



6 April 2009

**Lo-Q plc**  
**("Lo-Q" or the "Company")**

**PRELIMINARY RESULTS**  
**for the year ended 31 December 2008**

Lo-Q plc, the AIM listed provider of virtual queuing systems for theme parks and major attractions, announces Preliminary Results for the year ended 31 December 2008, a year of considerable positive progress for the Company.

Lo-Q designs, installs and operates systems which allow members of the public to make ride and show reservations when they visit a theme park or other attractions. Lo-Q's flagship product, VQ2020, is a true virtual queuing system which uses hand-held units, called Q-bots, in major theme parks around the world. Lo-Q sites include 10 Six Flags theme parks in North America, Dollywood in the US, theme parks in Australia and Italy, as well as Legoland Windsor in the UK.

Lo-Q also owns a Text-Q product which allows mobile phone users to reserve their place in line. Users pay a fee and using the premium rate SMS services, avoid standing in a queue. Text-Q was first used at the London Dungeon and Madame Tussauds in London, and is now being installed in Flamingo Land, in Yorkshire.

**Highlights**

- Revenue up 73% to £13.52m (2007: £7.81m)
- Profit before tax of £1.85m (2007: £0.55m)
- Earnings per share:
  - Basic: 13.21p (2007: 3.69p)
  - Diluted: 11.99p (2007: 3.46p)
- Strong cash position: £2.56m in cash (2007: £0.63m); no debt
- Park customers up from 8 sites to 11 sites; with 15 park customers post-year end

**Commenting on Outlook, Jeff McManus, Chairman of Lo-Q, said:**

"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 effects of the value of the pound rising against the US Dollar during the forthcoming year.

"However, having established a solid financial footing, 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."

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## **Chairman's Report**

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 the number of 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 exceed 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 footing, 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*

6 April 2009

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

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

All activities of the company are classified as continuing.

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

**LO-Q PLC****Consolidated Balance Sheet  
31 December 2008**

	Notes	2008 £	2007 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	539,445	479,390
Property, plant and equipment	11	52,310	22,341
Deferred tax	17	195,000	-
		<u>786,755</u>	<u>501,731</u>
<b>CURRENT ASSETS</b>			
Inventories	13	307,024	171,657
Trade and other receivables	14	72,815	118,098
Tax receivable		645	475
Cash and cash equivalents	15	2,559,351	630,854
		<u>2,939,835</u>	<u>923,378</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	382,833	226,017
		<u>382,833</u>	<u>226,017</u>
<b>NET CURRENT ASSETS</b>			
		<u>2,557,002</u>	<u>697,361</u>
<b>NET ASSETS</b>			
		<u>3,343,757</u>	<u>1,199,092</u>
<b>SHAREHOLDERS' EQUITY</b>			
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	(1,868,597)	(4,047,570)
		<u>3,343,757</u>	<u>1,199,092</u>
Total shareholder's equity		<u>3,343,757</u>	<u>1,199,092</u>
<b>TOTAL EQUITY</b>			
		<u>3,343,757</u>	<u>1,199,092</u>

**LO-Q PLC****Company Balance Sheet  
31 December 2008**

	Notes	2008 £	2007 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	538,854	478,763
Property, plant and equipment	11	36,991	16,760
Investments	12	735	735
Deferred tax	17	195,000	-
		<u>771,580</u>	<u>496,258</u>
<b>CURRENT ASSETS</b>			
Inventories	13	113,552	67,030
Trade and other receivables	14	1,057,384	1,096,430
Cash and cash equivalents	15	1,895,741	79,249
		<u>3,066,677</u>	<u>1,242,709</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	290,434	206,316
		<u>2,776,243</u>	<u>1,036,393</u>
<b>NET CURRENT ASSETS</b>			
		<u>3,547,823</u>	<u>1,532,651</u>
<b>NET ASSETS</b>			
<b>SHAREHOLDERS' EQUITY</b>			
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	(1,664,531)	(3,714,011)
		<u>3,547,823</u>	<u>1,532,651</u>
Total equity		<u>3,547,823</u>	<u>1,532,651</u>
<b>TOTAL EQUITY</b>		<u><u>3,547,823</u></u>	<u><u>1,532,651</u></u>

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

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

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

	Notes	2008 £	2007 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	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>
<b>Cash flows from investing activities</b>			
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>
<b>Cash flows from financing activities</b>			
Share issue		3,919	10,833
Share Premium		9,797	-
Net cash from financing activities		<u>13,716</u>	<u>10,833</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>1,816,492</b>	<b>(99,767)</b>
<b>Cash and cash equivalents at beginning of year</b>	25	<b>79,249</b>	<b>179,016</b>
<b>Cash and cash equivalents at end of year</b>	25	<b><u>1,895,741</u></b>	<b><u>79,249</u></b>

## **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 2007 and therefore have not been applied in preparing these accounts:

IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)

IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements (revised 2008) (effective 1 July 2009)

Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective 1 January 2009)

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.

##### **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.

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.

### **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	<b>33.3%</b>
Office equipment	<b>33.3%</b>
Furniture and fixtures	<b>20.0%</b>

### **Inventories**

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

Raw materials costs are calculated on a weighted average basis.

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

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

### **Deferred Tax**

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

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

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

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

be recovered.

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

### **Research and development**

In accordance with IAS 38 'Intangible Assets', expenditure incurred on research and development is distinguished as 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.

### **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.

## 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 Group's 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
	£	£	£	£	£
<b>GROUP</b>					
Trade and other payables	380,164	-	-	-	380,164
Total liabilities	380,164	-	-	-	380,164
<b>COMPANY</b>					
Trade and other payables	290,434	-	-	-	290,434
Total liabilities	290,434	-	-	-	290,434

**31 December 2007**

Maturity analysis	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
	£	£	£	£	£
<b>GROUP</b>					
Trade and other payables	<u>221,132</u>	-	-	-	<u>221,132</u>
Total liabilities	<u>221,132</u>	-	-	-	<u>221,132</u>
<b>COMPANY</b>					
Trade and other payables	<u>206,316</u>	-	-	-	<u>206,316</u>
Total liabilities	<u>206,316</u>	-	-	-	<u>206,316</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.

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 £
<b>GROUP</b>					
Trade and other receivables	-	-	72,815	72,815	-
Cash	1,362,915	1,193,657	2,779	2,559,351	-
<b>Total assets</b>	<b>1,362,915</b>	<b>1,193,657</b>	<b>75,594</b>	<b>2,632,166</b>	<b>-</b>
Trade and other payables	-	-	(380,164)	-	(380,164)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(380,164)</b>	<b>-</b>	<b>(380,164)</b>

	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
<b>COMPANY</b>					
Trade and other receivables	-	-	1,057,384	1,057,384	-
Cash	1,000,000	893,044	2,397	1,895,741	-
<b>Total assets</b>	<b>1,000,000</b>	<b>893,044</b>	<b>1,059,781</b>	<b>2,953,125</b>	<b>-</b>
Trade and other payables	-	-	(290,434)	-	(290,434)
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(290,434)</b>	<b>-</b>	<b>(290,434)</b>

31 December 2007	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
<b>GROUP</b>					
Trade and other receivables	-	-	118,098	118,098	-
Cash	-	624,839	6,015	630,854	-
<b>Total assets</b>	<b>-</b>	<b>624,839</b>	<b>124,113</b>	<b>748,952</b>	<b>-</b>
Trade and other payables	-	-	221,132	-	221,132
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>221,132</b>	<b>-</b>	<b>221,132</b>

	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
<b>COMPANY</b>					
Trade and other receivables	-	-	1,096,430	1,096,430	-
Cash	-	1,257	77,992	79,249	-
<b>Total assets</b>	<b>-</b>	<b>1,257</b>	<b>1,174,422</b>	<b>1,175,679</b>	<b>-</b>
Trade and other payables	-	-	206,316	-	206,316
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>206,316</b>	<b>-</b>	<b>206,316</b>

## 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.

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.

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
	<b>13,519,686</b>	7,805,545

	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)	(124,448)	-
Gross Profit	3,356,147	1,694,338	189,632	(49,382)	3,545,799	1,644,956
Results from operating activities (continuing)	<b>1,959,645</b>	783,984	<b>(133,001)</b>	(227,601)	<b>1,826,644</b>	556,156

All finance costs and income relate to the UK and the tax credits to North America

Profit/(Loss)	<b>2,173,929</b>	769,069	<b>(149,716)</b>	(222,716)	<b>2,024,213</b>	546,353
Segment assets	<b>3,066,677</b>	1,242,709	<b>1,868,410</b>	(319,331)	<b>2,939,835</b>	923,378
Segment liabilities	<b>(290,434)</b>	(206,316)	<b>(1,083,824)</b>	(19,701)	<b>(382,833)</b>	(226,017)
Capital Expenditure	<b>284,732</b>	14,525	<b>14,283</b>	4,496	<b>299,015</b>	19,021
Depreciation	<b>12,306</b>	7,643	<b>5,036</b>	4,045	<b>17,369</b>	11,688
Amortisation of intangible assets	<b>109,272</b>	31,078	<b>166</b>	29	<b>109,438</b>	31,107

#### Business segments (secondary format)

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

	<b>2008</b> £	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>

	<b>2008</b> £	2007 £
Total cost to acquire intangible or tangible segment assets		
Rental of Q-Bots	<b>9,369,335</b>	5,529,776
Sale & Leaseback of Q-Bot Technology	<u>604,572</u>	<u>491,822</u>
	<u><b>9,973,907</b></u>	<u>6,021,598</u>

#### **4. EMPLOYEES AND DIRECTORS**

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

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

#### **Staff numbers by activity**

	<b>2008</b>	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>

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

	<b>2008</b>	2007
	<b>£</b>	<b>£</b>
Directors' emoluments	<b>477,411</b>	319,788
Directors' contributions to money purchase schemes	<b>25,185</b>	13,200
During the year the following number of directors:		
Money purchase schemes	<b>4</b>	2
Information regarding the highest paid director is as follows:		
	<b>2008</b>	2007
	<b>£</b>	<b>£</b>
Emoluments	<b>129,524</b>	124,530
Amount of money and other net assets (excluding shares and share options) receivable under long-term incentive plans	<b>19,172</b>	6,400

### 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:

	<b>31 December 2007 Number</b>	<b>Granted/ (exercised) in the period Number</b>	<b>31 December 2008 Number</b>	<b>Exercise Price</b>	<b>Date from which exercisable</b>	<b>Expiry Date</b>
J Lillywhite	209,000	(209,000)	-	3.5p	27/9/2004	28/03/2010
A Bone	182,875	(182,875)	-	3.5p	27/9/2004	28/03/2010
S Drake	4,903	-	4,903	100.5p	22/10/2002	21/01/2011
	6,018	-	6,018	18p	08/10/2003	07/10/2012
	50,000	-	50,000	6p	06/04/2005	05/04/2014
	100,000	-	100,000	3.5p	29/03/2006	28/03/2015
	35,000	-	35,000	8.25p	09/05/2007	08/05/2016
	-	100,000	100,000	25p	11/04/2008	10/04/2018
J McManus	-	180,000	180,000	38.5p	15/06/2009	14/12/2018
	-	100,000	100,000	25p		
C Robertson	-	100,000	100,000	25p		
	-	100,000	100,000	25p	11/04/2009	10/04/2018
L Sim	-	100,000	100,000	25p		

## 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	-	19,132
	<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	17,369	8,463
Patents and licences amortisation	25,274	-
Development costs amortisation	84,164	31,107
Auditors' remuneration	30,856	15,500
Auditors' remuneration for non audit work	28,860	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	<u>27,435</u>	15,500
Non Audit Service		
- Review of interim accounts	1,500	1,425
- Other services pursuant to legislation	3,480	3,538
- Tax compliance and advisory service	<u>27,301</u>	<u>4,500</u>
	<u>59,716</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.

## 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>1,851,376</u>	<u>551,238</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).

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

## 10. INTANGIBLE ASSETS

Group	Intellectual Property Rights £	Development costs £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2008	209,199	301,298	510,497
Additions	-	252,325	252,325
Revaluation adjustments	(82,832)	-	(82,832)
At 31 December 2008	<u>126,367</u>	<u>553,623</u>	<u>679,990</u>
<b>AMORTISATION</b>			
At 1 January 2008	-	31,107	31,107
Amortisation for year	41,840	84,164	126,004
Charge written back	(16,566)	-	(16,566)
At 31 December 2008	<u>25,274</u>	<u>115,271</u>	<u>140,545</u>
<b>NET BOOK VALUE</b>			
At 31 December 2008	<u>101,093</u>	<u>438,352</u>	<u>539,445</u>
At 31 December 2007	209,199	270,191	479,390
<b>Company</b>			
	Intellectual Property Rights £	Development Costs £	Total £
<b>COST OR VALUATION</b>			
At 1 January 2008	209,199	300,642	509,841
Additions	-	252,195	252,195
Revaluation adjustments	(82,832)	-	(82,832)
At 31 December 2008	<u>126,367</u>	<u>552,837</u>	<u>679,204</u>
<b>AMORTISATION</b>			
At 1 January 2008	-	31,078	31,078
Amortisation for year	41,840	83,998	125,838
Charge written back	(16,566)	-	(16,566)
At 31 December 2008	<u>25,274</u>	<u>115,076</u>	<u>140,350</u>
<b>NET BOOK VALUE</b>			
At 31 December 2008	<u>101,093</u>	<u>437,761</u>	<u>538,854</u>
At 31 December 2007	209,199	269,564	478,763

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT

<b>Group</b>	<b>Plant and machinery £</b>	<b>Office Equipment £</b>	<b>Furniture &amp; fixtures £</b>	<b>Totals £</b>
<b>COST</b>				
At 1 January 2008	36,424	137,129	21,976	195,529
Additions	537	44,030	2,123	46,690
Disposals	(3,445)	(12,815)	(121)	(16,381)
At 31 December 2008	<u>33,516</u>	<u>168,344</u>	<u>23,978</u>	<u>225,838</u>
<b>DEPRECIATION</b>				
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	(2,760)	(12,815)	(66)	(15,641)
At 31 December 2008	<u>31,252</u>	<u>122,799</u>	<u>19,477</u>	<u>173,528</u>
<b>NET BOOK VALUE</b>				
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>
<b>Company</b>				
	<b>Plant and machinery £</b>	<b>Office Equipment £</b>	<b>Furniture &amp; fixtures £</b>	<b>Totals £</b>
<b>COST</b>				
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>
<b>DEPRECIATION</b>				
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>
<b>NET BOOK VALUE</b>				
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>

<b>Group</b>	<b>Plant and machinery £</b>	<b>Office Equipment £</b>	<b>Furniture &amp; fixtures £</b>	<b>Totals £</b>
<b>COST</b>				
At 1 January 2007	33,199	131,780	19,795	184,774
Additions	3,225	13,615	2,181	19,021
Disposals	-	(8,266)	-	(8,266)
At 31 December 2007	36,424	137,129	21,976	195,529
<b>DEPRECIATION</b>				
At 1 January 2007	30,861	121,440	17,465	169,766
Charge for year	2,183	8,510	955	11,688
Eliminated on disposals	-	(8,266)	-	(8,266)
At 31 December 2007	33,044	121,684	18,460	173,188
<b>NET BOOK VALUE</b>				
At 31 December 2007	3,380	15,445	3,516	22,341
At 31 December 2006	2,338	10,340	2,330	15,008
<b>Company</b>				
<b>Company</b>	<b>Plant and machinery £</b>	<b>Office Equipment £</b>	<b>Furniture &amp; fixtures £</b>	<b>Totals £</b>
<b>COST</b>				
At 1 January 2007	4,495	96,142	18,891	119,528
Additions	3,225	10,720	580	14,525
		(8,266)	-	(8,266)
At 31 December 2007	7,720	98,596	19,471	125,787
<b>DEPRECIATION</b>				
At 1 January 2007	4,374	88,425	16,851	109,650
Charge for year	453	6,540	650	7,643
		(8,266)	-	(8,266)
At 31 December 2007	4,827	86,699	17,501	109,027
<b>NET BOOK VALUE</b>				
At 31 December 2007	2,893	11,897	1,970	16,760
At 31 December 2006	121	7,717	2,040	9,878

## 12. INVESTMENTS

Company	Investment in Subsidiaries £
<b>COST</b> At 1 January 2008 and 31 December 2008	<u>735</u>
<b>NET BOOK VALUE</b> At 31 December 2008 At 31 December 2007	<u>735</u> <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.

## 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:				
Debtors Control Acct	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 fairly 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
	<b>2,559,351</b>	<b>630,854</b>	<b>1,895,741</b>	<b>79,249</b>

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.

## 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Current:				
Creditors Control Acct	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	(25,664)	-	(16,819)	-
Accrued expenses	271,988	92,957	161,750	73,223
Corporation tax	2,669	4,885	-	-
	<b>382,833</b>	<b>226,017</b>	<b>290,434</b>	<b>206,316</b>

The Group financial liabilities are fairly 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	<b>(195,000)</b>	<b>-</b>

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:			2008	2007
Number:	Class:	Nominal value:	£	£
1,100,000,000	Ordinary Share Capital	£0.01	11,000,000	11,000,000
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:		
15,321,101	Ordinary Share Capital	£0.01	153,211	149,292
(2007 - 14,929,226)				

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.

### 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 December 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	9.25p
	15,000	21 October 2009 to 20 October 2018	28.5p
Other Scheme	40,000	12 November 2008 to 12 November 2010	40.0p

## 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)
<b>Balance at 31 December</b>	<b>153,211</b>	<b>(1,868,597)</b>	<b>5,001,063</b>	<b>12,473</b>	<b>45,607</b>	<b>-</b>	<b>3,343,757</b>
	£	£	£	£	£	£	£
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
<b>Balance at 31 December</b>	<b>149,292</b>	<b>(4,047,570)</b>	<b>4,991,266</b>	<b>12,473</b>	<b>27,381</b>	<b>66,250</b>	<b>1,199,092</b>
	£	£	£	£	£	£	£
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)
<b>Balance at 31 December</b>	<b>153,211</b>	<b>(1,664,531)</b>	<b>5,001,063</b>	<b>12,473</b>	<b>45,607</b>	<b>-</b>	<b>3,547,823</b>
	£	£	£	£	£	£	£
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
<b>Balance at 31 December</b>	<b>149,292</b>	<b>(3,714,011)</b>	<b>4,991,266</b>	<b>12,473</b>	<b>27,381</b>	<b>66,250</b>	<b>1,532,651</b>

## 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.

## 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 (2006 - £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:

	<b>2008</b>	2007
Directors' remuneration	<b>477,411</b>	319,788
Directors' contribution to pension scheme	<b>25,184</b>	13,200
Share based payments	<b>21,902</b>	591

### 23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

#### Group

	2008	2007
	£	£
Profit for the financial year	2,024,213	546,350
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
<b>Net addition to shareholders' funds</b>	<b>2,144,665</b>	<b>685,690</b>
Opening shareholders' funds	1,199,092	513,402
<b>Closing shareholders' funds</b>	<b>3,343,757</b>	<b>1,199,092</b>

#### 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
<b>Net addition to shareholders' funds</b>	<b>2,015,172</b>	<b>865,425</b>
Opening shareholders' funds	1,532,651	667,226
<b>Closing shareholders' funds</b>	<b>3,547,823</b>	<b>1,532,651</b>

## 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	(391,875)	35.00	(163,389)	6.45
	<hr/>		<hr/>	
Outstanding at the end of the year	1,558,021	20.62	1,172,500	11.31
	<hr/>		<hr/>	
Exercisable at the end of the year	723,021	17.62	1,132,500	9.95

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. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2008	2007
	£	£
Profit before tax	1,851,376	551,238
Depreciation charges	126,737	39,570
Share based payment	18,226	2,692
Foreign exchange	154,760	42,981
Investment revaluation	180	-
Finance costs	1,497	19,749
Finance income	(26,229)	(4,831)
	<hr/>	<hr/>
(Increase)/Decrease in inventories	2,126,547	651,396
Decrease/(Increase) in trade and other receivables	(135,367)	23,569
Increase/(Decrease) in trade and other payables	45,283	(10,818)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>2,213,613</b>	<b>378,956</b>

## 26. 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	1,701,969	226,528	2,559,351
Overdrafts	-	-	-	-
	<u>630,854</u>	<u>1,703,252</u>	<u>225,245</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>

## 27. 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	84,531	58,425
Within 2 to 5 years	76,490	21,633
	<u>161,021</u>	<u>80,058</u>

### Company

	2008	2007
	£	£
Land and buildings		
Less than one year	-	40,735
Within 2 to 5 years	76,490	-
	<u>76,490</u>	<u>40,735</u>

## 28. 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.

125,000 shares have not yet been issued. These shares are expected to be issued during 2009.

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

This preliminary statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 31 December 2007 have been extracted from the statutory financial statements, which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unmodified.

The audited financial statements will be posted to shareholders shortly and will be available from the registered office of the Company, 42 Portman Road, Reading Berkshire RG30 1EA and on the Company's website, [www.lo-q.com](http://www.lo-q.com).