of year	25	<u>630,854</u>	<u>643,968</u>

The notes form part of these financial statements

Lo-Q plc

**Company Cash Flow Statement
For The Year Ended 31 December 2007**

	Notes	2007 £	2006 £
Cash flows from operating activities			
Cash generated from operations	24	270,190	(226,405)
Interest paid			-
Tax received		<u>56,197</u>	<u>46,264</u>
Net cash from operating activities		<u>326,387</u>	<u>(180,141)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(427,666)	-
Purchase of tangible fixed assets		(11,300)	(9,776)
Interest received		<u>1,979</u>	<u>-</u>
Net cash from investing activities		<u>(436,987)</u>	<u>(9,776)</u>
Cash flows from financing activities			
Share issue		<u>10,833</u>	<u>14,630</u>
Net cash from financing activities		<u>10,833</u>	<u>14,630</u>
(Decrease)/Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	25	<u>179,016</u>	<u>637,429</u>
Cash and cash equivalents at end of year	25	<u>79,249</u>	<u>179,016</u>

The notes form part of these financial statements

**Notes to the Financial Statements
For The Year Ended 31 December 2007**

1. ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE WITH IFRS'S

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the group are set out below.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not effective for 2007 and therefore have not been applied in preparing these accounts:

IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009)
Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)
IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)
IFRS 8 Operating Segments (effective 1 January 2009)
IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective 1 March 2007)
IFRIC 12 Service Concessions Arrangements (effective 1 January 2008)
IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The group has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's Financial Statements, apart from additional disclosures.

Basis of Consolidation

The consolidated financial statements incorporate the results of Lo-Q plc and all of its subsidiary undertakings as at 31 December 2007 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Revenue Recognition

All turnover arises from the development and application of virtual queue technologies and represents sales to external customers less value added tax or local taxes on sales.

As distinct from prior accounting periods Lo-Q staff are now responsible for renting Q-bots directly to the public and hence the total income derived from these daily rentals is recognised on the income statement. The costs directly attributable to these rentals are recognised separately as cost of sales.

Turnover also includes revenue from the sale of certain installation costs of the Q-bot system upon its introduction to a new theme park. The system is then leased back to the company with the lease costs being recognised within cost of sales during the year as they fall due.

Interest expense recognition

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

Employee expenses

The Group has applied the requirements of IFRS 2 Share-Based Payment. In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The Group issues equity-settled share-based payments to full time employees. Equity settled share-based payments are measured at the fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

Employee expenses continued

based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of a Black-Scholes model for all share options in issue. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Exceptional items

Exceptional items are presented in the financial statements where there are material items of income and expense which, because of their nature and the expected rarity of the circumstances, which generate them, they should be presented separately to shareholders so as to enhance their judgement of the current year's financial performance and its comparability with prior years.

Commitments under operating leases

Operating leases payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Plant and machinery	33.3%
Office equipment	33.3%
Furniture and fixtures	20.0%

Financial instruments

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Financial assets				
Cash and cash equivalents	630,854	643,968	79,249	179,016
Trade and other receivables	87,376	89,199	1,065,708	401,718
Financial liabilities				
Trade and other payables	(226,017)	(506,326)	(206,316)	(121,116)

Other than short-term debtors and creditors that arise directly from operations, the group's financial instruments comprise cash and bank balances. The fair values of these instruments are not materially different to their book values. The objective of holding financial instruments is to raise finance for the group's operations and manage related risks. The main risk arising from holding these instruments is currency risk.

Currency Risk

The group's overseas operations are in the USA and Canada. The main operating currencies of its operations are therefore in sterling, US and Canadian Dollars. The group's currency exposure comprises the monetary assets and liabilities of the group that are not denominated in the operating or 'functional' currency of the operating unit involved. At the period end Lo-Q plc, which operates in sterling had bank balances of £395,778 (2006 - £568,608) denominated in US dollars and £155,468 (2006 - £0) denominated in Canadian dollars.

**Notes to the Financial Statements - continued
For The Year Ended 31 December 2007**

1. **ACCOUNTING POLICIES - continued**

Inventories

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Raw materials costs are calculated on a weighted average basis.

Work in progress is valued on the basis of the cost of raw materials and labour plus attributable overheads.

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits ("temporary differences") and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable temporary differences arising on subsidiaries, deferred tax liabilities are recognised.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Where there are deductible temporary differences arising on subsidiaries, deferred tax assets are recognised only where it is probable that they will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Research and development

In accordance with IAS 38 'Intangible Assets', expenditure incurred on research and development is distinguished as relating either to a research phase or to a development phase.

All advanced research phase expenditure is charged to the income statement. For development expenditure, this is capitalised as an internally generated intangible asset, only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits.

Development expenditure capitalised is amortised over its useful economic life, which is considered to be up to a maximum of 5 years from the point at which it is incurred.

Intellectual property rights

Intellectual property rights comprise assets acquired relating know how, to patents and licences and have been capitalised at the fair value of the assets acquired and are amortised through the income statement in equal annual instalments over their estimated useful economic life of 5 years.

**Notes to the Financial Statements - continued
For The Year Ended 31 December 2007**

1. ACCOUNTING POLICIES - continued

Foreign currency exchange

Transactions in currencies other than the functional currency of the group are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and movement shown in reserves.

Pension Costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become due.

Trade and other receivables

Trade and other receivables are recognised by the group and carried at original invoice amount less an allowance for any uncollectible or impaired amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

Other receivables are recognised at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short-term deposits are defined as deposits with an initial maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement.

2. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the geographical location of customers.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and liabilities are based on the geographical location of the assets.

The Group comprises the following main geographical segments:

- United Kingdom
- North America

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

2. SEGMENTAL REPORTING- continued

Business segments

The Group comprises two business segments:

- Rental of Q-bots
- Sale and leaseback of Q-bot technology to theme parks

Geographical segments (primary format)

i) Segment revenue based on geographical location of customers

	2007	2006
	£	£
North America	7,201,102	1,978,554
United Kingdom	604,443	-
	<u>7,805,545</u>	<u>1,978,554</u>

ii) Geographical segments based on asset location:

	United Kingdom		North America		Consolidated	
	2007	2006	2007	2006	2007	2006
	£	£	£	£	£	£
Results from operating activities	783,984	(214,965)	(227,601)	(110,907)	566,153	(325,872)
All finance costs and income relate to the UK and the tax credit to North America.						
Profit/(loss) for year	769,066	(158,301)	(222,716)	(110,907)	546,350	(269,208)
Segment assets	1,242,709	777,774	319,331	226,946	923,378	1,004,720
Segment liabilities	(206,316)	(121,116)	(19,701)	(385,210)	(226,017)	(506,326)
Capital expenditure	14,525	9,776	4,496	4,356	19,021	14,132
Depreciation	7,643	7,013	4,045	7,119	11,688	7,643
Amortisation of intangible assets	31,078	-	29	-	31,107	-

Business segments (secondary format)

Revenue for business segments:

	2007	2006
	£	£
Rental of Q-bots	7,201,102	1,978,554
Sale and leaseback of Q-bot technology to theme parks	604,443	-
	<u>7,805,545</u>	<u>1,978,554</u>

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

3. EMPLOYEES AND DIRECTORS

	2007	2006
	£	£
Wages and salaries	1,282,341	890,671
Social Security costs	136,451	94,296
Defined contribution Pension Costs	28,700	26,647
Share based payment transactions	2,694	2,293
	<u>1,450,186</u>	<u>1,013,907</u>

The average monthly number of employees during the year was made up as follows:

Staff numbers by activity

	2007	2006
Research & development	6	5
Management and finance	3	3
Production and administration	12	5
Part Time Seasonal staff	127	31
	<u>148</u>	<u>44</u>

The directors' aggregate emoluments in respect of qualifying services were:

	2007	2006
	£	£
Directors' emoluments	<u>319,788</u>	<u>331,468</u>
Directors' contributions to money purchase schemes	<u>13,200</u>	<u>11,892</u>

During the year the following number of directors:

Money purchase schemes	<u>2</u>	<u>2</u>
------------------------	-----------------	----------

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

3. EMPLOYEES AND DIRECTORS (Continued)

Information regarding the highest paid director is as follows:

	2007 £	2006 £
Emoluments	124,530	134,876
Amount of money and other net assets (excluding shares and share options) receivable under long-term incentive plans	<u>6,400</u>	<u>5,307</u>

Share Option Scheme

The share options of the directors are set out below:

The share options of J Lillywhite, and A Bone are held under the Lo-Q plc Unapproved Share Option Scheme and the share options of S Drake are held under the Lo-Q plc EMI Share Option Scheme.

	31 December 2006 Number	Granted/ (exercised) in the period Number	31 December 2007 Number	Exercise Price	Date from which exercisable	Expiry Date
J Lillywhite	209,000	-	209,000	3.5p	27/9/2004	28/03/2010
A Bone	182,875	-	182,375	3.5p	27/9/2004	28/03/2010
S Drake	4,903	-	4,903	100.5p	22/10/2002	21/01/2011
	6,018	-	6,018	18p	08/10/2003	07/10/2012
	50,000	-	50,000	6p	06/04/2005	05/04/2014
	100,000	-	100,000	3.5p	29/03/2006	28/03/2015
	35,000	-	35,000	8.25p	09/05/2007	08/05/2016

4. EXCEPTIONAL ITEMS

	2007 £	2006 £
Litigation costs	-	(459,512)
Professional fees on litigation	-	(203,825)
	<u>-</u>	<u>(663,337)</u>

It was alleged that Lo-Q had been contravening a patent owned by Palmtop Productions Inc. ('Palmtop'). The Company's lawyers and specialist patent attorneys believe this is not to be the case. As a result, it had been the view of the Board that this claim could be successfully defended. After weighing the balance of risk present in any USA patent law case, the Company made the decision to pursue an out of court agreement to settle the case expediently. The Company recognises that this has the advantage of releasing a significant amount of management time and avoids the potential costs if any defence case were to become protracted.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

5. NET FINANCE COSTS

	2007	2006
	£	£
Finance income:		
Bank interest received	<u>4,831</u>	<u>4,618</u>
Finance costs:		
Bank interest	617	90
Loan interest paid	<u>19,132</u>	<u>264</u>
	<u>19,749</u>	<u>354</u>
Net finance costs	<u>14,918</u>	<u>(4,264)</u>

6. PROFIT/(LOSS) BEFORE TAX

The profit before tax (2006 - loss before tax) is stated after charging:

	2007	2006
	£	£
Hire of plant and machinery	3,550	4,141
Other operating leases	71,629	71,911
Depreciation - owned assets	8,463	17,428
Development costs amortisation	31,107	-
Auditors' remuneration	15,500	15,025
Auditors' remuneration for non audit work	9,463	9,060
Foreign exchange differences	<u>28,913</u>	<u>42,180</u>

Auditor's fees

Included in the audit fee above is £15,500 (31 December 2006 £15,025), which relates to the company.

	2007	2006
	£	£
Audit	15,500	15,025
Review of interim accounts	1,425	1,250
Taxation compliance	4,500	4,000
Business consultancy	3,538	3,810
	<u>24,963</u>	<u>24,085</u>

7. TAXATION ON ORDINARY ACTIVITIES

The tax charge comprises:

	2007	2006
	£	£
(a) Current tax:		
Analysis of the tax charge/(credit):		
Current tax (credit)	<u>4,885</u>	<u>(52,400)</u>

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

7. TAXATION ON ORDINARY ACTIVITIES (Continued)

(b) Reconciliation of tax charge

	2007	2006
	£	£
Profit/(loss) on ordinary activities before tax	551,235	(321,608)
Tax at the UK corporation tax rate of 30% (2006 – 30%)	165,370	(96,482)
Effects of:		
Expenses not deductible for tax	2,196	78
Capital allowances in excess of depreciation	(427)	(32,285)
Utilisation of tax losses	(156,505)	128,839
Share scheme deduction	(10,634)	-
Income not chargeable for tax purposes	-	(150)
Research & development tax credit	-	(52,400)
Total current tax (note 7(a))	4,885	(52,400)

The UK deferred tax asset of £777,449 (2006 - £1,054,961) on losses carried forward has not been recognised in the balance sheet due to the uncertainty over the timing of its recovery. It will be recognised when sufficient trading history has been established.

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £769,066 (2006 - (£158,301) loss).

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders after adjustments for instruments that dilute basic earnings per share by the weighted average of ordinary shares outstanding during the year (adjusted for the effects of dilutive instruments).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

9. EARNINGS PER SHARE (Continued)

	Earnings £	2007 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	546,350	14,793,674	3.69
Effect of dilutive securities			
Options	-	1,012,367	-
	<u>546,350</u>	<u>15,806,041</u>	<u>3.46</u>

	Earnings £	2006 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(269,208)	14,689,108	-1.83
Effect of dilutive securities			
Options	-	865,113	-
	<u>(269,208)</u>	<u>15,554,221</u>	<u>-1.73</u>

10. INTANGIBLE ASSETS

Group

	Intellectual Property rights £	Development costs £	Totals £
COST			
Additions	<u>209,199</u>	<u>301,298</u>	<u>510,497</u>
At 31 December 2007	<u>209,199</u>	<u>301,298</u>	<u>510,497</u>
AMORTISATION			
Amortisation for year	-	<u>31,107</u>	<u>31,107</u>
At 31 December 2007	-	<u>31,107</u>	<u>31,107</u>
NET BOOK VALUE			
At 31 December 2007	<u>209,199</u>	<u>270,191</u>	<u>479,390</u>

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

10. INANGIBLE ASSETS (Continued)

Company

	Intellectual Property rights £	Development costs £	Totals £
COST			
Additions	<u>209,199</u>	<u>300,642</u>	<u>509,841</u>
At 31 December 2007	<u>209,199</u>	<u>300,642</u>	<u>509,841</u>
AMORTISATION			
Amortisation for year	<u>-</u>	<u>31,078</u>	<u>31,078</u>
At 31 December 2007	<u>-</u>	<u>31,078</u>	<u>31,078</u>
NET BOOK VALUE			
At 31 December 2007	<u>209,199</u>	<u>269,564</u>	<u>478,763</u>

There were no intangible assets at 31 December 2005 or 31 December 2006.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
COST				
At 1 January 2007	33,199	131,780	19,795	184,774
Additions	3,225	13,615	2,181	19,021
Disposals	<u>-</u>	<u>(8,266)</u>	<u>-</u>	<u>(8,266)</u>
At 31 December 2007	<u>36,424</u>	<u>137,129</u>	<u>21,976</u>	<u>195,529</u>
DEPRECIATION				
At 1 January 2007	30,861	121,440	17,465	169,766
Charge for year	2,183	8,510	995	11,688
Eliminated on disposal	<u>-</u>	<u>(8,266)</u>	<u>-</u>	<u>(8,266)</u>
At 31 December 2007	<u>33,044</u>	<u>121,684</u>	<u>18,460</u>	<u>173,188</u>
NET BOOK VALUE				
At 31 December 2007	<u>3,380</u>	<u>15,445</u>	<u>3,516</u>	<u>22,341</u>
At 31 December 2006	<u>2,338</u>	<u>10,340</u>	<u>2,330</u>	<u>15,008</u>

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
COST				
At 1 January 2007	4,495	96,142	18,891	119,528
Additions	3,225	10,720	580	14,525
Disposals	<u>-</u>	<u>(8,266)</u>	<u>-</u>	<u>(8,266)</u>
At 31 December 2007	<u>7,720</u>	<u>98,596</u>	<u>19,471</u>	<u>125,787</u>
DEPRECIATION				
At 1 January 2007	4,374	88,425	16,851	109,650
Charge for year	453	6,540	650	7,643
Eliminated on disposal	<u>-</u>	<u>(8,266)</u>	<u>-</u>	<u>(8,266)</u>
At 31 December 2007	<u>4,827</u>	<u>86,699</u>	<u>17,501</u>	<u>109,027</u>
NET BOOK VALUE				
At 31 December 2007	<u>2,893</u>	<u>11,897</u>	<u>1,970</u>	<u>16,760</u>
At 31 December 2006	<u>121</u>	<u>7,717</u>	<u>2,040</u>	<u>9,878</u>
Group				
	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
COST				
At 1 January 2006	33,199	134,691	19,795	187,685
Additions	-	14,132	-	14,132
Disposals	<u>-</u>	<u>(17,043)</u>	<u>-</u>	<u>(17,043)</u>
At 31 December 2006	<u>33,199</u>	<u>131,780</u>	<u>19,795</u>	<u>184,774</u>
DEPRECIATION				
At 1 January 2006	27,755	127,462	14,166	169,383
Charge for year	3,106	11,022	3,299	17,427
Eliminated on disposal	<u>-</u>	<u>(17,044)</u>	<u>-</u>	<u>(17,044)</u>
At 31 December 2006	<u>30,861</u>	<u>121,440</u>	<u>17,465</u>	<u>169,766</u>
NET BOOK VALUE				
At 31 December 2006	<u>2,338</u>	<u>10,340</u>	<u>2,330</u>	<u>15,008</u>
At 31 December 2005	<u>5,444</u>	<u>7,229</u>	<u>5,630</u>	<u>18,304</u>

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
COST				
At 1 January 2006	4,495	86,366	18,891	109,752
Additions	-	9,776	-	9,776
Disposals	-	-	-	-
At 31 December 2006	<u>4,495</u>	<u>96,142</u>	<u>18,891</u>	<u>119,528</u>
DEPRECIATION				
At 1 January 2006	3,161	84,853	14,624	102,637
Charge for year	1,213	3,572	2,228	7,013
Eliminated on disposal	-	-	-	-
At 31 December 2006	<u>4,374</u>	<u>88,425</u>	<u>16,851</u>	<u>109,650</u>
NET BOOK VALUE				
At 31 December 2006	<u>121</u>	<u>7,717</u>	<u>2,040</u>	<u>9,878</u>
At 31 December 2005	<u>1,334</u>	<u>1,513</u>	<u>4,268</u>	<u>7,115</u>

12. INVESTMENTS

Company	Investment in subsidiaries £
COST	
At 1 January 2007	691
Additions	44
At 31 December 2007	<u>735</u>
NET BOOK VALUE	
At 31 December 2007	<u>735</u>
At 31 December 2006	<u>691</u>

Name	Country of incorporation	% Ownership interest	% Voting rights
Lo-Q Virtual Queuing Inc	United States of America	100	100
Lo-Q Service Canada Inc	Canada	100	100
Lo-Q Trustees Limited	United Kingdom	100	100

The trade for both Lo-Q Virtual Queuing Inc and Lo-Q Service Canada Inc is that of the application of virtual queue technologies.

Lo-Q Trustees Limited is dormant.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

13. **INVENTORIES**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Stocks	143,277	171,170	56,432	112,465
Park installation	22,001	22,277	4,219	6,224
Work-in-progress	6,379	1,779	6,379	1,779
	<u>171,657</u>	<u>195,226</u>	<u>67,030</u>	<u>120,468</u>

There is no material difference between the replacement cost of stocks and the amount stated above.

14. **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Current:				
Trade debtors	78,912	39,677	-	39,677
Amounts owed by group undertakings	-	-	1,057,669	361,258
Other debtors	-	794	-	783
Deposits	2,093	2,350	-	-
VAT	6,371	-	8,039	-
Accrued Income	-	46,378	-	-
	<u>87,376</u>	<u>89,199</u>	<u>1,065,708</u>	<u>401,718</u>

15. **CASH AND CASH EQUIVALENTS**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Cash in hand	6,015	894	1,257	792
Bank accounts	624,839	643,074	77,992	178,224
	<u>630,854</u>	<u>643,968</u>	<u>79,249</u>	<u>179,016</u>

16. **TRADE AND OTHER PAYABLES**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Current:				
Trade creditors	95,525	62,529	101,444	35,143
Social security and other taxes	32,650	32,494	31,649	32,494
Other creditors	-	321,658	-	-
Accrued expenses	92,957	89,645	73,223	53,479
Corporation tax	4,885	-	-	-
	<u>226,017</u>	<u>506,326</u>	<u>206,316</u>	<u>121,116</u>

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

17. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2007	2006
			£	£
1,100,000,000	Ordinary Share Capital	£0.01	11,000,000	11,000,000
(2006 – 1,100,000,000)			<u> </u>	<u> </u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2007	2006
			£	£
14,929,226	Ordinary Share Capital	£0.01	149,292	147,658
(2006 - 14,765,837)			<u> </u>	<u> </u>

The following fully paid shares were allotted during the year at a premium as shown below:

163,389 Ordinary Share Capital shares of £0.01 each at 0.0562989 per share.

Share Option Schemes

At 31 December 2007 the following share options were outstanding in respect of the ordinary shares:

Scheme	Number of shares	Period of option	Price per share
EMI Scheme	61,504	22 January 2002 to 21 January 2011	100.5p
		8 October 2003 to 7 October 2012	
	19,866	6 April 2005 to 5 April 2014	6p
		29 March 2006 to 28 March 2015	
	240,000	9 May 2007 to 8 May 2016	8.25p
Directors un-approved share option scheme	391,875	27 September 2004 to 28 March 2010	3.5p
US Scheme	4,755	22 October 2002 to 21 October 2011	100.5p
		6 April 2005 to 5 April 2014	
	41,000	29 March 2006 to 28 March 2015	3.5p
		9 May 2007 to 8 May 2016	
	140,000	12 November 2008 to 12 November 2010	40.0p
Other Scheme	40,000		

Lo-Q plc

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

18. EQUITY RESERVES

Group

	Share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Share based payment reserve £	Shares to be issued £	Total £
Balance at 1 January 2007	147,658	(4,636,901)	4,982,067	12,473	8,105	-	513,402
Profit for year		546,350	-	-	-	-	546,350
Foreign exchange		42,981					42,981
Issue of share capital	1,634	-	9,199	-	-	-	10,833
Recognition of share-based payments		-	-	-	19,276	-	19,276
Recognition of shares yet to be issued		-	-	-	-	66,250	66,250
Balance at 31 December 2007	<u>149,292</u>	<u>(4,047,570)</u>	<u>4,991,266</u>	<u>12,473</u>	<u>27,381</u>	<u>66,250</u>	<u>1,199,092</u>

	Share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Share based payment reserve £	Shares to be issued £	Total £
Balance at 1 January 2006	143,478	(4,324,776)	4,971,617	12,473	5,812	-	808,604
Loss for year		(269,208)	-	-	-	-	(269,208)
Foreign exchange		(42,917)					(42,917)
Issue of share capital	4,180	-	10,450	-	-	-	14,630
Recognition of share-based payments		-	-	-	2,293	-	2,293
Balance at 31 December 2006	<u>147,658</u>	<u>(4,636,901)</u>	<u>4,982,067</u>	<u>12,473</u>	<u>8,105</u>	<u>-</u>	<u>513,402</u>

Company

	Share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Share based payment reserve £	Shares to be issued £	Total £
Balance at 1 January 2007	147,658	(4,483,077)	4,982,067	12,473	8,105	-	667,226
Profit for year		769,066	-	-	-	-	769,066
Issue of share capital	1,634	-	9,199	-	-	-	10,833
Recognition of share-based payments		-	-	-	19,276	-	19,276
Recognition of shares yet to be issued		-	-	-	-	66,250	66,250
Balance at 31 December 2007	<u>149,292</u>	<u>(3,714,011)</u>	<u>4,991,266</u>	<u>12,473</u>	<u>27,381</u>	<u>66,250</u>	<u>1,532,651</u>

	Share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Share based payment reserve £	Shares to be issued £	Total £
Balance at 1 January 2006	143,478	(4,324,776)	4,971,617	12,473	5,812	-	808,604
Loss for year		(158,301)	-	-	-	-	(158,301)
Issue of share capital	4,180	-	10,450	-	-	-	14,630
Recognition of share-based payments		-	-	-	2,293	-	2,293
Balance at 31 December 2006	<u>147,658</u>	<u>(4,483,077)</u>	<u>4,982,067</u>	<u>12,473</u>	<u>8,105</u>	<u>-</u>	<u>667,226</u>

**Notes to the Financial Statements - continued
For The Year Ended 31 December 2007**

19. RETIREMENT BENEFITS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £28,700 (2006 - £26,647). Contributions amounting to £nil (2006 - £nil) were payable to the fund and are included in creditors.

20. OTHER FINANCIAL COMMITMENTS

As part of the sale agreement of the park installations during 2003 the Group guaranteed the lease payments to be made by the theme park group. In the event that the theme park group is unable to meet the instalments due, the Group would be liable for meeting the payments, up to a maximum of \$459,876 per annum until October 2008.

As part of the sale agreement of the park installations during 2007 the Group guaranteed the lease payments to be made by the theme park group. In the event that the theme park group is unable to meet the instalments due, the Group would be liable for meeting the payments, up to a maximum of \$437,020 per annum until October 2009.

In a similar situation as part of the sale agreement of the park installations during 2004 the Group would be liable for meeting the payments, up to a maximum of \$83,612 per annum until November 2008.

At the year end the company had committed to expenditure in the ordinary course of business amounting to £338,245 during the following year.

21. RELATED PARTY DISCLOSURES

Ultimate controlling party

There is no ultimate controlling party.

Subsidiaries

Management charges of £1,431,434 (2006 - £1,263,990) were received from Lo-Q Virtual Queuing Inc and £408,000 (2006 - Nil) from Lo-Q Service Canada Inc during the year, both 100% subsidiaries of Lo-Q plc.

Other related parties

IXXI Limited, a company in which A Bone, a Lo-Q plc director, is a director invoiced the company in respect of directors fees £12,667 (2006 - £12,860) of which £1,734 (2006 - £2,512) was outstanding at the year end.

Jeff McManus Limited, a company in which J McManus, a Lo-Q plc director, is a director invoiced the company in respect of directors fees £70,950 (2006 - £47,673) of which £9,085 (2006 - £5,644) was outstanding at the year end.

Barnwell Limited, a company in which J Lillywhite, a Lo-Q plc director, is a director invoiced the company in respect of directors fees £12,667 (2006 - £13,000) of which £1,062 (2006 - £2,399) was outstanding at the year end.

All of the above outstanding amounts are included within trade creditors.

Key management compensation

The key management staff are considered to be the directors and their remuneration is disclosed in note 3 to the accounts.

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

22. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group

	2007	2006
	£	£
Profit/(Loss) for the financial year	546,350	(269,208)
Issued Share Capital	1,634	4,180
Share Premium	9,199	10,450
Shares to be issued	66,250	-
Share based payment	19,276	2,293
Foreign Exchange	42,981	(42,917)
	<u>685,690</u>	<u>(295,202)</u>
Net addition/(reduction) to shareholders' funds		
Opening shareholders' funds	513,402	808,604
	<u>1,199,092</u>	<u>513,402</u>

Company

	2007	2006
	£	£
Profit/(Loss) for the financial year	769,066	(158,301)
Issued Share Capital	1,634	4,180
Share to be issued	66,250	-
Share Premium	9,199	10,450
Share based payment	19,276	2,293
	<u>865,425</u>	<u>(141,378)</u>
Net addition/(reduction) to shareholders' funds		
Opening shareholders' funds	667,226	808,604
	<u>1,532,651</u>	<u>667,226</u>

23. SHARE-BASED PAYMENT TRANSACTIONS

Equity settled share option schemes

For details of share option schemes in place during the year see note 17.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2007		2006	
	No	WAEP (pence)	No	WAEP (pence)
Outstanding at the beginning of the year	1,383,185	10.26	1,626,185	8.74
Granted during the year	40,000	40.00	175,000	8.25
Leavers	(87,296)	16.62	-	-
Exercised during the year	(163,389)	6.45	(418,000)	3.50
	<u>1,172,500</u>	<u>11.31</u>	<u>1,383,185</u>	<u>10.26</u>
Outstanding at the end of the year				
Exercisable at the end of the year	<u>1,132,500</u>	<u>9.95</u>	<u>1,208,185</u>	<u>10.55</u>

**Notes to the Cash Flow Statement
For The Year Ended 31 December 2007**

23. SHARE-BASED PAYMENT TRANSACTIONS continued

The weighted average share price at the date of exercise for share options exercised during the year was £0.281 (2006 - £0.054).

The fair values were calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	2007	2006
Weighted average share price (pence)	18.18	17.901
Expected volatility	75.00	75.00
Expected life	2.00	2.00
Risk free rate (%)	4.60	4.60
Dividend yield (%)	0	0

Expected volatility was determined by calculating the historic volatility of the Groups share price over the period since flotation.

24. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

Group

	2007	2006
	£	£
Profit before tax	551,235	(321,608)
Depreciation charges	39,570	17,427
Share based payment	2,692	2,293
Foreign Exchange	42,981	(42,917)
Finance costs	19,749	354
Finance income	<u>(4,831)</u>	<u>(4,618)</u>
	651,396	(349,069)
Decrease in inventories	23,569	12,898
Increase in trade and other receivables	(10,818)	(66,089)
(Decrease)/Increase in trade and other payables	<u>(285,191)</u>	<u>357,429</u>
Cash generated from operations	<u>378,956</u>	<u>(44,831)</u>

Company

	2007	2006
	£	£
Profit before tax	767,087	(210,731)
Depreciation charges	35,496	7,013
Share based payment	<u>2,692</u>	<u>2,293</u>
	805,275	(201,425)
Decrease in inventories	53,438	32,369
Increase in trade and other receivables	(674,381)	(51,320)
(Decrease)/Increase in trade and other payables	<u>85,858</u>	<u>(6,029)</u>
Cash generated from operations	<u>270,190</u>	<u>(226,405)</u>

Lo-Q plc

Notes to the Cash Flow Statement For The Year Ended 31 December 2007

25. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts:

Group

Year ended 31 December 2007

	2007 £	2006 £
Cash and cash equivalents	<u>630,854</u>	<u>643,968</u>

Year ended 31 December 2006

	2007 £	2006 £
Cash and cash equivalents	<u>643,968</u>	<u>637,429</u>

Company

Year ended 31 December 2007

	2007 £	2006 £
Cash and cash equivalents	<u>79,249</u>	<u>179,016</u>

Year ended 31 December 2006

	2007 £	2006 £
Cash and cash equivalents	<u>79,249</u>	<u>179,016</u>

26. ACQUISITION OF BUSINESS

TEXT-Q RESERVATIONS SYSTEM

The company purchased all the intellectual property rights to a system, which allows mobile phone users to reserve a place in line for participating attractions, from Avius Experience Limited. Known as Text-Q, this system expands the range of reservation solutions the Company can offer to the leisure industry.

The consideration to Avius, a proportion of which is deferred subject to certain conditions being satisfied, is to be satisfied through cash, the issue of Lo-Q shares and options in Lo-Q shares. As part of this, 125,000 new ordinary shares in the Company have been issued. The investment in this intellectual property has been capitalised as an intangible fixed asset. A breakdown of the consideration paid is shown below:

	2007 £
Cash	105,000
Shares in Lo-Q plc	66,250
Share options in Lo-Q plc	16,582
Legal fees capitalised	<u>21,368</u>
	<u>209,200</u>

Notes to the Financial Statements - continued
For The Year Ended 31 December 2007

27. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as set out below

Group

	2007	2006
	£	£
Land and buildings		
Less than one year	58,425	46,876
Within 2 to 5 years	<u>21,633</u>	<u>37,020</u>
	<u>80,058</u>	<u>83,896</u>

Company

	2007	2006
	£	£
Land and buildings		
Less than one year	40,735	45,454
Within 2 to 5 years	<u>-</u>	<u>37,020</u>
	<u>40,735</u>	<u>87,424</u>