

**Lo-Q plc**

**Report of the Directors and**

**Consolidated Financial Statements for the ten month period ended 31 October 2009**

Lo-Q plc

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for the ten month period ended 31 October 2009**

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Lo-Q plc

**Company Information  
for the ten month period ended 31 October 2009**

<b>DIRECTORS:</b>	J McManus, Chairman L Sim, Executive S Drake, Executive C Robertson, Executive P Cassar, Executive (appointed 3 August 2009) J Alder, Executive (appointed 3 August 2009) J Lillywhite, Non-Executive A Bone, Non-Executive
<b>SECRETARY:</b>	Throgmorton Secretaries LLP
<b>REGISTERED OFFICE:</b>	42 Portman Road Reading Berkshire RG30 1EA
<b>REGISTERED NUMBER:</b>	3959429 (England and Wales)
<b>AUDITORS:</b>	Menzies LLP 3rd Floor, King's House 12-42 Wood Street Kingston Upon Thames Surrey KT1 1TG
<b>BANKERS:</b>	HSBC Bank plc 26 Broad Street Reading RG1 2BU

**Lo-Q plc**  
**Chairman's Report**  
**for the ten month period ended 31 October 2009**

**Introduction**

Last year we faced the most difficult retail trading environment that we have seen for some years. Many sections of our industry, particularly in the US, reported lower earnings with significant reductions in company profitability.

Despite these difficult underlying economic conditions Lo-Q has performed very well, showing strong growth in both revenues and profits as a result of the contribution from new customer wins at the end of 2008 and during the period under review. Despite an overall optimistic outlook the Board felt it was prudent to take a cautious approach in managing our cost base and cash position and this has helped to produce a solid set of results for the 10 months ended 31 October 2009.

**Year end change**

In August we announced that we would change our year end to the 31 October. Lo-Q's trading takes place in a concentrated period when the majority of our theme parks are open and that trading begins to wind down dramatically at the end of October when most parks close for the winter. This means that from now on the year end balance sheet will provide a better view of the annual cash position and company's performance. As a result these set of results for the 10 month accounting period ended 31 October 2009 are being compared to the 12 months to December 2008.

**2009 Financials**

Turnover for the 10 months increased by 27.9% to £17.30m (2008: £13.52m), whereas profit before tax has grown by 29.2% to £2.39m (2008: £1.85m) and the number of parks using our products rose to 16 (2008: 11 parks). The Group remains debt free, with a bank balance of £4.44m at 31 October 2009 (£2.56m as at 31 December 2008).

Given the wide geographical spread and differing sizes of our customers, it is very difficult to detect a common trend to the relative performance of the Lo-Q products in individual parks. Whilst some parks performed better than others, the common feature is that overall Q-bot sales in June and October were substantially below management expectations due to bad weather.

Our customers, both existing and new, continue to be impressed with how we manage, promote and operate the Lo-Q system in the park, and the subsequent results this produces. A clear pattern is emerging whereby revenue grows strongly in both the second and third year of operation which reflects the successful take up of Q-bots in parks as customers become more used to using the product and the benefits or word of mouth bearing fruit.

**R&D – existing products**

The VQ2020 Q-bot system which was operating in 13 parks has now been extended to 14 as the last park operating on our previous generation product was upgraded. The product itself had significant improvements implemented including the improvement of global messaging service and re-introduction of proximity marketing.

Our engineers continued the development of the mobile phone based product, Q-txt, which we purchased at the end of 2007 and incorporated operational features and functionality which reflects our industry experience. At Isla Magica and Flamingo Land, the Q-txt mobile phone system made its first full year debut, with pleasing results and Flamingo Land in particular.

**R&D – new products**

Whilst R&D work continues on these systems, the company is putting large efforts into a new system that will be trialled during the coming year in two water parks.

Patent applications are underway for this system, which will be, in some ways, more revolutionary than the original Q-bot system, and this new innovation will have much wider applications than theme parks, whether attraction or water based. More detail will be released once the trials have been concluded and the patent process completed.

Lo-Q continues on a programme of larger levels of expenditure on the current systems and investigations into new applications and product areas and anticipates investing approximately £1m in the current financial year in development expenditure, including the above trials, an increase of £0.6m on the previous financial period. Therefore we expect the growth in profitability to be lower than the growth in turnover in the shorter term.

**Lo-Q plc**  
**Chairman's Report**  
**for the ten month period ended 31 October 2009**

**The competitive environment**

Our competitive position remains largely unchanged with limited major threat within the current market. Paper ticket systems, prevalent in some park groups, provide an additional challenge in persuading them to change to the much more advanced Q-bot system, but the acceptance of parks in offering a queue line service will be beneficial to our products in the long term.

Currently, mobile technology has an impact on all organisations and we are taking appropriate action to harness this opportunity including related smart phone development. With the exception of in-park own systems, independent competitors have largely disappeared as their often ineffective systems did not earn sufficient cash to keep their businesses afloat.

**Dividend**

Whilst the Company's current cash position is robust and the directors expect the company to be cash generative in the current financial year; the Board is conscious that its future cash requirements will depend, *inter alia*, on the requirement for investment into new products and the subsequent release of these products into the market place. Once the board has a better understanding of its likely investment requirements, it will introduce an appropriate dividend policy, and expects to be in a position to do so in the last quarter of the current financial year.

**Our major customer**

Our major customer, representing the majority of our installations, filed for Chapter 11 bankruptcy protection in June 2009. Whilst not all of their parks were subject to this process, I am delighted to report that the operational and financial impact of this move was minimal. When the finalisation of the Chapter 11 process has been completed, we are hopeful that the negative effects on the Company's share price will be lifted.

**Summary and Outlook for 2010**

Lo-Q has added new customers, grown revenues and profits, and maintained a very strong cash position all in the face of an incredibly tough retail trading environment. Whilst we expect to see 2010 as another year of growth in the face of tough trading, we are taking advantage of our secure financial position to re-invest in our existing products and also into new products that can open up whole new growth areas by targeting a wide variety of worldwide leisure parks

**Jeff McManus**  
**Chairman**

## **Lo-Q plc**

### **Report of the Directors for the ten month period ended 31 October 2009**

The directors present their report with the financial statements of the company and the Group for the ten month period ended 31 October 2009.

#### **PRINCIPAL ACTIVITY**

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

The Group made a Profit before tax £2,388,789. After taxation a sum of £1,895,072 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 period 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 ten month period ended 31 October 2009.

#### **KEY PERFORMANCE INDICATORS**

The Group 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 Group watches the cash generated during each week's trading in detail and includes this inflow in the weekly production of cash position modelling.

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. Up to 31 October 2009 the Group invested £401,208 (2008 – £416,820) into research and development.

## Lo-Q plc

### Report of the Directors for the ten month period ended 31 October 2009

#### DIRECTORS

The directors during the period under review were:

Jeff McManus, Chairman  
Leonard Sim, Executive  
Steve Drake, Executive  
Colin Robertson, Executive  
Paul Cassar, Executive (appointed 3 August 2009)  
John Alder, Executive (appointed 3 August 2009)  
John Lillywhite, Non-Executive  
Anthony Bone, Non-Executive

The beneficial interests of the directors holding office on 31 October 2009 in the issued share capital of the company were as follows:

Ordinary Share Capital £0.01 shares	As at 31 October 2009	As at 1 January 2009 or date of appointment
Jeff McManus, Chairman	954,172	954,172
Leonard Sim, Executive	4,343,575	4,343,575
Steve Drake, Executive	419,384	234,384
Colin Robertson, Executive	148,000	148,000
Paul Cassar, Executive (appointed 3 August 2009)	137,143	56,727
John Alder, Executive (appointed 3 August 2009)	6,612	-
John Lillywhite Non-Executive	145,500	145,500
Anthony Bone Non-Executive	381,517	381,517

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 October 2009 trade creditors represented 23 days (2008 - 27 days) purchases for the Group, and 27 days (2008 - 39 days) purchases for the company.

#### FINANCIAL INSTRUMENTS

Details of the group's financial risk management objectives and policies, including the use of financial instruments, are included within the accounting policies in Note 2 to the financial statements.

## Lo-Q plc

### Report of the Directors for the ten month period ended 31 October 2009

#### SUBSTANTIAL SHAREHOLDINGS

As at 8 February 2010 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	27.3%
Pershing Nominees Limited	1,327,500	8.3%
L R Nominees Limited	1,160,734	7.3%
Jeff McManus	954,172	6.0%
Barclayshare Nominees Limited	711,217	4.5%
Ian Johnson	555,000	3.5%
HSDL Nominees Ltd	536,340	3.4%

#### 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.

#### Going Concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

#### 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 ten month period ended 31 October 2009**

**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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statement comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company 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 418 of the Companies Act 2006) 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**

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

**ON BEHALF OF THE BOARD:**

**John Alder  
Director**

18 February 2010

## Lo-Q plc

### **Report of the Independent Auditors to the Members of Lo-Q plc for the ten month period ended 31 October 2009**

We have audited the financial statements of Lo-Q plc for the 10 month period ended 31 October 2009 which comprises the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation is applicable law and International Reporting Standards (IFRSs) as adopted by European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Director's Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2009 and of the Group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Lo-Q plc**

**Report of the Independent Auditors to the Members of Lo-Q plc  
for the ten month period ended 31 October 2009**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you, if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Andrew Denley FCA (Senior Statutory Auditor)**

For and on behalf of  
MENZIES LLP  
Chartered Accountants and Statutory Auditors  
Kingston upon Thames  
18 February 2010

Lo-Q plc

**Statement of Comprehensive Income  
for the ten month period ended 31 October 2009**

<b>INCOME STATEMENT</b>	Notes	<b>2009 10 Months £</b>	2008 12 Months £
Revenue	3	<b>17,295,343</b>	13,519,686
Cost of Sales		<u><b>(13,152,881)</b></u>	<u>(9,973,907)</u>
<b>GROSS PROFIT</b>		<b>4,142,462</b>	3,545,779
Administrative expenses		<u><b>(1,763,707)</b></u>	<u>(1,719,135)</u>
<b>OPERATING PROFIT</b>		<b>2,378,755</b>	1,826,644
Finance costs	5	<b>(27)</b>	(1,497)
Finance income	5	<u><b>10,061</b></u>	<u>26,229</u>
<b>PROFIT BEFORE TAX</b>	6	<b>2,388,789</b>	1,851,376
Tax	7	<u><b>(493,717)</b></u>	<u>172,837</u>
<b>PROFIT FOR THE PERIOD</b>		<u><u><b>1,895,072</b></u></u>	<u><u>2,024,213</u></u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translating foreign operations		<u><b>(34,628)</b></u>	<u>154,760</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<u><b>(34,628)</b></u>	<u>154,760</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><u><b>1,860,444</b></u></u>	<u><u>2,178,973</u></u>
Profit attributable to Owners of the parent		<u><u><b>1,895,072</b></u></u>	<u><u>2,024,213</u></u>
Total comprehensive income attributable to Owners of the parent		<u><u><b>1,860,444</b></u></u>	<u><u>2,178,973</u></u>
Earnings per share expressed in pence per share:			
Basic	9	<b>12.15</b>	13.21
Diluted		<u><u><b>11.45</b></u></u>	<u><u>11.99</u></u>

All activities of the company are classified as continuing.

Lo-Q plc

**Consolidated Statement of Financial Position  
for the ten month period ended 31 October 2009**

	Notes	2009 £	2008 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	<b>714,642</b>	539,445
Property, plant and equipment	11	<b>49,726</b>	52,310
Installed Systems	11	<b>14,350</b>	-
Deferred tax	17	<b>-</b>	195,000
		<b><u>778,718</u></b>	<u>786,755</u>
<b>CURRENT ASSETS</b>			
Inventories	13	<b>415,128</b>	307,024
Trade and other receivables	14	<b>657,044</b>	72,815
Tax receivable		<b>569</b>	645
Cash and cash equivalents	15	<b>4,438,612</b>	2,559,351
		<b><u>5,511,353</u></b>	<u>2,939,835</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	<b>699,267</b>	380,164
Tax payable		<b>288,270</b>	2,669
		<b><u>987,537</u></b>	<u>382,833</u>
<b>NET CURRENT ASSETS</b>		<b><u>4,523,816</u></b>	<u>2,557,002</u>
<b>NET ASSETS</b>		<b><u>5,302,534</u></b>	<u>3,343,757</u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	<b>158,917</b>	153,211
Share premium		<b>5,052,149</b>	5,001,063
Capital redemption reserve		<b>12,473</b>	12,473
Other reserves		<b>87,148</b>	45,607
Retained earnings		<b>(8,153)</b>	(1,868,597)
Total equity		<b><u>5,302,534</u></b>	<u>3,343,757</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>5,302,534</u></b>	<u>3,343,757</u>

The financial statements were approved by the Board of Directors on 18 February 2010 and were signed on its behalf by:

**Jeff McManus**  
Chairman

The notes form part of these financial statements

Lo-Q plc

Company Statement of Financial Position  
for the ten month period ended 31 October 2009

	Notes	2009 £	2008 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	714,210	538,854
Property, plant and equipment	11	33,382	36,991
Installed Systems	11	14,350	-
Investments	12	735	735
Deferred tax	17	-	195,000
		<u>762,677</u>	<u>771,580</u>
<b>CURRENT ASSETS</b>			
Inventories	13	344,581	113,552
Trade and other receivables	14	1,649,979	1,057,384
Cash and cash equivalents	15	3,267,341	1,895,741
		<u>5,261,901</u>	<u>3,066,677</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	408,108	290,434
Tax Payable		247,148	-
		<u>655,256</u>	<u>290,434</u>
<b>NET CURRENT ASSETS</b>		<u>4,606,645</u>	<u>2,776,243</u>
<b>NET ASSETS</b>		<u>5,369,322</u>	<u>3,547,823</u>
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	18	158,917	153,211
Share premium		5,052,149	5,001,063
Capital redemption reserve		12,473	12,473
Other reserves		87,148	45,607
Retained earnings		58,635	(1,664,531)
		<u>5,369,322</u>	<u>3,547,823</u>
Total equity		<u>5,369,322</u>	<u>3,547,823</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>5,369,322</u>	<u>3,547,823</u>

The financial statements were approved by the Board of Directors on 18 February 2010 and were signed on its behalf by:

Jeff McManus  
Chairman

The notes form part of these financial statements

Lo-Q plc

**Consolidated Cash Flow Statement  
for the ten month period ended 31 October 2009**

	Notes	<b>2009 10 Months £</b>	2008 12 Months £
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	<b>2,172,832</b>	2,213,613
Interest paid		<b>(27)</b>	(1,497)
Tax paid		<b>(13,040)</b>	(24,549)
		<u><b>2,159,765</b></u>	<u>2,187,567</u>
Net cash from operating activities			
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		<b>(309,748)</b>	(252,325)
Purchase of tangible fixed assets		<b>(36,359)</b>	(46,690)
Interest received		<b>10,061</b>	26,229
		<u><b>(336,046)</b></u>	<u>(272,786)</u>
Net cash used in investing activities			
<b>Cash flows from financing activities</b>			
Share Issue		<b>4,456</b>	3,919
Share Premium		<b>51,086</b>	9,797
		<u><b>55,542</b></u>	<u>13,716</u>
Net cash from financing activities			
		<u><b>1,879,261</b></u>	<u>1,928,497</u>
<b>Increase in cash and cash equivalents</b>	23	<b>1,879,261</b>	1,928,497
<b>Cash and cash equivalents at beginning of year</b>		<u><b>2,559,351</b></u>	<u>630,854</u>
		<u><b>4,438,612</b></u>	<u>2,559,351</u>
<b>Cash and cash equivalents at end of year</b>	23	<b>4,438,612</b>	2,559,351

The notes form part of these financial statements

Lo-Q plc

**Company Cash Flow Statement  
for the ten month period ended 31 October 2009**

	Notes	<b>2009 10 Months £</b>	2008 12 Months £
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	<b>1,645,219</b>	2,068,224
Interest paid		<b>(27)</b>	(1,442)
		<hr/>	<hr/>
Net cash from operating activities		<b><u>1,645,192</u></b>	<u>2,066,782</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		<b>(309,748)</b>	(252,195)
Purchase of tangible fixed assets		<b>(28,237)</b>	(32,537)
Interest received		<b>8,851</b>	20,726
		<hr/>	<hr/>
Net cash used in investing activities		<b><u>(329,134)</u></b>	<u>(264,006)</u>
<b>Cash flows from financing activities</b>			
Share Issue		<b>4,456</b>	3,919
Share Premium		<b>51,086</b>	9,797
		<hr/>	<hr/>
Net cash from financing activities		<b><u>55,542</u></b>	<u>13,716</u>
		<hr/>	<hr/>
<b>Increase in cash and cash equivalents</b>	23	<b>1,371,600</b>	1,816,492
<b>Cash and cash equivalents at beginning of year</b>		<b><u>1,895,741</u></b>	<u>79,249</u>
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	23	<b><u><u>3,267,341</u></u></b>	<u><u>1,895,741</u></u>

Lo-Q plc

**Statement of Changes in Equity  
for the ten month period ended 31 October 2009**

<b>GROUP</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Share premium</b>	<b>Capital Redemption reserve</b>	<b>Share based payment reserve</b>	<b>Shares to be issued</b>	<b>Total</b>
	£	£	£	£	£	£	£
<b>Balance at 1 January 2009</b>	<b>153,211</b>	<b>(1,868,597)</b>	<b>5,001,063</b>	<b>12,473</b>	<b>45,607</b>	-	<b>3,343,757</b>
Profit for period	-	1,895,072	-	-	-	-	1,895,072
Foreign exchange	-	(34,628)	-	-	-	-	(34,628)
Issue of share capital	5,706	-	51,086	-	-	-	56,792
Recognition of share-based Payments	-	-	-	-	41,541	-	41,541
Recognition of shares yet to be issued	-	-	-	-	-	-	-
<b>Balance at 31 October 2009</b>	<b>158,917</b>	<b>(8,153)</b>	<b>5,052,149</b>	<b>12,473</b>	<b>87,148</b>	-	<b>5,302,534</b>
	£	£	£	£	£	£	£
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 2008	153,211	(1,868,597)	5,001,063	12,473	45,607	-	3,343,757

<b>COMPANY</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Share premium</b>	<b>Capital Redemption reserve</b>	<b>Share based payment reserve</b>	<b>Shares to be Issued</b>	<b>Total</b>
	£	£	£	£	£	£	£
<b>Balance at 1 January 2009</b>	<b>153,211</b>	<b>(1,664,531)</b>	<b>5,001,063</b>	<b>12,473</b>	<b>45,607</b>	-	<b>3,547,823</b>
Profit for period	-	1,723,166	-	-	-	-	1,723,166
Foreign exchange	-	-	-	-	-	-	-
Issue of share capital	5,706	-	51,086	-	-	-	56,792
Recognition of share-based Payments	-	-	-	-	41,541	-	41,541
Recognition of shares yet to be issued	-	-	-	-	-	-	-
<b>Balance at 31 October 2009</b>	<b>158,917</b>	<b>58,635</b>	<b>5,052,149</b>	<b>12,473</b>	<b>87,148</b>	-	<b>5,369,322</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)
Balance at 31 December 2008	153,211	(1,664,531)	5,001,063	12,473	45,607	-	3,547,823

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**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 Portman Road, Reading, Berkshire, RG30 1EA, United Kingdom.

The financial period represents the 43 weeks and 5 days to 31 October 2009 (prior financial year 52 weeks and 2 days to 31 December 2008). The consolidated financial statements for the 43 weeks and 5 days to 31 October 2009 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 2006. The principal accounting policies adopted by the group are set out below.

**The following new standard have been adopted during the period**

IAS 1 'Presentation of Financial Statements' has been adopted during the period. Under IAS 1 certain presentational changes have been made to the accounts including changes to the names of the primary statements and the layout of the Income Statement.

IFRS 8 'Operating Segments' has been adopted during the period. Under IFRS 8, operating and reportable segments are determined and reviewed by the Group Chief Executive.

On the adoption of IFRS 8, changes were required to the reporting segments of those previously presented in accordance with IAS 14 'Segment Reporting'. This was a result of the requirement to present information in line with management information used to assess performance and allocate resources.

Comparative information has been restated where necessary to conform with IFRS 8.

**New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not effective for 2009 and therefore have not been applied in preparing these accounts:

IFRS 1 First-time adoption of International Financial Reporting Standards (revised) (effective 1 July 2009)  
IFRS 3 Business Combinations (revised) (effective 1 July 2009)  
IAS 27 Consolidated and Separate Financial Statements (revised) (effective 1 July 2009)  
Amendment to IAS 39 Eligible Hedged Items (effective 1 July 2009)  
IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)  
IFRIC 18 Transfers of Assets from Customers (effective 1 July 2009)  
Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)  
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (effective 1 January 2010)  
Amendments to IAS 32 Classification of Rights Issues (effective 1 February 2010)  
IAS 24 Related Party Transactions (revised) (effective 1 January 2011)  
Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective 1 January 2011)

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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

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.

**Basis of consolidation**

The consolidated financial statements incorporate the results of Lo-Q plc and all of its subsidiary undertakings as at 31 October 2009 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.

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**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**

Turnover arises from the development and application of virtual queuing technologies. Turnover represents either total rentals, net of sales taxes, to theme park or attraction guests or the Group's share of such rental. Total rentals are accounted for where the Group are responsible for the operation within the theme park.

Turnover also includes revenue from the financing of installed systems to new or existing theme parks. These systems are then leased back to the Group with the lease costs being recognised within cost of sales during the period or 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 lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**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.

**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 to 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.

## Lo-Q plc

### Notes to the Consolidated Financial Statements for the ten month period ended 31 October 2009

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 period/ 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  
for the ten month period ended 31 October 2009**

**2. FINANCIAL RISK MANAGEMENT**

Overview:

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

Liquidity risk;  
Interest rate 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 October 2009**

	<b>Less than 6 Months</b>	<b>Between 6 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 Years</b>	<b>Total</b>
<b>Maturity analysis</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>GROUP</b>					
Trade and other Payables	592,760	-	-	-	<b>592,760</b>
<b>Total Liabilities</b>	<b>592,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>592,760</b>
<b>COMPANY</b>					
Trade and other Payables	297,329	-	-	-	<b>297,329</b>
<b>Total Liabilities</b>	<b>297,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>297,329</b>

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

31 December 2008

	Less than 6 Months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 Years	Total
Maturity analysis	£	£	£	£	£
<b>GROUP</b>					
Trade and other Payables	330,097	-	-	-	330,097
<b>Total Liabilities</b>	<b>330,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>330,097</b>
<b>COMPANY</b>					
Trade and other Payables	242,370	-	-	-	242,370
<b>Total Liabilities</b>	<b>242,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>242,370</b>

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

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:

**31 October 2009**

	Fixed Rate	Floating Rate	Non-interest bearing	Total asset	Total liability
	£	£	£	£	£
<b>GROUP</b>					
Trade and other receivables	-	-	92,331	<b>92,331</b>	-
Cash	363,206	4,071,607	3,799	<b>4,438,612</b>	-
<b>Total assets</b>	<b>363,206</b>	<b>4,071,607</b>	<b>660,843</b>	<b>5,095,656</b>	<b>-</b>
Trade and other payables	-	-	(640,578)	-	<b>(640,578)</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(640,578)</b>	<b>-</b>	<b>(640,578)</b>

Lo-Q plc

Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009

	Fixed Rate	Floating Rate	Non-interest bearing	Total asset	Total liability
	£	£	£	£	£
<b>COMPANY</b>					
Trade and other receivables	-	-	1,107,902	<b>1,107,902</b>	-
Cash		3,263,782	3,559	<b>3,267,341</b>	-
<b>Total assets</b>	<b>-</b>	<b>3,263,782</b>	<b>1,653,538</b>	<b>4,917,320</b>	<b>-</b>
Trade and other payables	-	-	(351,092)	-	<b>(351,092)</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(351,092)</b>	<b>-</b>	<b>(351,092)</b>

31 December 2008

	Fixed Rate	Floating Rate	Non-interest bearing	Total asset	Total liability
	£	£	£	£	£
<b>GROUP</b>					
Trade and other receivables	-	-	16,147	16,147	-
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	-	-	(330,097)	-	<b>(330,097)</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(330,097)</b>	<b>-</b>	<b>(330,097)</b>

	Fixed Rate	Floating Rate	Non-interest bearing	Total asset	Total liability
	£	£	£	£	£
<b>COMPANY</b>					
Trade and other receivables	-	-	1,000,716	1,000,716	-
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	-	-	(242,370)	-	<b>(242,370)</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>(242,370)</b>	<b>-</b>	<b>(242,370)</b>

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**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	
	2009 £	2008 £	2009 £	2008 £
Trade and other receivables	<b>657,044</b>	72,815	<b>1,649,979</b>	1,057,384
Cash	<b>4,438,612</b>	2,559,351	<b>3,267,341</b>	1,895,741
Estimated irrecoverable amounts	-	-	-	-
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

The maximum exposure is the carrying amount as disclosed in Trade and Other Receivables. The average credit period taken by theme parks on paying over the queuing system revenue 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 October 2009 and 31 December 2008 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	
	2009 £	2008 £	2009 £	2008 £
Up to 3 months	<b>100,525</b>	8,935	<b>144,488</b>	8,935
3 to 6 months	-	-	-	-
	<u><u>100,525</u></u>	<u><u>8,935</u></u>	<u><u>144,488</u></u>	<u><u>8,935</u></u>

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**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 has overseas operations in the USA, Canada, Italy and Australia and as such is exposed to the risk of foreign currency fluctuations. The main operating currencies of its operations are in Sterling, US Dollars, Canadian Dollars and Euros. 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 reports in Sterling had bank balances of £992,579 (2008 - £405,840) denominated in US Dollars, £335,455 (2008 - £283,457) denominated in Canadian Dollars and £72,258 (2008 - nil) in Euros.

The Group manages risk by its subsidiaries matching revenue and expenditure 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.

To show the impact of the fluctuation of the USD exchange rate on the Group financial statements, the table below shows how the period ended 31 October 2009 results would have been impacted by exchange rates of +/- \$0.10.

	2009			2008		
	Actual			Actual		
	\$1.603:£1	\$1.503:£1	\$1.703:£1	\$1.72:£1	\$1.62:£1	\$1.82:£1
	£	£	£	£	£	£
Group net assets	<b>5,302,534</b>	<b>5,479,571</b>	<b>5,148,400</b>	3,343,757	3,511,252	3,194,288
Group turnover	<b>17,295,343</b>	<b>18,035,577</b>	<b>16,177,351</b>	13,519,686	15,332,699	13,882,815
Group profit for the year	<b>1,895,072</b>	<b>2,072,109</b>	<b>1,740,938</b>	2,024,213	2,191,890	1,874,926

The Groups policy is to utilise forward contracts where appropriate. The Group substantially managed its exposure in 2009 by entering into GBP/USD forward contracts. Contracts with a value of £662,690 were outstanding at the year end (2008: £nil).

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**3. BUSINESS AND GEOGRAPHICAL SEGMENTS**

**Segmental analysis**

The Group has adopted IFRS 8 'Operating Segments' in the current period. The Group's operating segments under IFRS have been determined with reference to the information presented in the management accounts reviewed by the Board of Directors.

The principle revenue generating activity of the Group is the operation of virtual queuing technologies for a theme park or other attraction. The Group has entered into agreements with theme park operators to allow theme park or attraction guests to make ride and show reservations when they visit a theme park or other attraction.

The sale of the technology and infrastructure used within the theme park or attraction to allow guests to make these ride or show reservations is a related revenue stream to the Group as typically the Group will enter into sale and leaseback transactions to finance the equipment used within a theme park or attraction.

The Board considers that given the scale and nature of its present operations, it currently has a single operating and therefore reportable segment:

Rentals to guests, where the theme park or attraction operates the Group's products and the related sale of the system to third party lessors of the equipment and infrastructure installed in that park or attraction.

The Groups revenues, costs, assets, liabilities, currency exposure and cash flows are therefore totally attributable to this segment.

The definition and reporting of segments will be assessed as the Group develops the relative scale or number of operating segments.

**Entity Wide Disclosures**

Analyses of the Groups external revenues and non current assets by geographical location are detailed below:

	Revenue		Non Current Assets	
	2009 10 Months	2008 12 Months	2009	2008
	£	£	£	£
UK	1,480,201	1,220,024	766,462	588,252
Other Europe	113,582	-	56,221	-
Australia	51,579	-	82,532	18,173
USA and Canada	15,649,981	12,299,662	33,926	147,141
	<u>17,295,343</u>	<u>13,519,686</u>	<u>939,141</u>	<u>753,566</u>

Revenue generated in each of the geographical locations is generally in the local currency of the theme park or attraction based in that location.

**Major Customers**

The Group has entered into agreements with theme parks, theme park groups and attractions to operate the product in single or multiple theme parks or attractions within the theme park group.

The ultimate revenue of the business is derived from theme park or attraction guest rentals and no single guest forms a significant proportion of the revenue of the Group.

However, the ability to generate guest rentals is fully dependant on the Group maintaining and developing agreements with theme parks or attraction owners to operate the Q-bot or Q-txt product. The Group does have an agreement with a single theme park group where sales to guests of that theme park group account for a significant and material amount of total revenue of the Group.

**Notes to the Consolidated Financial Statements  
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**4. EMPLOYEES AND DIRECTORS**

	<b>2009 10 months £</b>	2008 12 months £
Wages and Salaries	<b>2,483,814</b>	2,182,928
Social security costs	<b>271,223</b>	221,728
Defined contribution pension costs	<b>32,581</b>	37,661
Share based payment transactions	<b>41,541</b>	26,769
	<b><u>2,829,159</u></b>	<u>2,469,086</u>

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

	<b>2009 10 months</b>	2008 12 months
Operations	<b>12</b>	11
Research & Development	<b>7</b>	6
Sales	<b>2</b>	1
Finance & Administration	<b>11</b>	7
Seasonal Staff	<b>198</b>	146
	<b><u>230</u></b>	<u>171</u>

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

	<b>2009 10 months £</b>	2008 12 months £
Directors' emoluments	<b><u>505,322</u></b>	<u>477,411</u>
Directors' contributions to money purchase schemes	<b><u>23,706</u></b>	<u>25,185</u>
During the year the following number of directors:		
Money purchase schemes	<b><u>6</u></b>	<u>4</u>

Information regarding the highest paid director is as follows:

	<b>2009 10 months £</b>	2008 12 months £
Emoluments	<b>106,817</b>	129,524
Amount of money and other net assets (excluding shares and share options) receivable under long-term incentive plans	<b><u>24,242</u></b>	<u>19,172</u>

**Notes to the Consolidated Financial Statements  
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**Share Option Scheme**

The share options of the directors are set out below:

	<b>31 December 2008 (or date of appointment)</b>	<b>Exercised in the period Number</b>	<b>31 October 2009</b>	<b>Exercise Price</b>	<b>Date from which Exercisable</b>	<b>Expiry Date</b>
S Drake	4,903	-	4,903	100.5p	22/10/2004	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	(1)	(1)
J McManus	100,000	-	100,000	38.5p	(1)	(1)
	180,000	-	180,000	25p	(3)	(3)
C Robertson	100,000	-	100,000	25p	(1)	(1)
	100,000	-	100,000	25p	11/04/2009	10/04/2019
L Sim	100,000	-	100,000	25p	(1)	(1)
J Alder	15,000	-	15,000	28.5p	30/09/2009	30/09/2018
	75,000	-	75,000	57.5p	(2)	(2)
P Cassar	17,604	-	17,604	100.5p	22/10/2004	21/01/2011
	6,916	(6,916)	-	18p	08/10/2003	07/10/2012
	22,000	(22,000)	-	6p	06/04/2005	05/04/2014
	50,000	(50,000)	-	3.5p	29/03/2006	28/03/2015
	18,000	(18,000)	-	8.25p	09/05/2007	08/05/2016
	100,000	-	100,000	25p	(1)	(1)

- (1) Options vest in four equal tranches on the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> anniversaries of the grant, subject to the achievement of performance targets for the financial years 2008, 2009, 2010 and 2011 and expire on the 10<sup>th</sup> anniversary of the grant.
- (2) Options vest in three equal tranches on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> anniversaries of the grant, subject to the achievement of performance targets for the financial years 2009, 2010 and 2011 and expire on the 10<sup>th</sup> anniversary of the grant.
- (3) Options vest in four tranches (three tranches of 50,000 Shares and one tranche of 30,000) subject to the achievement of certain performance targets in relation to the average mid-market price of the Company's shares, on or before 31 December 2010.

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Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009

5. NET FINANCE INCOME

	2009 10 Months £	2008 12 Months £
Finance income:		
Bank interest received	10,061	26,229
Finance costs:		
Bank interest	<u>27</u>	<u>(1,497)</u>
Net finance income	<u>10,034</u>	<u>24,732</u>

6. PROFIT BEFORE TAX

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

	2009 10 Months £	2008 12 Months £
Hire of plant and machinery	2,834	3,329
Other operating leases	86,512	76,651
Depreciation - owned assets	24,593	15,981
Patents and Licenses amortisation	25,202	12,274
Development costs amortisation	110,599	84,164
Auditors' remuneration	21,550	20,000
Auditors' remuneration for non audit work	6,900	10,944
Foreign exchange differences	<u>(111,362)</u>	<u>(71,588)</u>

**Auditors' Remuneration**

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

	2009 10 Months £	2008 12 Months £
Audit Services		
- Fees Payable to Company's auditor of the parent Company and consolidated accounts	20,000	18,500
Non Audit Service		
- Review of interim accounts	1,550	1,500
- Other services pursuant to legislation	4,250	5,794
- Tax compliance and advisory service	<u>2,650</u>	<u>5,150</u>
	<u>28,450</u>	<u>30,944</u>

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**7. TAX**

**Analysis of the tax charge**

	<b>2009 10 Months £</b>	<b>2008 12 Months £</b>
Current tax:		
(a) Tax	<b>298,717</b>	22,163
Deferred tax	<u><b>195,000</b></u>	<u>(195,000)</u>
Total tax charge in income statement	<u><b>493,717</b></u>	<u>(172,837)</u>
	<b>2009 10 Months</b>	<b>2008 12 Months</b>
(b) Reconciliation of tax charge		
Profit on ordinary activities before tax	<u><b>2,388,789</b></u>	<u>1,851,376</u>
Tax at the UK corporation tax rate of 28% (3 months at 30% and 9 months at 28%; 2008 – 28.33%)	<b>668,858</b>	607,886
Effects of:		
Expenses not deductible for tax	<b>10,298</b>	1,485
Capital allowances in excess of depreciation	<b>(8,438)</b>	(6,130)
Utilisation of tax losses	<b>(283,328)</b>	(588,023)
Share scheme deduction	<b>(88,652)</b>	(15,175)
Deferred tax asset	<b>195,000</b>	(195,000)
Income not chargeable for tax purposes	<u><b>(21)</b></u>	<u>(42)</u>
Total current tax (note 7(a))	<u><b>493,717</b></u>	<u>(172,837)</u>

**8. PROFIT OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, 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 10 month period ended 31 October was £1,723,166 (2008: Year Ended 31 December - £2,049,480).

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**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.

	<b>Earnings £ 10 Months</b>	<b>2009 Weighted average number of shares</b>	<b>Per -share amount pence</b>
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholdings	1,895,072	15,596,756	12.15
<b>Effect of dilutive securities</b>			
Options	<u>                    </u>	<u>949,332</u>	<u>                    </u>
<b>Diluted EPS</b>			
Adjusted earnings	<u>1,895,072</u>	<u>16,546,088</u>	<u>11.45</u>

	<b>Earnings £ 12 Months</b>	<b>2008 Weighted average number of shares</b>	<b>Per -share amount pence</b>
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholdings	2,024,213	15,321,101	13.21
<b>Effect of dilutive securities</b>			
Options	<u>                    </u>	<u>1,558,021</u>	<u>                    </u>
<b>Diluted EPS</b>			
Adjusted earnings	<u>2,024,213</u>	<u>16,879,122</u>	<u>11.99</u>

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Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009

10. INTANGIBLE ASSETS

Group	Intellectual Property Rights £	Development Costs £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2009	126,367	553,623	679,990
Additions	33,125	277,873	310,998
	<u>159,492</u>	<u>831,496</u>	<u>990,988</u>
At 31 October 2009	<b>159,492</b>	<b>831,496</b>	<b>990,988</b>
<b>AMORTISATION</b>			
At 1 January 2009	25,274	115,271	140,545
Amortisation for Period	25,202	110,599	135,801
	<u>50,476</u>	<u>225,870</u>	<u>276,346</u>
At 31 October 2009	<b>50,476</b>	<b>225,870</b>	<b>276,346</b>
<b>NET BOOK VALUE</b>			
At 31 October 2009	<u><b>109,016</b></u>	<u><b>605,626</b></u>	<u><b>714,642</b></u>
At 31 December 2008	<u>101,093</u>	<u>438,352</u>	<u>539,445</u>
<b>Company</b>			
	Intellectual Property Rights £	Development Costs £	Totals £
<b>COST OR VALUATION</b>			
At 1 January 2009	126,367	552,837	679,204
Additions	33,125	277,873	310,998
	<u>159,492</u>	<u>830,710</u>	<u>990,202</u>
At 31 October 2009	<b>159,492</b>	<b>830,710</b>	<b>990,202</b>
<b>AMORTISATION</b>			
At 1 January 2009	25,274	115,076	140,350
Amortisation for Period	25,202	110,440	135,642
	<u>50,476</u>	<u>225,516</u>	<u>275,992</u>
At 31 October 2009	<b>50,476</b>	<b>225,516</b>	<b>275,992</b>
<b>NET BOOK VALUE</b>			
At 31 October 2009	<u><b>109,016</b></u>	<u><b>605,194</b></u>	<u><b>714,210</b></u>
At 31 December 2008	<u>101,093</u>	<u>437,761</u>	<u>538,854</u>

Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009

<b>INTANGIBLE ASSETS</b>			
Group	<b>Intellectual Property Rights £</b>	<b>Development Costs £</b>	<b>Totals £</b>
<b>COST OR VALUATION</b>			
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>
<b>AMORTISATION</b>			
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>
<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	<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 OR VALUATION</b>			
At 1 January 2008	209,199	300,642	509,841
Additions	-	252,195	252,195
Revaluations 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>
<b>AMORTISATION</b>			
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>
<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	<u>209,199</u>	<u>269,564</u>	<u>478,763</u>

Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009

## 11. INSTALLED SYSTEMS, PROPERTY, PLANT AND EQUIPMENT

Group	Installed Systems £	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
<b>COST</b>					
At 1 January 2009	-	33,516	168,344	23,977	225,837
Additions	15,857	-	18,702	1,800	36,359
At 31 October 2009	<u>15,857</u>	<u>33,516</u>	<u>187,046</u>	<u>25,777</u>	<u>262,196</u>
<b>DEPRECIATION</b>					
At 1 January 2009	-	31,252	122,799	19,476	173,527
Charge for the period	1,507	1,050	20,588	1,448	24,593
At 31 October 2009	<u>1,507</u>	<u>32,302</u>	<u>143,387</u>	<u>20,924</u>	<u>198,120</u>
<b>NET BOOK VALUE</b>					
At 31 October 2009	<u>14,350</u>	<u>1,214</u>	<u>43,659</u>	<u>4,853</u>	<u>64,076</u>
At 31 December 2008	<u>-</u>	<u>2,264</u>	<u>45,545</u>	<u>4,501</u>	<u>52,310</u>
<b>Company</b>					
Company	Installed Systems £	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
<b>COST</b>					
At 1 January 2009	-	8,257	128,746	21,321	158,324
Additions	15,857	-	12,380	-	28,237
At 31 October 2009	<u>15,857</u>	<u>8,257</u>	<u>141,126</u>	<u>21,321</u>	<u>186,561</u>
<b>DEPRECIATION</b>					
At 1 January 2009	-	5,912	97,288	18,133	121,333
Charge for the period	1,507	1,050	14,129	810	17,496
At 31 October 2009	<u>1,507</u>	<u>6,962</u>	<u>111,417</u>	<u>18,943</u>	<u>138,829</u>
<b>NET BOOK VALUE</b>					
At 31 October 2009	<u>14,350</u>	<u>1,295</u>	<u>29,709</u>	<u>2,378</u>	<u>47,732</u>
At 31 December 2008	<u>-</u>	<u>2,345</u>	<u>31,458</u>	<u>3,188</u>	<u>36,991</u>

**Notes to the Consolidated Financial Statements  
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**INSTALLED SYSTEMS, PROPERTY, PLANT AND EQUIPMENT**

Group	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
<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 the 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>				
	Plant and machinery £	Office Equipment £	Furniture & fixtures £	Totals £
<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 the 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>

Lo-Q plc

Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009

12. INVESTMENTS

Company

	Investment in Subsidiaries £
<b>COST</b>	
At 1 January 2009 and 31 October 2009	<u>735</u>
<b>NET BOOK VALUE</b>	
At 31 October 2009	<u>735</u>
At 31 December 2008	<u>735</u>

Name	Country of incorporation	% Ownership interest	% Voting Rights
Lo-Q 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 Inc (previously Lo-Q Virtual Queuing Inc) and Lo-Q Service Canada Inc is that of the application of virtual queue technologies

Lo-Q Trustees Limited is dormant.

Lo-Q plc

Notes to the Consolidated Financial Statements  
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13. INVENTORIES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Stock	<b>254,705</b>	145,213	<b>201,308</b>	78,832
Park installation	<b>160,423</b>	161,811	<b>143,273</b>	34,720
	<b>415,128</b>	307,024	<b>344,581</b>	113,552

The amount of inventories recognised as an expense and charged to the cost of sales for the period ended 31 October 2009 was £123,809 (2008 £103,174).

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
Current:	£	£	£	£
Trade debtors	<b>100,525</b>	8,935	<b>144,488</b>	8,935
Amounts owed by group undertakings	-	-	<b>963,414</b>	985,248
Other debtors	<b>531,549</b>	2,841	<b>491,925</b>	-
VAT	-	4,371	-	6,533
Prepayments	<b>24,970</b>	56,668	<b>50,152</b>	56,668
	<b>657,044</b>	72,815	<b>1,649,979</b>	1,057,384

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

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Petty Cash	<b>3,799</b>	2,779	<b>3,559</b>	2,697
Short Term Deposit	<b>363,206</b>	1,362,915	-	1,000,000
Bank accounts	<b>4,071,607</b>	1,193,657	<b>3,263,782</b>	893,044
	<b>4,438,612</b>	2,559,351	<b>3,267,341</b>	1,895,741

HSBC Bank plc 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. HSBC Equipment Finance (UK) Limited and HSBC Asset Finance (UK) Limited hold a second ranking debenture over the assets of the company.

**Notes to the Consolidated Financial Statements  
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**16. TRADE AND OTHER PAYABLES**

Current:	Group		Company	
	2009	2008	2009	2008
		£	£	£
Trade creditors	27,462	82,203	43,844	95,869
Social security and other taxes	58,689	50,067	57,016	48,064
Sundry creditors	1,350	1,570	559	1,570
Accruals & Deferred Income	563,948	246,324	259,773	144,931
VAT	47,818	-	46,916	-
	<u>699,267</u>	<u>380,164</u>	<u>408,108</u>	<u>290,434</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**

Group and Company

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

	£
At 1 January 2009	195,000
Charge for the period	<u>(195,000)</u>
Balance at 31 October 2009	<u>-</u>

The Groups brought forward trading losses for 2009 have been offset against the tax liability arising in the year.

**18. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal	2009	2008
value:		£	£	
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	2009	2008
Value:		£	£	
15,891,667	Ordinary Share Capital	£0.01	158,917	153,211
(2008 – 15,321,101)			<u>          </u>	<u>          </u>

During the period 445,566 shares with a nominal value of £4,456 were allotted and issued as part of existing share options being exercised. These are detailed in note 22. On 14 May 2009, 125,000 shares with a nominal value of £1,250 were allotted and issued in consideration of the acquisition of a reservation system in November 2007. The cost has been capitalised on the balance sheet as part of the cost of acquisition.

**Notes to the Consolidated Financial Statements  
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**Share Option Schemes**

At 31 October 2009 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 January 2002 to 21 January 2011	100.5p
	12,800	8 October 2003 to 7 October 2012	18p
	15,000	6 April 2005 to 5 April 2014	6p
	50,000	29 March 2006 to 28 March 2015	3.5p
	18,500	9 May 2007 to 8 May 2016	8.25p
	600,000	(1)	25p
	180,000	(3)	38.5p
US Scheme	82,500	25 June 2010 to 24 June 2019	57.5p
	4,755	22 October 2002 to 21 October 2011	100.5p
	29,000	6 April 2005 to 5 April 2014	6p
	70,000	29 March 2006 to 28 March 2015	3.5p
	33,500	9 May 2007 to May 2016	8.25p
	15,000	30 September 2009 to 30 September 2018	28.5p
Other Scheme	75,000	(2)	57.5p
	40,000	12 November 2008 to 12 November 2010	40p

- (1) Options vest in four equal tranches on the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> anniversaries of the grant, subject to the achievement of performance targets for the financial years 2008, 2009, 2010 and 2011 and expire on the 10<sup>th</sup> anniversary of the grant.
- (2) Options vest in three equal tranches on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> anniversaries of the grant, subject to the achievement of performance targets for the financial years 2009, 2010 and 2011 and expire on the 10<sup>th</sup> anniversary of the grant
- (3) Options vest in four tranches (three tranches of 50,000 Shares and one tranche of 30,000) subject to the achievement of certain performance targets in relation to the average mid-marker price of the Company's shares, on or before 31 December 2010

**Notes to the Consolidated Financial Statements  
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**19. 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 £32,581 (2008 - £37,668). Contributions amounting to £nil (2008 - £nil) were payable to the fund and are included in creditors.

**20. RELATED PARTY DISCLOSURES**

**Ultimate controlling party**

There is no ultimate controlling party.

**Subsidiaries**

Management charges of £2,169,127 (2008 - £2,764,353) were received from Lo-Q Inc (previously Lo-Q Virtual Queuing Inc) and £167,419 (2008 - £225,835) from Lo-Q Service Canada Inc during the period, both 100% subsidiaries of Lo-Q plc.

The US and the Canadian subsidiaries owed the parent company £317,132 and £646,282 respectively at 31 October 2009.

**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 £19,125 (2008 - £13,000) of which £2,104 (2008 - £1,127) 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 £20,000 (2008 - £8,417) of which £0 (2008 - £0) 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 £15,500 (2008 - £8,417) of which £1,533 (2008 - £1,034) 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>2009</b>	2008
	<b>10 Months</b>	12 Months
Director's remuneration	<b>505,322</b>	477,411
Director's contribution to pension scheme	<b>23,706</b>	25,185
Share based payments	<b>35,132</b>	21,902
	<b><u>564,160</u></b>	<u>524,498</u>

Lo-Q plc

Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

<b>Group</b>	<b>2009 10 Months £</b>	<b>2008 12 Months £</b>
Profit for the financial period/ year	1,895,072	2,024,213
Issued Share Capital	5,706	3,919
Share based payment	41,541	18,226
Share Premium	51,086	9,797
Shares to be issued	-	(66,250)
Foreign Exchange	(34,628)	154,760
	<u>1,958,777</u>	<u>2,144,665</u>
<b>Net addition to shareholders' funds</b>	<b>1,958,777</b>	<b>2,144,665</b>
Opening shareholders' funds	<u>3,343,757</u>	<u>1,199,092</u>
	<u><b>5,302,534</b></u>	<u><b>3,343,757</b></u>
<b>Company</b>	<b>2009 10 Months £</b>	<b>2008 12 Months £</b>
Profit for the financial period/ year	1,723,166	2,049,480
Issued Share Capital	5,706	3,919
Share Premium	51,086	9,797
Shares to be issued	-	(66,250)
Share based payment	41,541	18,226
	<u>1,821,499</u>	<u>2,015,172</u>
<b>Net addition to shareholders' funds</b>	<b>1,821,499</b>	<b>2,015,172</b>
Opening shareholders' funds	<u>3,547,823</u>	<u>1,532,651</u>
	<u><b>5,369,322</b></u>	<u><b>3,547,823</b></u>

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**22. 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:

	2009		2008	
	No	WAEP(pence)	No	WAEP(pence)
Outstanding at the beginning of the period	1,558,021	21.82	1,172,500	11.31
Granted during the period	160,000	57.50	795,000	28.06
Exercised during the period	(445,566)	5.31	(391,875)	35.00
Leavers	(2,500)	95.15	(17,604)	10.05
Outstanding at the end of the period	<u>1,269,955</u>	<u>30.95</u>	<u>1,558,021</u>	<u>20.62</u>
Exercisable at the end of the period	<u>632,455</u>	<u>9.34</u>	<u>763,021</u>	<u>17.62</u>

The weighted average share price at the date of exercise for share options exercised during the period was £0.758 (2008 - £0.18).

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

	2009	2008
Weighted average share price (pence)	22.26	19.63
Expected volatility %	65.00	75.00
Expected life	2.00	2.00
Risk free rate (%)	3.60	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.

**23. NOTES TO CASH FLOW - RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS**

Group	2009	2008
	10 Months	12 Months
	£	£
Profit before tax	2,388,789	1,851,376
Depreciation charges	160,394	126,917
Share based payment	41,541	18,226
Foreign exchange	(34,628)	154,760
Finance costs	27	1,497
Finance income	(10,061)	(26,229)
	<u>2,546,062</u>	<u>2,126,547</u>
Increase in inventories	(108,104)	(135,367)
(Increase)/Decrease in trade and other receivables	(584,229)	45,283
Increase in trade and other payables	319,103	177,150
<b>Cash generated from operations</b>	<u><u>2,172,832</u></u>	<u><u>2,213,613</u></u>

Lo-Q plc

Notes to the Consolidated Financial Statements  
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Company	2009 10 Months £	2008 12 Months £
Profit before tax	2,165,314	1,854,497
Depreciation charges	153,138	138,144
Share based payment	41,541	18,226
Finance costs	27	1,442
Finance income	<u>(8,851)</u>	<u>(20,276)</u>
	<b>2,351,169</b>	<b>1,992,033</b>
Increase in inventories	<b>(231,029)</b>	<b>(46,522)</b>
(Increase)/Decrease in trade and other receivables	<b>(592,595)</b>	<b>39,046</b>
Increase in trade and other payables	<u><b>117,674</b></u>	<u><b>83,667</b></u>
<b>Cash generated from operations</b>	<u><u><b>1,645,219</b></u></u>	<u><u><b>2,068,224</b></u></u>

**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 January 2009	Cash Flow	Exchange movement	At 31 October 2009
	£	£	£	£
Cash in hand & at bank	2,559,351	1,913,889	(34,628)	4,438,612
	<u>2,559,351</u>	<u>1,913,889</u>	<u>(34,628)</u>	<u>4,438,612</u>

**Company**

	At 1 January 09	Cash Flow	Exchange movement	At 31 October 2009
	£	£	£	£
Cash in hand & at bank	1,895,741	1,371,600	-	3,267,341
	<u>1,895,741</u>	<u>1,371,600</u>	<u>-</u>	<u>3,267,341</u>

**Notes to the Consolidated Financial Statements  
for the ten month period ended 31 October 2009**

**24. COMMITMENTS UNDER OPERATING LEASES**

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

<b>Group</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Land &amp; Buildings</b>		
Less than one year	<b>120,799</b>	100,344
Within 2 to 5 years	<b>30,454</b>	7,568
	<b>151,253</b>	107,912
<b>Other</b>		
Less than one year	<b>855,243</b>	964,484
Within 2 to 5 years	<b>699,734</b>	-
	<b>1,554,977</b>	964,484
<b>Company</b>		
<b>Land &amp; Buildings</b>		
Less than one year	<b>101,360</b>	-
Within 2 to 5 years	<b>28,626</b>	66,687
	<b>129,986</b>	66,687
<b>Other</b>		
Less than one year	<b>361,845</b>	61,694
Within 2 to 5 years	<b>699,734</b>	-
	<b>1,061,579</b>	61,694

Operating leases within 'Land & Buildings' include the leases of company and Group offices. Operating leases within 'Other' principally relate to the leaseback element of the Sale & Leaseback transaction relating to the sale of equipment to theme parks as installations.

Where necessary, 2008 amounts have been restated to consistently reflect the commitment at that date.