

**Report of the Directors and
Consolidated Financial Statements For The Year Ended 31 December 2008
for
LO-Q PLC**

LO-Q PLC

Contents of the Consolidated Financial Statements For The Year Ended 31 December 2008

	Page
Company Information	1
Chairman's Report	2
Report of the Directors	4
Report of the Independent Auditors	8
Consolidated Income Statement	10
Consolidated Statement of Recognised Income and Expense	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Cash Flow Statement	14
Company Cash Flow Statement	15
Notes to the Consolidated Financial Statements	16

LO-Q PLC

**Company Information
For The Year Ended 31 December 2008**

DIRECTORS:	J McManus, Chairman L Sim, Executive S Drake, Executive C Robertson, Executive J Lillywhite, Non-Executive A Bone, Non-Executive
SECRETARY:	Throgmorton Secretaries LLP
REGISTERED OFFICE:	42 Portman Road Reading Berkshire RG30 1EA
REGISTERED NUMBER:	3959429 (England and Wales)
AUDITORS:	Menzies LLP 3rd Floor, King's House 12-42 Wood Street Kingston Upon Thames Surrey KT1 1TG
BANKERS:	HSBC Bank 26, Broad Street Reading RG1 2BU

LO-Q PLC

Chairman's Report For the year ending 31st December 2008

I am pleased to report that the Company continues to make positive progress.

2008 Financials

2008 was a pivotal year for the Company, with turnover, profit and park customers all improving significantly. Turnover increased by 73% growing from £7.8 million to £13.5 million, profit before tax more than tripled to £1.85m (2007: £0.55m) and the number of parks using our products rose to 11 during the period (2007: 8 parks).

Our success can be attributed to a number of factors: increased field operations efficiency, the strengthening of the US Dollar, larger Q-bot rental customer numbers and, in some parks, significantly increased daily rental prices. Most importantly our success comes through the significant effort made by our team of dedicated staff.

The Company ended the year with a very good cash position which, in today's poor and uncertain financial climate, is rather reassuring to all of our customers, staff and shareholders. At the end of the financial year the net cash position stood at £2.6m (2007: £0.63m). This strong cash position allows the Company to move forward more aggressively on a path of accelerated growth.

Investing for growth

In the past, the Board has had to work within the tight constraints of limited financial resources when planning ahead. These results mark a turning point in the Company's development as Lo-Q's strong cash flow provides the Board with a greater ability to invest for future growth.

(1) Increased sales effort

As part of the plan to accelerate growth in the business we are increasing our systems sales resource with a view to rapidly growing our park customer base. We expect the increased sales effort to have a significant impact on revenue generation over the medium term.

(2) Product development

We have also agreed to increase the size of our R&D team so that we are able to continue working on both product improvements and new areas of queue line management.

The current product, VQ 2020, is undergoing significant improvements in the quality of customer use, currently most typified by the inclusion of smoothing algorithms so that we are able to lower the bunching of guests arriving at the express entrance to the ride, which is the entrance that only our customers use. This will also increase the number of Q-bots that can be efficiently used in the parks on very busy days. We are starting to carry out further work ready for the implementation of automation in queue line wait measurement, automation in sales-handling to give faster sales velocity at our sales booths, and automated entrance control to the express lane of the ride entrance: all of which will reduce the daily cost of staff resources employed by our systems.

All these features will not only mean a heightened quality of guest experience when using the Q-bot, but also will significantly raise the entry-level costs and operating experience requirements of potential competitors. In future years, as we develop and build on our experience, our theme park customers will be using an increasingly more valuable and complex tool, and with the anticipated continued increased in park guest demand and appreciation, this will also allow a continued escalation in rental pricing structures.

(3) Focus on efficient delivery of service

It is becoming more and more apparent that whilst the Company's trade was initially based on the possession of intellectual property contained in our original patent, the growing strength of the Company is attributable to, and contained in, the smooth and efficient operation of the in-park sales and operations teams and the in-park line management staff. This year we will employ more staff in these areas with recruitment and training underway during the winter closed season. Whilst the outcome from the future automation projects will reduce the number of employees per park, the Company will still require larger numbers of management and supervisory staff to efficiently run line management systems.

(4) Development of water park product

Work continues on the collaborative venture that will produce a water park product that we believe will be extremely simple to use in this environment, which, by its very nature, is not sympathetic to electronic products!

Current trading and Outlook for 2009

Following last year's substantial growth in Q-bot rental income we expect to see this pattern continue.

Firstly we expect to benefit from the full impact on revenues of the increased number of parks using our systems. As already mentioned above, last year the number of parks using our products rose from 8 sites to 11.

Since the period end two more major customer sites have now become operational and we have also added two more park customers: Mirabilandia in Italy, where the system will become operational this month; and Flamingo Land in Yorkshire, where, as we are also announcing this morning on RNS Reach, we have entered into contracts to install our Text-Q system. This is based on mobile phone technology and is especially suitable for smaller parks that do not have a large number of prime rides. It also has a lower installation cost than our flagship product, VQ2020, and was first used by the London Dungeon and Madame Tussauds in London. This now brings the total number of parks that will use Lo-Q systems this theme park season to 15.

The level of Q-bot revenues across all our parks will depend on the number of visitors at these sites and the uptake of Q-bot rentals by those visitors. Whilst there is some uncertainty as to the effect of the current global downturn on likely visitor numbers, theme parks are working hard on marketing plans to maximise the number of guests on each day of operation. Despite the impact of the global downturn in 2008 we still experienced an upsurge in trade during that year, particularly in the US, to such a level that we had to issue two trading statements during the second half of last year announcing that our results would significantly ahead of market expectations.

We suspect that the financial state of the economy played a positive benefit for our Company last year in producing a different demographic mix of customers visiting the parks, with the proportion of more affluent customers increasing. Whilst overall the effect is probably quite small, it must be borne in mind that if typically 6% of the customers to the park have previously bought Q-bots, a change in the attendance demographic by 1 or 2 percentage points in favour of greater numbers of affluent attendees affects the Q-bot user numbers with a potential sixteen percent increase of those who might want to rent a Q-bot.

Our customers have been particularly pleased with our level of trade as the Q-bot system benefits both the theme parks and their customers by bringing additional revenues to theme parks whilst at the same time providing a service that improves the experience for the visitors. As a result we have been asked to deliver more Q-bots to most parks, ready for a potential further upsurge in business demand and the initial trade figures from the small number of parks that have just opened have shown an encouraging start to the trading year.

Summary

Previous years have been characterised by significant progress in only one or two sectors of the Company's operation. 2009 has started with all aspects of the Company performing well and with both medium and long term future outlooks that appear really exciting. But perhaps the most important factor to relate is the sound basis on which the Company now trades as demonstrated in these financial results.

As a board we are aware of the risk of the negative effects of a severe downturn in the world economy and, given that the majority of our customers are outside of the UK, we would be subject to the detrimental effect of the value of the pound rising against the US Dollar during the forthcoming year.

However, having established a solid financial foundation, broadened our customer base and made investment in the business to accelerate growth we are confident that 2009 will be another year of significant growth for Lo-Q.

Jeff McManus
Chairman
6th April 2009

LO-Q PLC

Report of the Directors For The Year Ended 31 December 2008

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of development and application of virtual queuing technologies.

The group made a Profit before tax of £1,851,376. After taxation a sum of £2,024,213 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 annexed financial statements and explained in the Chairman's report.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2008.

KEY PERFORMANCE INDICATORS

The company has a very seasonal cash flow due to its income arising largely from park operations, through the daily renting of Q-bots to park guests. 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 weekly production of cash position modelling. Due to the lack of income during the winter recess this cash forecasting is crucial to company operations.

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 2008 the Group invested £252,325 (2007 - £301,298) into the research and development.

LO-Q PLC

Report of the Directors For The Year Ended 31 December 2008

DIRECTORS

The directors during the year under review were:

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

The beneficial interests of the directors holding office on 31 December 2008 in the issued share capital of the company were as follows:

Ordinary Share Capital £0.01 shares	As at 31 December 2008	As at 1 January 2008
Jeff McManus Chairman	954,172	904,172
Leonard Sim Executive	4,343,575	4,398,575
Steve Drake Executive	234,384	214,384
Colin Robertson Executive	148,000	148,000
John Lillywhite Non-Executive	145,500	41,000
Anthony Bone Non-Executive	381,517	240,079

132,000 of Jeff McManus' shares are held 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 4.

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 2008 trade creditors represented 27 days (2007 - 39 days) purchases for the group, and 39 days (2007 - 34 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 2 to the financial statements.

LO-Q PLC

Report of the Directors For The Year Ended 31 December 2008

SUBSTANTIAL SHAREHOLDINGS

As at 30 March 2009 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	4,343,575	28.35
Pershing Nominees Limited	1,343,000	8.77
Jeff McManus	954,172	6.23
L R Nominees Limited	898,646	5.87
Barclayshare Nominees Limited	736,890	4.81
Ian Johnson	580,000	3.79
HSDL Nominees Ltd	499,412	3.26

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 and other senior members of the company.

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.

LO-Q PLC

**Report of the Directors
For The Year Ended 31 December 2008**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the 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.

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

On 1 July 2008, Menzies, the company's auditors, transferred its business to Menzies LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treat the appointment of Menzies as extending to Menzies LLP with effect from 1 July 2008 under the provisions of section 26(5) of the Companies Act 1989.

Accordingly, a resolution approving the re-appointment of Menzies LLP will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

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Throgmorton Secretaries LLP - Secretary

Date:

LO-Q PLC

Report of the Independent Auditors to the Members of LO-Q PLC For The Year Ended 31 December 2008

We have audited the financial statements of Lo-Q plc for the year ended 31 December 2008 which comprises the Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Company Balance Sheet, Company Cash Flow Statement 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 page seven.

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

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

We read other information 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.

LO-Q PLC

**Report of the Independent Auditors to the Members of LO-Q PLC
For The Year Ended 31 December 2008**

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 2008 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 2008 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

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

Menzies LLP
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 2008

	Notes	2008 £	2007 £
CONTINUING OPERATIONS			
Revenue	3	13,519,686	7,805,545
Cost of sales		<u>(9,973,907)</u>	<u>(6,160,589)</u>
GROSS PROFIT		3,545,779	1,644,956
Administrative expenses		<u>(1,719,135)</u>	<u>(1,078,800)</u>
OPERATING PROFIT		1,826,644	566,156
Finance costs	5	(1,497)	(19,749)
Finance income	5	<u>26,229</u>	<u>4,831</u>
PROFIT BEFORE TAX	6	1,851,376	551,238
Tax	7	<u>172,837</u>	<u>(4,885)</u>
PROFIT FOR THE YEAR		<u>2,024,213</u>	<u>546,353</u>
Attributable to: Equity holders of the parent		<u>2,024,213</u>	<u>546,353</u>
Earnings per share expressed in pence per share:			
Basic	9	13.21	3.69
Diluted		<u>11.99</u>	<u>3.46</u>

All activities of the company are classified as continuing.

The notes form part of these financial statements

LO-Q PLC**Consolidated Statement of Recognised Income and Expense
For The Year Ended 31 December 2008**

	2008	2007
	£	£
Foreign Exchange Movement on Consolidation	<u>154,760</u>	<u>42,981</u>
NET INCOME RECOGNISED DIRECTLY IN EQUITY	154,760	42,981
PROFIT FOR THE FINANCIAL YEAR	<u>2,024,213</u>	<u>546,353</u>
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	<u>2,178,973</u>	<u>589,334</u>
Attributable to:		
Equity holders of the parent	<u>2,178,973</u>	<u>589,334</u>

The notes form part of these financial statements

LO-Q PLC

**Consolidated Balance Sheet
31 December 2008**

	Notes	2008 £	2007 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	539,445	479,390
Property, plant and equipment	11	52,310	22,341
Deferred tax	17	<u>195,000</u>	<u>-</u>
		<u>786,755</u>	<u>501,731</u>
CURRENT ASSETS			
Inventories	13	307,024	171,657
Trade and other receivables	14	72,815	118,098
Tax receivable		645	475
Cash and cash equivalents	15	<u>2,559,351</u>	<u>630,854</u>
		<u>2,939,835</u>	<u>923,378</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	380,164	221,132
Tax payable		<u>2,669</u>	<u>4,885</u>
		<u>382,833</u>	<u>226,017</u>
NET CURRENT ASSETS		<u>2,557,002</u>	<u>697,361</u>
NET ASSETS		<u>3,343,757</u>	<u>1,199,092</u>
SHAREHOLDERS' EQUITY			
Called up share capital	19	153,211	149,292
Share premium	19	5,001,063	4,991,266
Capital redemption reserve	19	12,473	12,473
Other reserves	19	45,607	27,381
Shares to be Issued Reserve	19	-	66,250
Retained earnings	19	<u>(1,868,597)</u>	<u>(4,047,570)</u>
Total equity		<u>3,343,757</u>	<u>1,199,092</u>
TOTAL SHAREHOLDERS' EQUITY		<u>3,343,757</u>	<u>1,199,092</u>

The financial statements were approved by the Board of Directors on and authorised for issue onand 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 2008**

	Notes	2008 £	2007 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	538,854	478,763
Property, plant and equipment	11	36,991	16,760
Investments	12	735	735
Deferred tax	17	<u>195,000</u>	<u>-</u>
		771,580	496,258
CURRENT ASSETS			
Inventories	13	113,552	67,030
Trade and other receivables	14	1,057,384	1,096,430
Cash and cash equivalents	15	<u>1,895,741</u>	<u>79,249</u>
		3,066,677	1,242,709
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	<u>290,434</u>	<u>206,316</u>
		2,776,243	1,036,393
NET CURRENT ASSETS			
		<u>3,547,823</u>	<u>1,532,651</u>
SHAREHOLDERS' EQUITY			
Called up share capital	18	153,211	149,292
Share premium	19	5,001,063	4,991,266
Capital redemption reserve	19	12,473	12,473
Other reserves	19	45,607	27,381
Shares to be Issued Reserve	19	-	66,250
Retained earnings	19	<u>(1,664,531)</u>	<u>(3,714,011)</u>
Total shareholders' equity		3,547,823	1,532,651
TOTAL EQUITY			
		<u>3,547,823</u>	<u>1,532,651</u>

The financial statements were approved by the Board of Directors on and authorised for issue onand were signed on its behalf by:

.....
Jeff McManus - Chairman

LO-Q PLC**Consolidated Cash Flow Statement
For The Year Ended 31 December 2008**

	Notes	2008 £	2007 £
Cash flows from operating activities			
Cash generated from operations	25	2,213,613	378,956
Interest paid		(1,497)	(19,749)
Tax paid		<u>(24,549)</u>	<u>55,477</u>
Net cash from operating activities		<u>2,187,567</u>	<u>414,684</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(252,325)	(427,666)
Purchase of tangible fixed assets		(46,690)	(15,796)
Interest received		<u>26,229</u>	<u>4,831</u>
Net cash used in investing activities		<u>(272,786)</u>	<u>(438,631)</u>
Cash flows from financing activities			
Share Issue		3,919	1,634
Share Premium		<u>9,797</u>	<u>9,199</u>
Net cash from financing activities		<u>13,716</u>	<u>10,833</u>
Increase/(Decrease) in cash and cash equivalents		1,928,497	(13,114)
Cash and cash equivalents at beginning of year	25	<u>630,854</u>	<u>643,968</u>
Cash and cash equivalents at end of year	25	<u>2,559,351</u>	<u>630,854</u>

The notes form part of these financial statements

LO-Q PLC**Cash Flow Statement
For The Year Ended 31 December 2008**

	Notes	2008 £	2007 £
Cash flows from operating activities			
Cash generated from operations		2,068,224	270,190
Interest paid		(1,442)	-
Tax paid		-	56,197
Net cash from operating activities		<u>2,066,782</u>	<u>326,387</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(252,195)	(427,666)
Purchase of tangible fixed assets		(32,537)	(11,300)
Interest received		20,726	1,979
Net cash used in investing activities		<u>(264,006)</u>	<u>(436,987)</u>
Cash flows from financing activities			
Share Issue		3,919	1,634
Share Premium		9,797	9,199
Net cash from financing activities		<u>13,716</u>	<u>10,833</u>
Increase/(Decrease) in cash and cash equivalents		<u>1,816,492</u>	<u>(99,767)</u>
Cash and cash equivalents at beginning of year		<u>79,249</u>	<u>179,016</u>
Cash and cash equivalents at end of year		<u><u>1,895,741</u></u>	<u><u>79,249</u></u>

LO-Q PLC

Notes to the Consolidated Financial Statements For The Year Ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of preparation

Lo-Q plc is a public limited company incorporated in the United Kingdom, whose shares are publicly traded on the AIM market. The Company is domiciled in the United Kingdom and its registered address is 42-44 Portman Road, Reading, Berkshire, RG30 1EA, United Kingdom.

The financial period represents the 52 weeks and 2 days to 31 December 2008 (prior financial year 52 weeks and 1 day to 31 December 2007). The consolidated financial statements for the 52 weeks and 2 days to 31 December 2008 comprise the financial statements of the Company and its subsidiaries ('Group'). The Group's principal activities are the development and application of virtual queuing technologies.

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 2008 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)

Amendment to IAS 32 'Financial instruments presentation' (effective 1 January 2009)

IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)

IFRS 8 Operating Segments (effective 1 January 2009)

IFRIC 13 Customer Loyalty Programmes (effective 1 July 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 Accounting

The financial statements of Lo-Q Plc have been prepared in accordance with EU Endorsed International Financial Reporting Standards and IFRIC interpretations (IFRS) and the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below.

**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008**

1. **ACCOUNTING POLICIES - continued**

Judgement and estimates

The Group makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Impairment of assets

Financial and non-financial assets including other intangibles are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows which includes management assumptions and estimates of future performance.

If there is an indication that impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which this asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the results of Lo-Q plc and all of its subsidiary undertakings as at 31 December 2008 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions under IFRS3 are recognised at their fair value at the acquisition date

**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008**

1. **ACCOUNTING POLICIES - continued**

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The results of subsidiaries are included in the Group income statement 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.

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 2007.

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-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.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

1. ACCOUNTING POLICIES - continued

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 or valuation 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%

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.

**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008**

1. **ACCOUNTING POLICIES - continued**

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 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 is capitalised and amortised over its useful economic life, which is considered to be up 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, 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.

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.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

1. ACCOUNTING POLICIES - continued

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

Equity Instruments re share capital

Equity instruments are recorded at the proceeds received, net of direct issue costs.

**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008**

2. FINANCIAL RISK MANAGEMENT

Overview:

The Group has exposure to the following risks from its use of financial instruments

Liquidity risk;
Credit risk; and
Market risk

This note presents information about the Group's exposure to each of the above risks and the Group's policies and processes for measuring and managing these risks. The risks are managed centrally following Board approved policies. The Group operates a centralised treasury function in accordance with Board approved policies and guidelines covering funding and management of foreign exchange exposure and interest rate risk. Transactions entered into by the treasury function are required to be in support of, or as a consequence of, underlying commercial transactions.

Other than short-term trade receivables and trade payables, as detailed in notes, that arise directly from operations, the Group's financial instruments comprise cash. 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 Group's activities expose the Group to a number of risks including interest rate risk, credit risk, liquidity risk and currency risk. The Group manages these risks by regularly monitoring the business and providing ongoing forecasts of the impact on the business.

LIQUIDITY RISK

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments to ensure it has sufficient funds to meet its obligations as they fall due. The Group finance function produces regular forecasts that estimate the cash inflows and outflows for the next 12 months, so that management can ensure that sufficient financing is in place as it is required. The Groups objective is to maintain a balance between continuity of funding and flexibility through the use of banking arrangements in place.

MATURITY ANALYSIS

The table below analyses the Group's financial liabilities on a contractual gross basis based on amount outstanding at the balance sheet date up to maturity date:

31 December 2008

Maturity analysis	Less than 6 months £	Between 6 months and 1 year £	Between 1 and 5 years £	Over 5 years £	Total £
GROUP					
Trade and other payables	330,097	-	-	-	330,097
Total liabilities	<u>330,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,097</u>
COMPANY					
Trade and other payables	242,370	-	-	-	242,370
Total liabilities	<u>242,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,370</u>

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

31 December 2007

Maturity analysis	Less than 6 months £	Between 6 months and 1 year £	Between 1 and 5 years £	Over 5 years £	Total £
GROUP					
Trade and other payables	188,482	-	-	-	188,482
Total liabilities	<u>188,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,482</u>
COMPANY					
Trade and other payables	174,667	-	-	-	174,667
Total liabilities	<u>174,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,667</u>

The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

INTEREST RATE RISK

The Group's interest rate variation arises mainly from interest received on Cash deposits. Any contractual agreements entered into at floating rates expose the entity to cash flow risk, while fixed-rate deposits expose the entity to fair value risk. The Group uses a combination of fixed and floating deposits for its cash balances.

The Group regularly reviews its funding arrangements to ensure they are competitive with the marketplace

The Group has considered the potential impact of falling interest rates on its cash deposits and do not consider this to have a materially significant impact on the accounts and hence no sensitivity analysis is considered necessary.

The table below shows the Group's and Company's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing:

The Group regularly reviews its funding arrangements to ensure they are competitive with the marketplace.

31 December 2008	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
GROUP					
Trade and other receivables	-	-	16,147	16,147	-
Cash	1,362,915	1,193,657	2,779	2,559,351	-
Total assets	<u>1,362,915</u>	<u>1,193,657</u>	<u>75,594</u>	<u>2,632,166</u>	<u>-</u>
Trade and other payables	-	-	(330,097)	-	(330,097)
Total liabilities	<u>-</u>	<u>-</u>	<u>(330,097)</u>	<u>-</u>	<u>(330,097)</u>

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

2. FINANCIAL RISK MANAGEMENT (continued)

31 December 2008	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
COMPANY					
Trade and other receivables	-	-	1,000,716	1,000,716	-
Cash	1,000,000	893,044	2,397	1,895,741	-
Total Assets	1,000,000	893,044	1,059,781	2,953,125	-
Trade and other payables	-	-	(242,370)	-	(242,370)
Total liabilities	-	-	(242,370)	-	(242,370)
31 December 2007	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
GROUP					
Trade and other receivables	-	-	87,376	87,376	-
Cash	-	624,839	6,015	630,854	-
Total assets	-	624,839	124,113	748,952	-
Trade and other payables	-	-	188,482	-	188,482
Total liabilities	-	-	188,482	-	188,482
	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
COMPANY					
Trade and other receivables	-	-	1,065,708	1,065,708	-
Cash	-	1,257	77,992	79,249	-
Total Assets	-	1,257	1,174,422	1,175,679	-
Trade and other payables	-	-	174,667	-	174,667
Total liabilities	-	-	174,667	-	174,667

CREDIT RISK EXPOSURE

Credit risk predominantly arises from trade receivables, cash and cash equivalents and deposits with banks. Credit risk is managed on a Group basis. External credit checks are obtained for larger customers. In addition, the credit quality of each customer is assessed internally before accepting any terms of trade. Internal procedures take into account customers' financial position, their reputation in the industry and past trading experience. As a result the group's exposure to bad debts is not significant due to the nature of its trade and relationships with customers.

Indeed, the Group having considered the potential impact of its exposure to credit risk, having due regard to both the nature of its business and customers, do not consider this to have a materially significant impact to the results.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

Financial assets	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Trade and other receivables	72,815	118,098	1,057,384	1,096,430
Cash	2,559,351	630,854	1,895,741	79,249
Estimated irrecoverable amounts	-	-	-	-

The maximum exposure is the carrying amount as disclosed in Trade and Other Receivables. The average credit period taken on the sale of goods is 14 days. The allowance for estimated irrecoverable amounts has been made based upon the knowledge of the financial circumstances of individual trade receivables at the balance sheet date. The Group holds no collateral against these receivables at the balance sheet date.

The following table provides an analysis of trade and other receivables that were past due at 31 December 2008 and 31 December 2007 but against which no provision has been made. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Up to 3 months	8,935	79,912	8,935	-
3 to 6 months	-	-	-	-
	8,935	79,912	8,935	-

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

FOREIGN CURRENCY EXPOSURE

The group's overseas operations are in the USA and Canada and as such they are exposed to the risk of foreign currency fluctuations. The main operating currencies of its operations are therefore in sterling, US Dollars 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 £405,840 (2007 - £395,778) denominated in US dollars and £283,457 (2007 - £155,468) denominated in Canadian dollars.

The Group reduces any risk by the subsidiaries invoicing in their local currency wherever possible. The Group tries to keep foreign inter company balances as low as possible to avoid translation adjustments.

Given the nature of the Groups' operations and their management of foreign currency exposure they limit the potential down side risk as far as practicably possible.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

To show the impact of the fluctuation of the USD exchange rate on the Group financial statements, the table below shows how the year ended 30 December 2008 results would have been impacted by exchange rates at different dates.

	01.01.08		2008		2007	
	\$1.996:£1	Actual \$1.462:£1	\$1.447:£1	01.01.08 \$1.996:£1	Actual \$1.987:£1	31.12.08 \$1.447:£1
	£	£	£	£	£	£
Group net assets	4,565,075	3,343,757	3,309,450	1,204,523	1,199,092	1,204,523
Group turnover	18,457,793	13,519,686	13,380,975	7,840,900	7,805,545	5,684,259
Group profit for the year	2,763,563	2,024,213	2,003,445	548,828	546,353	397,873

The Groups policy is not to use forward contracts and therefore none were outstanding at the year end (2007: £nil) although they do retain this facility with their bankers should they decide to change this policy.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical segments (primary format)

Segment revenue based on geographical location of customers

	2008	2007
	£	£
North America	12,299,662	7,201,102
United Kingdom	1,220,024	604,443
	<u>13,519,686</u>	<u>7,805,545</u>

	United Kingdom		North America		Consolidated	
	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£
Revenue						
- External Sales (continuing)	1,220,024	604,443	12,299,662	7,201,102	13,519,686	7,805,545
- Inter Segmental	2,830,678	1,839,434	(2,955,126)	(1,839,434)	-	-
Gross Profit	3,356,147	1,694,338	189,632	(49,382)	3,545,799	1,644,956
Results from operating activities (continuing)	<u>1,959,645</u>	<u>783,984</u>	<u>(133,001)</u>	<u>(227,601)</u>	<u>1,826,644</u>	<u>556,156</u>
All finance costs and income relate to the UK and to North America						
Profit/(Loss)	<u>2,049,480</u>	<u>769,069</u>	<u>(149,716)</u>	<u>(222,716)</u>	<u>2,024,213</u>	<u>546,353</u>
Segment assets	3,726,590	1,425,109	111,667	314,858	3,838,257	1,793,967
Segment liabilities	(290,434)	(206,316)	(1,083,824)	(19,701)	(382,833)	(226,017)
Capital Expenditure	284,732	14,525	14,283	4,496	299,015	19,021
Depreciation	12,306	7,643	5,063	4,045	15,981	11,688
Amortisation of intangible assets	<u>109,272</u>	<u>31,078</u>	<u>166</u>	<u>29</u>	<u>109,438</u>	<u>31,107</u>

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

Business segments (secondary format)

	2008	2007
	£	£
Total carrying amount of segment assets		
Rental of Q-bots	2,939,835	923,378
Sale & Leaseback of Q-Bot Technology	<u>-</u>	<u>-</u>
	<u>2,939,835</u>	<u>923,378</u>

	2008	2007
	£	£
Revenue for business segments:		
Rental of Q-Bots	12,451,686	7,201,102
Sale and Leaseback of Q-Bot Technology	<u>1,068,000</u>	<u>604,443</u>
	<u>13,519,686</u>	<u>7,805,545</u>

	2008	2007
	£	£
Total cost to acquire intangible or tangible segment assets		
Rental of Q-Bots	9,369,335	5,668,767
Sale & Leaseback of Q-Bot Technology	<u>604,572</u>	<u>491,822</u>
	<u>9,973,907</u>	<u>6,160,589</u>

4. EMPLOYEES AND DIRECTORS

	2008	2007
	£	£
Wages and salaries	2,182,928	1,282,341
Social security costs	221,728	136,451
Defined contribution pension costs	37,661	28,700
Share based payment transactions	<u>26,769</u>	<u>2,694</u>
	<u>2,469,086</u>	<u>1,450,186</u>

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

Staff numbers by activity

	2008	2007
Operations	11	12
Research & Development	6	6
Sales	1	-
Finance & Administration	7	3
Seasonal Staff	<u>146</u>	<u>127</u>
	<u>171</u>	<u>148</u>

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

4. EMPLOYEES AND DIRECTORS - continued

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

	2008 £	2007 £
Directors' emoluments	<u>477,411</u>	<u>319,788</u>
Directors' contributions to money purchase schemes	<u>25,185</u>	<u>13,200</u>

During the year the following number of directors:

Money purchase schemes	<u>4</u>	<u>2</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2008 £	2007 £
Emoluments	129,524	124,530
Amount of money and other net assets (excluding shares and share options) receivable under long-term incentive plans	<u>19,172</u>	<u>6,400</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. The share options of the directors are set out below:

	31 December 2007 Number	Granted/ (exercised) in the period Number	31 December 2008 Number	Exercise Price	Date from which exercisable	Expiry Date
J Lillywhite	209,000	(209,000)	-	3.5p	27/09/2004	28/03/2010
A Bone	182,875	(182,875)	-	3.5p	27/09/2004	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
	-	100,000	100,000	25p	11/04/2009	10/04/2018
J McManus	-	180,000	180,000	38.5p	15/06/2009	14/12/2018
	-	100,000	100,000	25p	11/04/2009	10/04/2018
C Robertson	-	100,000	100,000	25p	11/04/2009	10/04/2018
	-	100,000	100,000	25p	11/04/2009	10/04/2018
L Sim	-	100,000	100,000	25p	11/04/2009	10/04/2018

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

5. NET FINANCE INCOME

	2008	2007
	£	£
Finance income:		
Bank interest received	<u>26,229</u>	<u>4,831</u>
Finance costs:		
Bank interest	1,497	617
Loan interest paid	<u>-</u>	<u>19,132</u>
	<u>1,497</u>	<u>19,749</u>
Net finance income	<u>24,732</u>	<u>(14,918)</u>

6. PROFIT BEFORE TAX

The profit before tax is stated after charging/(crediting):

	2008	2007
	£	£
Hire of plant and machinery	3,329	3,550
Other operating leases	76,651	71,629
Depreciation - owned assets	15,981	8,463
Patents and licences amortisation	25,274	-
Development costs amortisation	84,164	31,107
Auditors' remuneration	39,022	15,500
Auditors' remuneration for non audit work	20,694	9,463
Foreign exchange differences	<u>(71,588)</u>	<u>28,913</u>

Auditor's Remuneration

During the period the following services were obtained from the Group's auditor at cost detailed below:

	2008	2007
	£	£
Audit Services		
- Fees Payable to Company's auditor for the audit of parent Company and consolidated accounts	18,500	15,500
Non Audit Service		
- Review of interim accounts	1,500	1,425
- Other services pursuant to legislation	5,794	3,538
- Tax compliance and advisory service	<u>5,150</u>	<u>4,500</u>
	<u>30,944</u>	<u>24,963</u>

The disclosure of auditor's remuneration for the period ended 31 December 2007 stated above relates to the Company's auditor, Menzies Chartered Accountants. Amounts paid in respect of the current year are due to Menzies LLP.

All other auditors' fees paid during the year relate to audit work undertaken on the subsidiary companies in the US and Canada by local audit firms.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

7. TAX

Analysis of the tax (credit)/charge

	2008 £	2007 £
Current tax:		
(a) Tax	22,163	4,885
Deferred tax	<u>(195,000)</u>	<u>-</u>
Total tax (credit)/charge in income statement	<u><u>(172,837)</u></u>	<u><u>4,885</u></u>
 (b) Reconciliation of tax charge		
	2008	2007
Profit/(loss) on ordinary activities before tax	<u><u>1,851,376</u></u>	<u><u>551,238</u></u>
Tax at the UK corporation tax rate of 28.33%(3 months at 30% and 9 months at 28% (2007 - 30%))	607,886	165,370
Effects of:		
Expenses not deductible for tax	1,485	2,196
Capital allowances in excess of depreciation	(6,130)	(427)
Utilisation of tax losses	(588,023)	(156,505)
Share scheme deduction	(15,175)	(10,634)
Deferred tax asset	(195,000)	-
Income not chargeable for tax purposes	<u>(42)</u>	<u>-</u>
Total current tax (note 7(a))	<u><u>(172,837)</u></u>	<u><u>4,885</u></u>

The UK deferred tax asset of £195,000 on losses carried forward has been recognised in the balance sheet (2007 - £777,449 was not recognised in the balance sheet due to the uncertainty over the timing of its recovery).

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 £2,049,480 (2007 - £769,066).

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

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 period.

Diluted earnings per share is 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 and diluted earnings per share computations.

	Earnings £	2008 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	2,024,213	15,321,101	13.21
Effect of dilutive securities			
Options	-	<u>1,558,021</u>	-
Diluted EPS			
Adjusted earnings	<u>2,024,213</u>	<u>16,879,122</u>	<u>11.99</u>
	Earnings £	2007 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	546,353	14,793,674	3.69
Effect of dilutive securities			
Options	-	<u>1,012,367</u>	-
Diluted EPS			
Adjusted earnings	<u>546,353</u>	<u>15,806,041</u>	<u>3.46</u>

LO-Q PLC

**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008**

10. INTANGIBLE ASSETS

Group

	Intellectual Property Rights £	Development costs £	Totals £
COST OR VALUATION			
At 1 January 2008	209,199	301,298	510,497
Additions	-	252,325	252,325
Revaluation adjustments	<u>(82,832)</u>	<u>-</u>	<u>(82,832)</u>
At 31 December 2008	<u>126,367</u>	<u>553,623</u>	<u>679,990</u>
AMORTISATION			
At 1 January 2008	-	31,107	31,107
Amortisation for year	41,840	84,164	126,004
Charge written back	<u>(16,566)</u>	<u>-</u>	<u>(16,566)</u>
At 31 December 2008	<u>25,274</u>	<u>115,271</u>	<u>140,545</u>
NET BOOK VALUE			
At 31 December 2008	<u>101,093</u>	<u>438,352</u>	<u>539,445</u>
At 31 December 2007	<u>209,199</u>	<u>270,191</u>	<u>479,390</u>

Company

	Intellectual Property Rights £	Development costs £	Totals £
COST OR VALUATION			
At 1 January 2008	209,199	300,642	509,841
Additions	-	252,195	252,195
Revaluation adjustments	<u>(82,832)</u>	<u>-</u>	<u>(82,832)</u>
At 31 December 2008	<u>126,367</u>	<u>552,837</u>	<u>679,204</u>
AMORTISATION			
At 1 January 2008	-	31,078	31,078
Amortisation for year	41,840	83,998	125,838
Charge written back	<u>(16,566)</u>	<u>-</u>	<u>(16,566)</u>
At 31 December 2008	<u>25,274</u>	<u>115,076</u>	<u>140,350</u>
NET BOOK VALUE			
At 31 December 2008	<u>101,093</u>	<u>437,761</u>	<u>538,854</u>
At 31 December 2007	<u>209,199</u>	<u>269,564</u>	<u>478,763</u>

LO-Q PLC**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008****INTANGIBLE ASSETS****Group**

	Intellectual Property Rights £	Development costs £	Totals £
COST			
Additions	209,199	301,298	510,497
	<hr/>	<hr/>	<hr/>
At 31 December 2007	<u>209,199</u>	<u>301,298</u>	<u>510,497</u>
AMORTISATION			
Amortisation for year	-	31,107	31,107
	<hr/>	<hr/>	<hr/>
At 31 December 2007	<u>-</u>	<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>

Company

	Intellectual Property Rights £	Development costs £	Totals £
COST			
Additions	209,199	300,642	509,841
	<hr/>	<hr/>	<hr/>
At 31 December 2007	<u>209,199</u>	<u>300,642</u>	<u>509,841</u>
AMORTISATION			
Amortisation for year	-	31,078	31,078
	<hr/>	<hr/>	<hr/>
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>

LO-Q PLC

**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008**

11. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
COST				
At 1 January 2008	36,424	137,129	21,976	195,529
Additions	537	44,030	2,123	46,690
Disposals	<u>(3,445)</u>	<u>(12,815)</u>	<u>(121)</u>	<u>(16,381)</u>
At 31 December 2008	<u>33,516</u>	<u>168,344</u>	<u>23,978</u>	<u>225,838</u>
DEPRECIATION				
At 1 January 2008	33,044	121,684	18,460	173,188
Charge for year	968	13,930	1,083	15,981
Eliminated on disposals	<u>(2,760)</u>	<u>(12,815)</u>	<u>(66)</u>	<u>(15,641)</u>
At 31 December 2008	<u>31,252</u>	<u>122,799</u>	<u>19,477</u>	<u>173,528</u>
NET BOOK VALUE				
At 31 December 2008	<u>2,264</u>	<u>45,545</u>	<u>4,501</u>	<u>52,310</u>
At 31 December 2007	<u>3,380</u>	<u>15,445</u>	<u>3,516</u>	<u>22,341</u>
Company				
	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
COST				
At 1 January 2008	7,720	98,596	19,471	125,787
Additions	537	30,150	1,850	32,537
At 31 December 2008	<u>8,257</u>	<u>128,746</u>	<u>21,321</u>	<u>158,324</u>
DEPRECIATION				
At 1 January 2008	4,827	86,699	17,501	109,027
Charge for year	1,085	10,589	632	12,306
At 31 December 2008	<u>5,912</u>	<u>97,288</u>	<u>18,133</u>	<u>121,333</u>
NET BOOK VALUE				
At 31 December 2008	<u>2,345</u>	<u>31,458</u>	<u>3,188</u>	<u>36,991</u>
At 31 December 2007	<u>2,893</u>	<u>11,897</u>	<u>1,970</u>	<u>16,760</u>

LO-Q PLC

**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008**

11. PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Plant and Machinery £	Office Equipment £	Furniture & Fixtures £	Totals £
COST				
At 1 January 07	33,199	131,780	19,795	184,774
Additions	3,225	13,615	2,181	19,021
Disposals	-	(8,266)	-	(8,266)
	<u>36,424</u>	<u>137,129</u>	<u>21,976</u>	<u>195,529</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	955	11,688
Eliminated on disposal	-	(8,266)	-	(8,266)
	<u>33,044</u>	<u>121,684</u>	<u>18,460</u>	<u>173,188</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>

Company

	Plant and Machinery £	Office Equipment £	Furniture & Fixtures £	Totals £
COST				
At 1 January 07	4,495	96,142	18,891	119,528
Additions	3,225	10,720	580	14,525
Disposals	-	(8,266)	-	(8,266)
	<u>7,720</u>	<u>98,596</u>	<u>19,471</u>	<u>125,787</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	-	(8,266)	-	(8,266)
	<u>4,827</u>	<u>86,699</u>	<u>17,501</u>	<u>109,027</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>

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

12. INVESTMENTS

Company

	Investment in Subsidiaries £
COST	
At 1 January 2008 and 31 December 2008	<u>735</u>
NET BOOK VALUE	
At 31 December 2008	<u>735</u>
At 31 December 2007	<u>735</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 and Lo-Q Service Canada Inc is that of the application of virtual queue technologies

Lo-Q Trustees Limited is dormant.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

13. INVENTORIES

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Stock	145,213	143,277	78,832	56,432
Park installation	161,811	22,001	34,720	4,219
Work-in-progress	-	6,379	-	6,379
	<u>307,024</u>	<u>171,657</u>	<u>113,552</u>	<u>67,030</u>

The amount of inventories recognised as an expense and charged to the cost of sales for the year ending 31 December 2008 was £103,174 (2007 £6,282)

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Current:				
Trade debtors	8,935	78,912	8,935	-
Amounts owed by group undertakings	-	-	985,248	1,057,669
Other debtors	2,841	2,093	-	-
VAT	4,371	6,371	6,533	8,039
Prepayments	56,668	30,722	56,668	30,722
	<u>72,815</u>	<u>118,098</u>	<u>1,057,384</u>	<u>1,096,430</u>

The group's financial assets are short term in nature. In the opinion of the Directors, the book values equate to their fair value.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Petty Cash	2,779	6,015	2,697	1,257
Short Term Deposit	1,362,915	-	1,000,000	-
Bank accounts	1,193,657	624,839	893,044	77,992
	<u>2,559,351</u>	<u>630,854</u>	<u>1,895,741</u>	<u>79,249</u>

The bank holds security in the form of a debenture, including a fixed charge over the freehold and leasehold property and a first floating charge over the other assets of the company.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
Current:				
Trade creditors	82,203	95,525	95,869	101,444
Social security and other taxes	50,067	32,650	48,064	31,649
Sundry creditors	1,570	-	1,570	-
Accruals and deferred income	246,324	92,957	144,931	73,223
	<u>380,164</u>	<u>221,132</u>	<u>290,434</u>	<u>206,316</u>

The Group financial liabilities are short-term in nature. In the opinion of the directors the book values equate to their fair value.

17. DEFERRED TAX

Company

The provision for the deferred tax asset consists of the tax effect of temporary differences in respect of:

	2008 £	2007 £
Trading Losses	195,000	-
Balance at 31 December 2008	<u>195,000</u>	<u>-</u>

The deferred tax asset arises as the result of historic trading losses that will be used up against trading profits in the future.

18. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	2008 £	2007 £
1,100,000,000	Ordinary Share Capital	£0.01	<u>11,000,000</u>	<u>11,000,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2008 £	2007 £
15,321,101 (2007 - 14,929,226)	Ordinary Share Capital	£0.01	<u>153,211</u>	<u>149,292</u>

The share issue has arisen out of existing share options being exercised during the year. The following fully paid shares were allotted during the year at a premium as shown below:

391,875 Ordinary Share Capital shares of £0.01 each at £0.035 per share.

LO-Q PLC**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008****18. CALLED UP SHARE CAPITAL - continued****Share Option Schemes**

At 31 December 2008 the following share options were outstanding in respect of the ordinary shares:

Scheme	Number of shares	Period of option	Price per share
EMI Scheme	43,900	22 October 2002 to 21 October 2011	100.5p
	19,866	8 October 2003 to 7 October 2012	18p
	102,000	6 April 2005 to 5 April 2014	6p
	240,000	29 March 2006 to 28 March 2015	3.5p
	86,000	9 May 2007 to 8 May 2016	8.25p
	600,000	11 April 2009 to 10 April 2018	25p
	180,000	15 June 2009 to 14 December 2018	38.5p
US Scheme	4,755	22 October 2002 to 21 October 2011	100.5p
	41,000	6 April 2005 to 5 April 2014	6p
	140,000	29 March 2006 to 28 March 2015	3.5p
	45,500	9 May 2007 to 8 May 2016	8.25p
	15,000	21 October 2009 to 20 October 2018	28.5p
Other Scheme	40,000	12 November 2008 to 12 November 2010	40.0p

LO-Q PLC

Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008

19. 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 2008	149,292	(4,047,570)	4,991,266	12,473	27,381	66,250	1,199,092
Profit for year		2,024,213					2,024,213
Foreign exchange		154,760					154,760
Issue of share capital	3,919		9,797				13,716
Recognition of share-based Payments					18,226		18,226
Recognition of shares yet to be issued						(66,250)	(66,250)
Balance at 31 December	<u>153,211</u>	<u>(1,868,597)</u>	<u>5,001,063</u>	<u>12,473</u>	<u>45,607</u>	<u>-</u>	<u>3,343,757</u>
	£	£	£	£	£	£	£
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	<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>
Company	Share capital	Retained earnings	Share premium	Capital redemption reserve	Share based payment reserve	Shares to be issued	Total
	£	£	£	£	£	£	£
Balance at 1 January 2008	149,292	(3,714,011)	4,991,266	12,473	27,381	66,250	1,532,651
Profit for year		2,049,480					2,049,480
Foreign exchange							
Issue of share capital	3,919		9,797				13,716
Recognition of share-based payments					18,226		18,226
Recognition of shares yet to be issued						(66,250)	(66,250)
Balance at 31 December	<u>153,211</u>	<u>(1,664,531)</u>	<u>5,001,063</u>	<u>12,473</u>	<u>45,607</u>	<u>-</u>	<u>3,547,823</u>
	£	£	£	£	£	£	£
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	<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>

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

20. PENSION COMMITMENTS

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 £37,661 (2007 - £28,700). Contributions amounting to £nil (2007 - £nil) were payable to the fund and are included in creditors.

21. OTHER FINANCIAL COMMITMENTS

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 \$1,196,945 per annum until November 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 \$123,576 per annum until December 2009.

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

22. RELATED PARTY DISCLOSURES

Ultimate controlling party

There is no ultimate controlling party.

Subsidiaries

Management charges of £2,764,353 (2007 - £1,431,434) were received from Lo-Q Virtual Queuing Inc and £225,835 (2007 - £408,000) from Lo-Q Service Canada Inc during the year, both 100% subsidiaries of Lo-Q plc.

The US and the Canadian subsidiaries owed the parent company £488,905 and £496,343 respectively.

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 £13,000 (2007 - £12,667) of which £1,127 (2007 - £1,734) 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 £8,417 (2007 - £70,950) of which £0 (2007 - £9,085) 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 £12,000 (200 - £12,667) of which £1,034 (2006 - £1,062) was outstanding at the period end.

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

Key management compensation

The key management of the company staff are considered to be the directors and their remuneration is as follows:

	<u>2008</u>	<u>2007</u>
Directors' remuneration	477,411	319,788
Directors' contribution to pension scheme	25,185	13,200
Share based payments	<u>21,902</u>	<u>591</u>
	<u>524,498</u>	<u>333,579</u>

LO-Q PLC**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008****23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY**

Group	2008	2007
	£	£
Profit for the financial year	2,024,213	546,353
Issued Share Capital	3,919	1,634
Share based payment	18,226	19,276
Share Premium	9,797	9,199
Shares to be issued	(66,250)	66,250
Foreign Exchange	154,760	42,981
Net addition to shareholders' funds	2,144,665	685,693
Opening shareholders' funds	1,199,092	513,402
Closing shareholders' funds	3,343,757	1,199,095
Company	2008	2007
	£	£
Profit for the financial year	2,049,480	769,066
Issued Share Capital	3,919	1,634
Share Premium	9,797	9,199
Shares to be issued	(66,250)	66,250
Share based payment	18,226	19,276
Net addition to shareholders' funds	2,015,172	865,425
Opening shareholders' funds	1,532,651	667,226
Closing shareholders' funds	3,547,823	1,532,651

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

24. SHARE-BASED PAYMENT TRANSACTIONS

Equity settled share option schemes

For details of share option schemes in place during the year see note 18.

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

	2008		2007	
	No	WAEP(pence)	No	WAEP(pence)
Outstanding at the beginning of the year	1,172,500	11.31	1,383,185	10.26
Granted during the year	795,000	28.06	40,000	40.00
Leavers	(17,604)	10.05	(87,296)	16.62
Exercised during the year	<u>(391,875)</u>	<u>35.00</u>	<u>(163,389)</u>	<u>6.45</u>
Outstanding at the end of the year	<u>1,558,021</u>	<u>20.62</u>	<u>1,172,500</u>	<u>11.31</u>
Exercisable at the end of the year	<u>763,021</u>	<u>17.62</u>	<u>1,132,500</u>	<u>9.95</u>

The weighted average share price at the date of exercise for share options exercised during the year was £0.035 (2007 - £0.281).

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

	2008	2007
Weighted average share price (pence)	19.63	18.18
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.

25. NOTES TO CASH FLOW RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2008	2007
	£	£
Profit before tax	1,851,376	551,238
Depreciation charges	126,917	39,570
Share based payment	18,226	2,692
Foreign exchange	154,760	42,981
Finance costs	1,497	19,749
Finance income	<u>(26,229)</u>	<u>(4,831)</u>
	2,126,547	651,396
(Increase)/Decrease in inventories	(135,367)	23,569
Decrease/(Increase) in trade and other receivables	45,283	(10,818)
Increase/(Decrease) in trade and other payables	<u>177,150</u>	<u>(285,191)</u>
Cash generated from operations	<u>2,213,613</u>	<u>378,956</u>

LO-Q PLC**Notes to the Consolidated Financial Statements - continued
For The Year Ended 31 December 2008****25. NOTES TO CASH FLOW CONTINUED:
RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS AND ANALYSIS OF
NET FUNDS**

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

Group

	At 1/1/2008	Cash Flow	Exchange movement	At 31/12/08
	£	£	£	£
Cash in hand & at bank	630,854	1,773,737	154,760	2,559,351
Overdrafts	-	-	-	-
	<u>630,854</u>	<u>1,773,737</u>	<u>154,760</u>	<u>2,559,351</u>

Company

	At 1/1/2008	Cash Flow	Exchange movement	At 31/12/08
	£	£	£	£
Cash in hand & at bank	79,249	1,816,492	-	1,895,741
Overdrafts	-	-	-	-
	<u>79,249</u>	<u>1,816,492</u>	<u>-</u>	<u>1,895,741</u>

LO-Q PLC

Notes to the Consolidated Financial Statements - continued For The Year Ended 31 December 2008

26. COMMITMENTS UNDER OPERATING LEASES

Total of future minimum operating lease payments under non-cancellable operating leases:

Group

	2008	2007
	£	£
Land and buildings		
Less than one year	100,344	58,425
Within 2 to 5 years	7,568	21,633
	<u>107,912</u>	<u>80,058</u>

Company

	2008	2007
	£	£
Land and buildings		
Less than one year	66,687	40,735
	<u>66,687</u>	<u>40,735</u>

27. ACQUISITION OF BUSINESS

Text-Q Reservations System

In 2007 the company purchased all the rights to a system from Avius Experience Ltd. This system allows mobile phone users to reserve a place in the queue for participating attractions.

The system, known as Text-Q, expands the range of reservations solutions that the Company can now offer to the leisure industry.

The consideration to Avius Experience Ltd comprised of a mixture of cash payments, issue of Lo-Q plc shares and share options. Some of this consideration is subject to certain conditions being met by Avius Experience Ltd. During 2008 these conditions were not met and the investment value was adjusted accordingly.

Subsequent to the year end it was agreed that 125,000 shares would be issued to Avius Experience Ltd. These shares are expected to be issued during 2009.

	2008	2007
	£	£
Cash	105,000	105,000
Shares in Lo-Q plc	-	66,250
Share options in Lo-Q plc	-	16,582
Legal fees capitalised	21,368	21,368
	<u>126,368</u>	<u>209,200</u>