

LO-Q PLC

**FINANCIAL STATEMENTS
FIFTEEN MONTHS TO 31 DECEMBER 2005**

LO-Q PLC
FINANCIAL STATEMENTS
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LO-Q PLC

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

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

COMPANY SECRETARY

Throgmorton Secretaries Limited

REGISTERED OFFICE

42 Portman Road
Reading
Berkshire
RG30 1EA

AUDITORS

Menzies
Chartered Accountants
& Registered Auditors
Neville House
55 Eden Street
Kingston upon Thames
Surrey
KT11BW

BANKERS

Barclays Bank plc
5th Floor
50 Pall Mall
London
SW1Y5AX

LO-Q PLC

CHAIRMAN'S STATEMENT

FIFTEEN MONTHS TO 31 DECEMBER 2005

The company made positive progress during the fifteen months covered by this report.

I would like to draw to your attention that the comparative periods 2005 and 2004, covered on the accounts, are for fifteen months against twelve months. This fifteen month period contains three quarters of relatively little income, when the parks are predominantly closed, and two quarters when income is earned.

Bearing this in mind, the company has performed impressively well in making an operating profit of £100k for the twelve months to September 2005, whilst reporting a small loss of £60k, for the fifteen-month period to December 2005, which is smaller than originally anticipated. The comparison of income between the full accounting periods shows that the company has almost doubled its earnings.

The contributory factors to this increased performance, as highlighted in my interim statement for the 12 months to September 2005, are

increased Q-bot rental prices and demand,

tighter management control and

having Steve Drake, our Operations Director, in the U.S.A. for large periods of the operating season.

With the appointment of new management in senior positions in our customer's organisation, Six Flags Corporation, we hope to be working more closely at corporate level, with our aspiration being that this will bring further increases in rental volumes, prices and demand in the season which is just starting, and more parks coming on stream in the following years.

We recently attended a major industry trade show and although we saw signs of renewed confidence in the theme park industry, there is currently a lot of talk and activity relating to mergers and acquisitions within the sector, which tends to make senior theme park management cautious about future plans. However we feel that once this settles, our prospects of growing our park base in the USA will be enhanced. Alongside this we have appointed, on a trial basis, a company with established sales resources for marketing in Europe, which is focussing on identifying potential installations for operation in the 2007 season.

Our Research and Development Team are current working on designing an upgraded system, which utilises the significant advances in microelectronics and associated software that have been made in the last couple of years, allowing us to make substantial system cost reductions whilst also halving the installation time. This enhanced architecture will also enable us to offer a system capable of handling all the guests in a park in the not-too-distant future.

Again I would like to thank the company's staff for their continued hard work and helping the company achieve these better results.

Jeff McManus - Chairman
March 2006

LO-Q PLC
THE DIRECTORS' REPORT
FIFTEEN MONTHS TO 31 DECEMBER 2005

The directors present their report and the financial statements of the group for the period from 1 October 2004 to 31 December 2005.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

The group made a net loss of £60,164 during the period which was in line with directors' expectations.

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

RESULTS AND DIVIDENDS

The trading results for the period and the group's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended the payment of a dividend.

RESEARCH AND DEVELOPMENT

The group's research and development activities relate to the development of virtual queuing technologies.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £0.01 each	
	At 31 December 2005	At 1 October 2004 or date of appointment
Jeff McManus – Chairman	485,414	291,742
Leonard Sim – Executive	4,453,575	4,453,575
Steve Drake – Executive	214,384	186,384
John Lillywhite – Non-executive	41,000	10,000
Anthony Bone – Non-executive	240,079	183,579

132,000 of Jeff McManus's 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 6.

Steve Drake was appointed as a director on 11 January 2005.

SUBSTANTIAL SHAREHOLDINGS

	Number of Ordinary shares	% of issued Ordinary share capital
Mr Leonard Sim	4,453,575	31.040
Sinjul Nominees Limited	830,500	5.788
Mr Robin N White	600,000	4.182
Barclayshare Nominees Limited	588,920	4.105
Mr Ian K Johnson	580,000	4.042
L R Nominees Limited	493,187	3.437
Mr John B Clarke	443,300	3.090

LO-Q PLC

THE DIRECTORS' REPORT (continued)

FIFTEEN MONTHS TO 31 DECEMBER 2005

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.

POLICY ON THE 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 2005 trade creditors represented 28 days (2004 – 59 days) purchases for the group, and 35 days (2004 – 59 days) purchases for the company.

DIRECTORS' RESPONSIBILITIES

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 group at the end of the year and of the group's profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 12 to 13, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

AUDITORS

A resolution to re-appoint Menzies for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:

42 Portman Road
Reading
Berkshire
RG30 1EA

Signed by order of the directors

Throgmorton Secretaries Limited
Company Secretary

Approved by the directors on

LO-Q PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LO-Q PLC

FIFTEEN MONTHS TO 31 DECEMBER 2005

We have audited the financial statements of Lo-Q plc for the fifteen months to 31 December 2005 on pages 6 to 21 which have been prepared on the basis of the accounting policies set out on pages 12 to 13.

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 AUDITOR

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

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

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the loss of the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Neville House
55 Eden Street
Kingston upon Thames
Surrey
KT11BW

MENZIES
Chartered Accountants
& Registered Auditors

LO-Q PLC
GROUP PROFIT AND LOSS ACCOUNT
FIFTEEN MONTHS TO 31 DECEMBER 2005

	Note	15 months to 31 December 2005 £	12 months to 30 September 2004 £
GROUP TURNOVER	2	1,596,482	845,535
Cost of sales		273,269	149,437
GROSS PROFIT		1,323,213	696,098
Administrative expenses		1,460,747	1,229,705
Other operating income	3	(75,671)	(25,483)
OPERATING LOSS	4	(61,863)	(508,124)
Profit/(loss) on disposal of fixed assets	7	-	159,849
		(61,863)	(348,275)
Interest receivable		2,139	351
Interest payable	8	(440)	(458)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(60,164)	(348,382)
Tax on loss on ordinary activities	9	(29,565)	(37,328)
LOSS FOR THE FINANCIAL PERIOD	10	(30,599)	(311,054)
Earnings per share (pence)	11	(0.21)	(2.17)

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

LO-Q PLC

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FIFTEEN MONTHS TO 31 DECEMBER 2005

	15 months to 31 December 2005 £	12 months to 30 September 2004 £
Loss for the financial period attributable to the shareholders of the parent company	(30,599)	(311,054)
Currency translation differences on foreign currency net investments	7,273	14,864
Total gains and losses recognised since the last annual report	<u>(23,326)</u>	<u>(296,190)</u>

LO-Q PLC
GROUP BALANCE SHEET
AT 31 DECEMBER 2005

		31 December 2005		30 September 2004	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	12		18,304		51,157
CURRENT ASSETS					
Stocks	14	208,124		198,448	
Debtors	15	76,315		433,449	
Cash at bank and in hand		637,429		259,297	
		<u>921,868</u>		<u>891,194</u>	
CREDITORS: Amounts falling due within one year	16	<u>131,568</u>		<u>110,421</u>	
NET CURRENT ASSETS			<u>790,300</u>		<u>780,773</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>808,604</u>		<u>831,930</u>
CAPITAL AND RESERVES					
Called-up equity share capital	22		143,478		143,478
Share premium account	23		4,971,617		4,971,617
Other reserves	23		12,473		12,473
Profit and loss account	23		(4,318,964)		(4,295,638)
SHAREHOLDERS' FUNDS	24		<u>808,604</u>		<u>831,930</u>

These financial statements were approved by the directors on the and are signed on their behalf by:

Jeff McManus – Chairman

LO-Q PLC
BALANCE SHEET
AT 31 DECEMBER 2005

	Note	31 December 2005		30 September 2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	12		7,115		20,947
Investments	13		691		691
			<u>7,806</u>		<u>21,638</u>
CURRENT ASSETS					
Stocks	14	152,837		144,900	
Debtors	15	403,476		552,488	
Cash at bank and in hand		354,303		211,275	
		<u>910,616</u>		<u>908,663</u>	
CREDITORS: Amounts falling due within one year	16	<u>109,818</u>		<u>98,371</u>	
NET CURRENT ASSETS			800,798		810,292
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>808,604</u>		<u>831,930</u>
CAPITAL AND RESERVES					
Called-up equity share capital	22		143,478		143,478
Share premium account	23		4,971,617		4,971,617
Other reserves	23		12,473		12,473
Profit and loss account	23		(4,318,964)		(4,295,638)
SHAREHOLDERS' FUNDS	24		<u>808,604</u>		<u>831,930</u>

These financial statements were approved by the directors on the.....and are signed on their behalf by:

Jeff McManus – Chairman

LO-Q PLC
GROUP CASH FLOW STATEMENT
FIFTEEN MONTHS TO 31 DECEMBER 2005

	15 months to 31 December 2005		12 months to 30 September 2004	
	£	£	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		331,868		(357,138)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	2,139		351	
Interest paid	(440)		(458)	
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		1,699		(107)
TAXATION		41,213		124,730
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(5,692)		(35,204)	
Receipts from sale of fixed assets	1,771		223,648	
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE		(3,921)		188,444
INCREASE/(DECREASE) IN CASH		370,859		(44,071)

RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Operating loss	(61,863)	(508,124)
Depreciation	38,545	94,014
Profit on disposal of fixed assets	(1,771)	-
(Increase)/decrease in stocks	(9,676)	21,342
Decrease in debtors	345,486	56,329
Increase/(decrease) in creditors	21,147	(20,699)
Net cash inflow/(outflow) from operating activities	331,868	(357,138)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Increase/(decrease) in cash in the period	370,859	(44,071)
Translation differences	7,273	16,335
Movement in net funds in the period	378,132	(27,736)
Net funds at 1 October 2004	259,297	287,033
Net funds at 31 December 2005	637,429	259,297

LO-Q PLC

GROUP CASH FLOW STATEMENT (continued)

FIFTEEN MONTHS TO 31 DECEMBER 2005

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 October 2004	Cash flows	Exchange movement	At 31 December 2005
	£	£	£	£
Net cash:				
Cash in hand and at bank	259,297	370,859	7,273	637,429
Net funds	<u>259,297</u>	<u>370,859</u>	<u>7,273</u>	<u>637,429</u>

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the results of Lo-Q plc and all of its subsidiary undertakings as at 31 December 2005 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Revenue recognition and turnover

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.

Research and development

Development expenditure is charged to the profit and loss account in the year in which it is incurred.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	20% on a straight line basis per annum
Park Installation	33 1/3% on a straight line basis per annum

Stocks

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.

Leasing and hire purchase commitments leased assets

Annual rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

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 became payable.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

LO-Q PLC

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS TO 31 DECEMBER 2005

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of the overseas operation are translated at the average rates of exchange during the year and its balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of the foreign subsidiary undertaking are taken to reserves. All other differences are taken to the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all liabilities.

Investments

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. All purchases and sales of investments are recognised using trade date accounting.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

2. TURNOVER

Turnover is attributable to the two main activities of the group, as set out below:

	Turnover 15 mth to 31 Dec 2005 £	Turnover 12 mth to 30 Sep 2004 £	Pre tax profit/(loss) 15 mth to 31 Dec 2005 £	Pre tax profit/(loss) 12 mth to 30 Sep 2004 £	Net assets 15 mth to 31 Dec 2005 £	Net assets 12 mth to 30 Sep 2004 £
Q-Bot rental income	1,596,482	845,535	(60,164)	(352,697)	790,830	645,417
Park Installation	-	-	-	4,315	-	186,513
	<u>1,596,482</u>	<u>845,535</u>	<u>(60,164)</u>	<u>(348,382)</u>	<u>790,830</u>	<u>831,930</u>

The geographical analysis of turnover is such that all Rental Income is generated through sales to America and all Park Installation income is generated through sales to Europe.

3. OTHER OPERATING INCOME

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Rent receivable	16,551	25,483
Profit on disposal of fixed assets	1,771	-
VAT refund	57,349	-
	<u>75,671</u>	<u>25,483</u>

LO-Q PLC

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS TO 31 DECEMBER 2005

4. OPERATING LOSS

Operating loss is stated after charging:	15 months to 31 Dec 2005	12 months to 30 Sep 2004
	£	£
Research and development expenditure written off	168,248	155,534
Depreciation of owned fixed assets	38,545	94,014
Auditors' remuneration		
- as auditors	11,750	11,000
- for other services	15,253	10,704
Operating lease costs:		
Land and buildings	76,569	67,888
Net (profit)/ loss on foreign currency translation	(7,252)	69,317

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial period amounted to:

	15 months to 31 Dec 2005	12 months to 30 Sep 2004
	No	No
Research and development	4	4
Management and finance	4	4
Production and administration	5	5
Seasonal staff	24	-
	<u>37</u>	<u>13</u>

The aggregate payroll costs of the above were:

	15 months to 31 Dec 2005	12 months to 30 Sep 2004
	£	£
Wages and salaries	915,460	556,414
Social security costs	99,916	43,882
Other pension costs	30,643	24,666
	<u>1,046,019</u>	<u>624,962</u>

6. DIRECTORS' EMOLUMENTS

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

	15 months to 31 Dec 2005	12 months to 30 Sep 2004
	£	£
Emoluments receivable	278,649	179,188
Value of company pension contributions to money purchase schemes	12,740	8,063
	<u>291,389</u>	<u>187,251</u>

Emoluments of highest paid director:

	15 months to 31 Dec 2005	12 months to 30 Sep 2004
	£	£
Total emoluments (excluding pension contributions)	114,951	86,783
Value of company pension contributions to money purchase schemes	7,840	6,272
	<u>122,791</u>	<u>93,055</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	15 months to 31 Dec 2005	12 months to 30 Sep 2004
	No	No
Money purchase schemes	2	2

LO-Q PLC

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS TO 31 DECEMBER 2005

6. DIRECTORS' EMOLUMENTS (continued)

Share Option Scheme

The share options of the directors are set out below:

The share options of J McManus, 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.

	1 October 2004 Number	Granted/(lapsed) In the period Number	31 December 2005 Number	Exercise price	Date from which exercisable	Expiry date
J McManus	418,000	(418,000)	-	85p	27/09/2001 - 27/09/2003	27/09/2006
	-	418,000	418,000	3.5p	29/03/2006	28/03/2010
J Lillywhite	209,000	(209,000)	-	85p	27/09/2001 - 27/09/2004	27/09/2006
	-	209,000	209,000	3.5p	27/09/2004	28/03/2010
A Bone	182,875	(182,875)	-	85p	27/09/2001 - 27/09/2004	27/09/2006
	-	182,875	182,875	3.5p	27/09/2002	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

7. PROFIT/LOSS ON DISPOSAL OF FIXED ASSETS

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Sale of park installation	-	159,849

8. INTEREST PAYABLE AND SIMILAR CHARGES

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Interest payable on bank borrowing	169	151
Interest on other loans	271	307
	<u>440</u>	<u>458</u>

LO-Q PLC

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS TO 31 DECEMBER 2005

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Current tax:		
UK Corporation tax recoverable at 16% (2004 – 16%)	(29,565)	(37,328)
Total current tax	<u>(29,565)</u>	<u>(37,328)</u>

(b) Factors affecting current tax charge

The UK deferred tax asset of £1,013,085 (2004 - £1,049,869) 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.

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Loss on ordinary activities before taxation	<u>(60,164)</u>	<u>(348,382)</u>
Research and development tax credit	(29,565)	(37,328)
Total current tax (note 9(a))	<u>(29,565)</u>	<u>(37,328)</u>

10. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £23,326 (2004 - £296,190)

11. EARNINGS PER SHARE

	15 months to 31 Dec 2005 £	12 months to 30 Sep 2004 £
Earnings per ordinary share	<u>(0.21)</u>	<u>(2.17)</u>

Basic loss per ordinary share is calculated by dividing the loss attributable to ordinary shareholders of £30,599 (2004 - £311,054) by the weighted average number of shares in issue during the relevant financial period of 14,347,837 (2004 – 14,347,837).

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS14.

LO-Q PLC
NOTES TO THE FINANCIAL STATEMENTS
FIFTEEN MONTHS TO 31 DECEMBER 2005

12. TANGIBLE FIXED ASSETS

Group	Fixtures & fittings £
COST	
At 1 October 2004	181,994
Additions	5,692
At 31 December 2005	<u>187,686</u>
DEPRECIATION	
At 1 October 2004	130,837
Charge for the period	38,545
At 31 December 2005	<u>169,382</u>
NET BOOK VALUE	
At 31 December 2005	<u>18,304</u>
At 30 September 2004	<u>51,157</u>

Company	Fixtures & fittings £
COST	
At 1 October 2004	121,511
Additions	5,285
At 31 December 2005	<u>126,796</u>
DEPRECIATION	
At 1 October 2004	100,564
Charge for the period	19,117
At 31 December 2005	<u>119,681</u>
NET BOOK VALUE	
At 31 December 2005	<u>7,115</u>
At 30 September 2004	<u>20,947</u>

13. INVESTMENTS

Company	Group undertakings £
COST	
At 1 October 2004 and 31 December 2005	691
NET BOOK VALUE	
At 31 December 2005	<u>691</u>
At 30 September 2004	<u>691</u>

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13. INVESTMENTS (continued)

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the period end is 20% or more are as follows

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Subsidiary undertakings			
Lo-Q Virtual Queuing Inc	USA	100%	Application of virtual queue technologies
Lo-Q (Trustees) Limited	England	100%	Non-trading

14. STOCKS

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Raw materials	182,829	180,638	127,542	132,217
Finished goods	25,295	17,810	25,295	12,683
	208,124	198,448	152,837	144,900

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

15. DEBTORS

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Trade debtors	-	1,356	-	-
Amounts owed by group undertakings	-	-	347,173	282,593
Corporation tax repayable	30,114	41,762	29,565	37,328
VAT recoverable	2,717	4,005	3,138	4,010
Accrued income	17,498	342,152	-	186,513
Other debtors	3,676	12,165	1,290	10,035
Prepayments	22,310	32,009	22,310	32,009
	76,315	433,449	403,476	552,488

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Accrued income	-	124,342	-	-

16. CREDITORS: Amounts falling due within one year

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Trade creditors	12,860	61,290	7,770	55,009
Other creditors including taxation and social security:				
Other taxation and social security	15,166	14,751	15,166	14,751
Other creditors	16,172	8,381	16,172	5,597
Accruals and deferred income	87,370	25,999	70,710	23,014
	131,568	110,421	109,818	98,371

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17. PENSIONS

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 £30,643 (2004 - £24,666). Contributions amounting to £nil (2004 - £nil) were payable to the fund and are included in creditors.

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as set out below.

Group

	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 2 to 5 years	71,175	56,993

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

Company

	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 2 to 5 years	50,000	37,500

Not included in the above note is the annual payment to a leasing company in respect of the installation sales in 2003 and 2004. This is explained further in note 19.

19. CONTINGENT LIABILITIES

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.

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, should the theme park group be unable to meet the instalments due.

20. RELATED PARTY TRANSACTIONS

No transactions with subsidiary undertakings were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

At 31 December 2005 J McManus, a company director, owed the company £660 (2004 - £660) for unpaid share capital. There was also £14,630 included within other creditors in respect of share options.

Ixxi Limited, a company in which A Bone, a Lo-Q plc director, is a director invoiced the company in respect of directors fees £13,300 (2004 - £10,888) of which £nil (2004 - £2,100) was outstanding at the period 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 £49,075 (2004 - £50,193) of which £nil (2004 - £5,092) was outstanding at the period 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 £8,000 (2004 - £6,465) of which £nil (2004 - £610) was outstanding at the period end.

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

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21. FINANCIAL INSTRUMENTS

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. The main operating currencies of its operations are therefore in sterling and US 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 £160,741 (2004 - £165,831) denominated in US dollars, and amounts due from subsidiary undertakings operating in US dollars of £347,173 (2004 - £390,643). Trade debtors of £nil (2004 - £1,356) and accrued income of £nil (2004 - £186,513) were also denominated in US dollars; there were no other significant debtors or creditors denominated in US dollars.

22. SHARE CAPITAL

Authorised share capital:		2005		2004
		£		£
1,100,000,000 Ordinary shares of £0.01 each		11,000,000		11,000,000
Allotted, called up and fully paid:		2005		2004
		£		£
	pence		pence	
Ordinary shares of £0.01 each	14,347,837	143,478	14,347,837	143,478

Share Option Schemes

At 31 December 2005 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
	37,255	8 October 2003 to 7 October 2012	18p
	139,000	6 April 2005 to 5 April 2014	6p
	320,000	29 March 2006 to 28 March 2015	3.5p
Directors Non-approved share option scheme	809,875	As set out in note 6	3.5p
US Scheme	15,551	22 October 2002 to 21 October 2011	100.5p
	63,000	6 April 2005 to 5 April 2014	6p
	16,551	29 March 2006 to 28 March 2015	3.5p

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23. RESERVES

Group	Share premium account £	Capital reserve £	Profit and loss account £
Balance brought forward	4,971,617	12,473	(4,295,638)
Loss for the period	-	-	(30,599)
Foreign currency retranslation	-	-	7,273
Balance carried forward	<u>4,971,617</u>	<u>12,473</u>	<u>(4,318,964)</u>

The share premium account and capital reserve are non-distributable.

Company	Share premium account £	Capital reserve £	Profit and loss account £
Balance brought forward	4,971,617	12,473	(4,295,638)
Loss for the period	-	-	(23,326)
Balance carried forward	<u>4,971,617</u>	<u>12,473</u>	<u>(4,318,964)</u>

The share premium account and capital reserve are non-distributable.

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Loss for the financial period/year	(48,373)	(311,054)
Foreign currency retranslation	7,273	14,864
Net reduction to funds	<u>(41,100)</u>	<u>(296,190)</u>
Opening shareholders' equity funds	831,930	1,128,120
Closing shareholders' equity funds	<u>790,830</u>	<u>831,930</u>

25. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.