

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about its contents you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

This prospectus has been drawn up in accordance with the Public Offers of Securities Regulations 1995. A copy of this prospectus has been delivered to the registrar of companies in England and Wales for registration pursuant to Regulation 4(2). The Company's advisers named in this prospectus act only for the Company in connection with the Offer described in this prospectus and will not be responsible for providing the protections afforded to their clients or for advising any other person in connection with the Offer.

To the best of the knowledge and belief of the Directors of Lo-Q plc who are the persons responsible for this prospectus, the information contained in it is in accordance with the facts and it makes no omission which is likely to affect the import of such information. The Directors whose names are set out on page 3, accept responsibility accordingly.

Application will be made for the entire issued share capital of the Company to be dealt in on OFEX once the Minimum Amount has been raised. OFEX is not a regulated market. OFEX is described on pages 16 to 17 of this document. No application has been made for the admission of the ordinary share capital of the Company to listing on the Official List of the UK Listing Authority, the Alternative Investment Market or any other investment exchange or market, recognised or otherwise.

Lo-Q plc

(Registered in England and Wales with registered number 3959429)

Offer for subscription of up to 2,170,000 New Ordinary Shares of 1p each at 106p each payable in full on application

Admission to trading on OFEX

SHARE CAPITAL (Assuming the Offer is fully subscribed)

Authorised £	Number	Issued and fully paid £	Number
1,000,000	100,000,000 Ordinary Shares of 1p each	106,818	10,681,837

The procedure for application and payment is set out in Part V of this prospectus and the Application Form is set out at the end of this document. The subscription list for the New Ordinary Shares will open at 10.00 a.m. on 2nd October 2000 and may be closed at any time thereafter, subject to the Minimum Amount being raised by 6th November 2000, but not later than 3.00 p.m. on 10th November 2000 unless at the discretion of the Directors it is extended beyond that date. The Offer has not been underwritten.

An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of personal circumstances and the financial resources available to such investor. Your attention is drawn to the section entitled "Risk Factors" on pages 19 to 20.

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DIRECTORS AND ADVISERS

DIRECTORS: Jeff McManus (Executive Chairman)
Leonard Sim (Managing Director)
John Lillywhite (Finance Director)
Anthony Bone (Non Executive Director)

COMPANY SECRETARY: Jeff McManus

REGISTERED OFFICE: Barclays House
9-10 Victoria Street
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Hampshire RG21 3BT

AUDITORS AND REPORTING ACCOUNTANTS: BDO Stoy Hayward
Connaught House
Alexandra Terrace
Guildford
Surrey GU1 3DA

SOLICITORS TO THE COMPANY AND TO THE OFFER: Finers Stephens Innocent
179 Great Portland Street
London W1N 6LS

CORPORATE ADVISER: Daniel Stewart & Company Plc
48 Bishopsgate
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*Daniel Stewart & Company Plc is regulated
by The Securities and Futures Authority Limited*

BANKERS: National Westminster Bank plc
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Berkshire RG40 1AX

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390/398 High Road
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DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"the Act"	the Companies Act 1985, as amended;
"Admission"	the admission of the Ordinary Shares and the New Ordinary Shares to trading on OFEX;
"AIM"	the Alternative Investment Market of the London Stock Exchange;
"Application Form"	the application form to be used in connection with the Offer;
"Articles"	the articles of association of the Company;
"Bluetooth"	a de facto standard wireless technology, as well as a specification for small-form factor, low cost, short-range radio links between mobile personal computers, mobile phones and other portable devices;
"the Company" or "Lo-Q"	Lo-Q plc;
"CREST"	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited;
"Cyber Queue"	a computer generated virtual queue created in a computer memory by using the System;
"Daniel Stewart"	Daniel Stewart & Company Plc;
"Directors" or "Board"	Jeff McManus, Leonard Sim, John Lillywhite and Anthony Bone;
"FSA"	The Financial Services Authority;
"Holder"	the holder of a Prompter;
"Internet"	a series of interconnected networks providing global links of digital information whether in the form of numerical data, text, sound or image;
"London Stock Exchange"	the London Stock Exchange PLC;
"Lo-Q Guest Services System" or "System"	the Company's electronically operated queuing system, further details of which are set out in Part I of this document;
"Minimum Amount"	the sum of £700,000 to be raised pursuant to the terms of the Offer;

"New Ordinary Shares"	2,170,000 new Ordinary Shares proposed to be issued pursuant to the Offer;
"OFEX"	a trading facility operated by J P Jenkins Limited, a member of the London Stock Exchange, to allow trading in the shares of unquoted companies;
"Offer"	the offer for subscription for New Ordinary Shares as set out in this prospectus;
"Offer Price"	106 pence per New Ordinary Share;
"Ordinary Shares"	the ordinary shares of 1 pence each in the capital of the Company;
"Prompter"	an individual hand held device given to a Holder and which is operated under the System;
"Regulations"	The Public Offers of Securities Regulations 1995, as amended;
"Shareholders"	holders of issued Ordinary Shares on the date hereof;
"Theme Park"	an enclosed park containing a number of separately queued attractions or rides;
"UK Listing Authority"	the FSA, acting in its capacity as the competent authority for the purposes of the Financial Services Act 1986 and in the exercise of its functions in respect of admission to the Official List of the London Stock Exchange otherwise than in accordance with Part IV of the Act; and
"WAP"	wireless application protocol.

KEY INFORMATION

The following information is derived from and should be read in conjunction with the full text of this document. You should read the whole of this document and not just rely on the key information set out below.

INTRODUCTION

The Company's patented "Lo-Q Guest Services System" uses a computer generated virtual queue to enable visitors at Theme Parks to avoid long and often frustrating queues for popular rides and attractions. By electronically booking a time for a ride or attraction within a Theme Park which utilises the System, Holders are free to enjoy other attractions and facilities elsewhere in the Theme Park whilst waiting for their allocated time slot on a pre-booked ride.

The System has been adopted by Thorpe Park in the UK and Six Flags over Georgia in the USA and approaches have been made, and negotiations are taking place, with a number of other leading Theme Park operators.

THE SYSTEM

The System reduces to a few minutes the frustrating physical queuing time endured by Theme Park visitors. The System allows visitors to join a Cyber Queue that is held in the memory of the Company's controlling computer and this in turn calculates the actual time and sequence for the various rides and attractions and informs Holders when the time booked for a ride is approaching.

Visitors to a Theme Park which uses the System wait the same length of time to go on a ride or attraction as those who physically queue but they are able to spend their waiting time in a much more enjoyable manner, such as on another attraction or, (more importantly from the point of view of the Theme Park) in a restaurant or souvenir shop and this should enable the Theme Park to increase its per capita spend.

A Prompter is rented by visitors to a Theme Park at the start of each day and this is then carried by one member of a family or group. The System is interactive; the Holder can reserve a time on a ride by pointing the Prompter at the electronic booking point which is adjacent to each ride. The Prompter enables communication with the Holder by displaying messages, including the time when the Holder can enter the ride.

The System is based on small radio cells so it can record location information of each Prompter when it interacts with the Company's controlling computer through radio or infra-red transmission. This feature could add value to the System by providing a lost child location aid, a group rendezvous service, proximity based promotional messaging or by providing useful management information on visitor movements within a Theme Park.

The System is protected by a United Kingdom patent which has been assigned to the Company. An international patent application (which also has been assigned to the Company) was made in November 1996 and the Directors anticipate that this will extend the patent protection to certain European countries, the United States of America, Japan and Hong Kong.

THE POTENTIAL MARKETPLACE

The System's initial market consists of Theme Parks, of which there are more than 340 worldwide, of which 88 have more than 1 million visitors a year.

PROCEEDS

The Company is proposing to raise up to £2,300,200 before expenses by the issue of up to 2,170,000 New Ordinary Shares at a price of 106 pence per share. The net proceeds will be used to implement the installation of the System, for product development of both the existing and new product ranges, to purchase stock to support new product ranges, for marketing support and to recruit additional staff, including sales personnel.

TRADING HISTORY AND ILLUSTRATIVE FINANCIAL PROJECTIONS

The Directors have prepared estimates of the revenue and costs that they anticipate for the Company for the three years ending on 30th September 2001, 30th September 2002 and 30th September 2003 respectively. These estimates are intended as a guide to show what the its trading performance could be, if the Directors' assumptions are correct. The illustrative projections, which are derived from the Director's estimates, are set out on pages 21 to 22. They are included for illustrative purposes only and are not forecasts of future results and should not be treated as such. Attention is drawn to the Risk Factors set out on pages 19 and 20.

<i>Year ending 30th September</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
Revenue	£2,423,000	£7,713,000	£17,171,000
Operating Profit	£45,000	£2,676,000	£9,404,000

OFFER STATISTICS

Offer Price per share	106p
Number of Ordinary Shares in issue following completion of the Offer*	10,681,837
Market capitalisation before the Offer at the Offer Price	£9,022,547
Market capitalisation at the Offer Price*	£11,322,747
Number of Ordinary Shares subject to the Offer	2,170,000
Proportion of enlarged issued share capital subject to the Offer	20.31%
Gross proceeds receivable by the Company pursuant to the Offer	£2,300,200

*Assuming full subscription

PART I

INFORMATION ON THE COMPANY

1. INTRODUCTION

The Company's patented "Lo-Q Guest Services System" uses a computer generated virtual queue to enable visitors at Theme Parks to avoid long and often frustrating queues for popular rides and attractions. By electronically booking a time for a ride or attraction within a Theme Park which utilises the System, Holders are free to enjoy other attractions and facilities elsewhere in the Theme Park whilst waiting for their allocated time slot on a pre-booked ride.

The System has been adopted by Thorpe Park in the UK and Six Flags over Georgia in the USA and approaches have been made, and negotiations are taking place, with a number of other leading Theme Park operators.

The Company proposes to raise £2,300,200 before expenses by the issue of the New Ordinary Shares. The net proceeds of the Offer will be used to implement the installation of the System, for product development of both the existing and new product ranges, to purchase stock to support new product ranges, for marketing support and to recruit additional staff, including sales personnel.

2. THE LO-Q GUEST SERVICES SYSTEM

On arriving at a Theme Park at which the Company is operating the Lo-Q Guest Services System, a visitor is offered a daily rental of a Prompter at a premium to the entry price. The Holder and members of his group will then be registered in the System and are allocated a Prompter.

To book a ride, the Holder places the Prompter near to an electronic booking point which will be close to the entrance to each ride, and an infra-red transmitter in the Prompter carries out an exchange of signals. This action will lodge that particular group into a Cyber Queue and the Company's central computer then sends a message to the Prompter showing the time at which the family or group is booked on a particular ride. The family or group is then free to enjoy other facilities in the Theme Park and shortly before the ride time is reached the Prompter receives a reminder message from the Company's central computer. The family or group then returns to that ride and goes through a separate entrance and the System communicates electronically via a short-range infra-red link with a check-in box through the Prompter and this informs the Company's central computer that the family or group are on the ride.

Holders are free to make any number of bookings during each day but a booked ride has to have been completed before the next ride time is confirmed to a Holder.

Visitors to a Theme Park which uses the System wait the same length of time to go on a ride or attraction as those who physically queue but the former are able to spend their waiting time in a much more enjoyable manner, such as on another attraction or (more importantly from the point of view of the Theme Park) in a restaurant or souvenir shop and this should enable the Theme Park to increase its per capita spend. As the System is dynamic it can automatically re-schedule bookings to avoid problems caused by ride break downs and keep the Holder informed of any changes. The System can also schedule ride requests to improve load efficiency by spreading ride traffic over the whole of each day.

The System is cell based and uses a number of transceivers (known as LoQators) to communicate with the Prompters and it can therefore record location and time information in relation to each Prompter. This feature could add value to the System by extending its use to that of a lost child location aid, a guest group rendezvous service, for proximity based promotional messaging or for providing useful management information on visitor movements within a Theme Park.

The System uses the latest low cost radio components operating in a licence exempt band. Its communication network uses, wherever possible, a Theme Park's data communications infrastructure to interface with the Company's controlling computer. State of the art infra-red communications are used to transmit the ride booking and entry authorisation requests between the Prompter and the booking and check-in points.

3. LO-Q'S PATENT PROTECTION

The System is protected by UK patent (GB 2307324B) which was granted on 21 July 1999 and has been assigned to the Company (further details are set out in paragraph 7 of Part IV of this document). This patent covers a system for controlling one or more queues and includes:

- (1) a uniquely identified portable module which includes an indicator, (one or more of sound, voice, lights or an alpha numeric display) a receiver to operate the indicator, a short range transmitter and docking means;
- (2) a docking station;
- (3) a queue manager;
- (4) detectors to detect users joining the physical queues; and
- (5) a means of communication between the detectors and the queue manager (the controlling computer program).

An international patent application (which has been assigned to the Company) was made in November 1996 (PCT/GB96/02810) and the Directors anticipate that this will extend the patent protection to certain European countries, the United States of America, Japan and Hong Kong.

In view of the worldwide activity in tagging and with emerging radio technologies such as WAP and Bluetooth, the value of the UK patent may, in the opinion of the Directors, become significant.

4. THE POTENTIAL MARKET AND REVENUE SOURCE

The initial market for the System will be the worldwide Theme Park market. This consists of more than 340 Theme Parks each having an annual attendance in excess of 500,000 people. Within these 340 Theme Parks, 11 have annual attendances of between 7-16 million visitors, 22 have annual attendances of between 3-7 million visitors, 39 have annual attendances of between 1.5-3 million visitors and over 100 have annual attendances of between 0.75-1.5 million visitors. Industry statistics indicate that these 340 Theme Parks will be visited by 545 million people and will generate a combined revenue in excess

of \$13.8 billion in the year 2000. Furthermore such industry statistics estimate that by 2010, the global Theme Park market is likely to be worth more than \$20 billion annually and attract more than 650 million visitors a year.

The projected global investment in Theme Parks for the year 2000 is over \$1 billion and large amounts of money are continually being invested in new projects and upgrades to existing Theme Parks. This investment in upgrades and the requirement to continually improve the service offered to the consumer accords with the Directors' strategy for the implementation of the System.

In the opinion of the Directors, a Holder gets more enjoyment from his visit to a Theme Park, and this can help the latter increase its revenue. Industry statistics indicate that 58% of people recently polled in the US reported that they intended to visit Theme Parks at least as regularly as they had done in the preceding twelve months and that 27% intended to increase their number of visits. In the Directors opinion the Theme Park industry is in a healthy state and should be well disposed to implementing new innovative products such as the System.

The Company has successfully installed the System in Thorpe Park, Surrey, England as part of its development. Thorpe Park offered a VIP package which included, amongst other benefits, the use of a Prompter.

The Company also has a contract with Six Flags over Georgia near Atlanta in the United States, which, industry statistics indicate, attracts over 2,500,000 visitors per year and where the installation of the System is currently underway. The System at Six Flags over Georgia will initially have 500 Prompters which will be increased to 800 in the second year and 1,200 in the third year of operation.

A number of leading Theme Park operators have approached the Directors and have indicated an interest in taking up the System. The Directors are currently negotiating with a number of such operators in the United States and Europe and expect to take on further contracts in the near future. The Directors will ensure that the Company's resources match the commitments it undertakes as the initial indications are that demand will be high.

The software used in the System will be regularly upgraded and the Directors have therefore decided that it will be offered at a premium price to a minority of visitors in any particular Theme Park. The Directors have also decided that the Company should retain ownership of the System and that its use should be licensed within each Theme Park, for example, at Six Flags over Georgia the rent for a Prompter for a family or group of 4 will be \$25 per day.

5. FURTHER THEME PARK USES FOR THE SYSTEM

Besides allowing the visitor to queue in a Cyber Queue, the use of the System can be expanded through the development of additional software. Anticipated extensions include:-

(a) Child Location

The radio transmission method used by the System in a Theme Park is based on a cellular approach, whereby the Company's central computer recognises the cell location of each mobile transmitter. The Directors intend to build a simple small transceiver which does not contain a display or infra-red features (a "Q-tag") and this would therefore be much smaller than a Prompter and could be pinned to a child's clothing.

Parents wanting to locate a child who is wearing a Q-tag need only access the System through a touch screen display situated in the visitor services office of a Theme Park and they would then find the last recorded cell location of that Q-tag which would typically be within a radius of 30 metres. The System can also be programmed to alert park staff if a child wearing a Q-tag moves into the cell covering the Theme Park entry/exit thus giving parents a degree of comfort that their child could not inadvertently leave the Theme Park. The Directors believe that they will be able to rent Q-tags for £1 per day.

The Directors are in the process of developing an upgrade to the System software to allow the location information to be displayed on a Prompter carried by the parent.

(b) Daily Programme Selection

A Holder can register for a series of rides and is then automatically booked on the next ride once a ride has been completed. The Company has developed a prototype guest terminal, which displays a map of the Theme Park on a touch screen and this would allow the Holder to plan his day without having to visit each ride to make bookings.

(c) Internet Based Ride Booking and Day Planning

The Directors are in the process of developing the System's software to allow a prospective visitor to programme on-line his/her visit to a Theme Park which has a comprehensive Internet site with lists and descriptions of rides.

(d) Parallel Ride Booking or Increased Guaranteed Rides

The standard Prompter programme will normally set the Cyber Queue at the same length of time as the queue in physical space. The Directors will consider expanding the System's services to allow for a small number of customers to a Theme Park to undertake more rides in a day by reducing the time spent in the Cyber Queue. These visitors will pay higher premiums for that type of Prompter.

(e) Marketing Messages

The Company's central computer System could be used to send marketing or promotional messages to a Holder depending on his/her particular location within a Theme Park. For example, as a Holder nears an ice cream stall, restaurant, burger bar etc., messages could be sent to the Prompter advertising relevant products or highlighting special offers.

(f) Communications with Large Parties: Corporate Hospitality

Theme Parks attract large corporate hospitality groups. The Prompter could be used as a method of contacting members of the group and, for example, to call members to a restaurant service in an orderly and scheduled manner. The Directors have identified a number of uses specifically directed at the corporate hospitality market.

(g) Use by all Visitors

The System's architecture has been designed so that Cyber Queuing by all visitors to a Theme Park would be possible, although the Directors do not anticipate that this will be required for a number of years.

6. OTHER APPLICATIONS FOR THE SYSTEM

In the opinion of the Directors there are other uses to which the System could be put including:-

(a) Gated Communities

In the United States there are many private housing developments where entry and departure is monitored. By utilising the System parents could be made aware of the approximate location of a child who is wearing a Q-tag as he/she plays and roams outdoors. Furthermore going into the exit/entry gate cell could give rise to a special warning to the parent.

(b) Airport Systems

Queuing at check-in facilities, routing of passengers to aircraft, locating unaccompanied minors, measuring customer movements and rescheduling customer flight arrangements in prolonged delay situations have all been recognised by the Directors as potential areas of use for the System and discussions have taken place with relevant companies and organisations to begin evaluation of some of these potential uses.

(c) Shopping Malls

Booking facilities, locating special outlets, marketing messaging, group locating in shopping/entertaining areas are all seen by the Directors as potential uses for the System.

(d) Geographically Diversified Attraction

The Directors are considering the use of its patented intellectual property rights to address the scheduling of widely diversified attractions, for example, in a city environment by using WAP technology.

7. COMPETITION

Queuing systems for Theme Parks which compete with the System can be divided into two categories:-

(a) Paper Tickets

These are a modern version of the 'deli-counter' style of ticket. A magnetic striped entry ticket is purchased and this is used to generate a timed ride ticket. In the opinion of the Directors these systems could lead to over booking of popular rides, and suffer from an inability to cope with ride breakdowns and an absence of a communication flow with visitors.

(b) Electronic Methods

A traditional radio paging system can be used as a booking mechanism to give a visitor a time slot on a ride. In the Directors' opinion this does not address the interactive requirements of a fully functional system.

8. DIRECTORS

The Directors

Jeff McManus (aged 59) - (Executive Chairman)

Jeff McManus has worked in the hi-technology equipment leasing field for 30 years. He was the original founder of Parc Leasing Limited, a company that specialised in helping computer system manufacturers set up and run vendor leasing programmes. This company was set up in 1973 and in 1988 was sold to Kleinwort Benson. After the sale, Jeff returned to the company to act as its Deputy Chairman. He has recently been acting as a consultant to a number of leasing companies in vendor programme related areas. After education at Manchester and Cambridge universities, he worked as a systems engineer with Marconi and in sales with GEIS and Honeywell Computers.

Leonard Sim (aged 52) - (Managing Director)

Leonard Sim is the inventor of the System. In 1993 he established The Tellurian Devices Company Limited (the predecessor to the Company) as a sales agency focused on selling data communication chips and embedded telecommunications software.

From 1980 to 1993 he had 13 successful years in international business, sales and marketing with Rockwell Semiconductor. He was a main contributor to the integrated modern chip-set concept which saw Rockwell's chip business from \$100m to \$1.6 billion and was twice winner (in 1984 and 1988) of Rockwell's "President's Award" for major innovative contributions to sales. During this period, he expanded sales in the North Europe Area from \$1m to over \$30m.

Previously Leonard Sim ran the South of England technical sales team for Ferranti Semiconductor and before that was an electronics engineer at Plessey Radar. He gained an Honours B.Sc in Electrical and Electronic Engineering from Heriot-Watt University, Edinburgh in 1971 after training as a technician in the Ministry of Defence.

John Lillywhite (aged 59) - (Finance Director)

John Lillywhite is a Fellow of the Institute of Management Accounts and has been in the information technology industry for 40 years. He left ICL in 1997 after a long career in which he worked in the UK, Europe, USA and the Far East filling roles in divisional management, and various aspects of finance, acquisitions, disposals and start-ups. At the time he left to start his own consultancy company he was group finance director.

Anthony Bone (aged 53) - (Non-Executive Director)

Tony Bone has spent over 30 years in the information technology industry. His first 20 years were spent with ICL where he started in hardware design before moving to software design, consultancy and then general management where he was responsible for the technical management of some of the then largest projects in the UK computer industry. In 1988 he was one of the founder directors of the OSI Group which specialised in programme and project management, IT, and change consultancy. By the time it was acquired by the FI Group plc in 1999 it had grown to a turnover of £60 million and had a staff of 500.

9. TAXATION

Information concerning UK taxation with regard to the Offer is set out in Part IV of this document.

10. ENTERPRISE INVESTMENT SCHEME

The Company has received initial confirmation from the Inland Revenue that its trade qualifies for relief in respect of the Enterprise Investment Scheme. The proposed new financing structure should therefore enable potential investors to qualify for relief under the Enterprise Investment Scheme (EIS) subject to the detailed requirements of the scheme. EIS tax relief can be claimed by a qualifying individual who subscribes for eligible shares in a qualifying company.

EIS tax relief exempts investors from the liability to capital gains tax where they dispose of their shares providing that the disposal takes place at least three years (previously five years) after the issue of the shares and providing that EIS income tax relief has been given and not withdrawn. The reduction in the holding period from five to three years was announced in the March 2000 budget statement and is included in the Finance Act 2000. Any previous gain deferred by reinvesting in EIS shares remains chargeable.

The income tax element of the relief allows an investor to reduce the amount of his or her income tax liability with relief being given at 20 per cent. on the amount invested up to a maximum investment of £150,000 in any one tax year.

EIS tax relief also allows investors to defer capital gains tax liabilities. An investor can defer a liability to capital gains by reinvesting the chargeable gain into shares which carry EIS relief one year before or three years after the disposal of the asset on which the gain arose.

In addition, there are various conditions attached to EIS relief which individuals must satisfy for a particular relevant period, so it is vital that potential subscribers take advice from their own professional adviser on the likelihood of their qualifying for EIS relief.

In most circumstances EIS relief will be withdrawn if the Company ceases trading or alters the nature of its trade within a period of three years from the date of commencement of trade. The Directors will keep the trading position under review during this period.

Further details of EIS tax relief are set out in paragraph 11 in Part IV of this document.

The EIS rules are generally complex and individual investors should always seek professional advice in respect of the relief.

11. OFEX AND THE MARKETABILITY OF THE NEW ORDINARY SHARES

Once the Minimum Amount has been raised application will be made for the entire issued share capital of the Company to be dealt in on OFEX, which is a share dealing facility operated by JP Jenkins Limited. OFEX provides a facility for member firms of the London Stock Exchange to deal in the securities of unlisted and unquoted companies through independent market makers by way of screen based prices and access to a comprehensive company information and announcement system provided by Newstrack Limited and distributed by Bloomberg, Primark and Reuters. Newstrack Limited is an electronic news and information service for professional intermediaries, which is available to private investors to access via existing electronic information services and through the Internet. In addition, price information on some OFEX stocks is available in the Financial Times and the Evening Standard.

An individual wishing to buy or sell shares which have a trading facility on OFEX must complete the trade through his own stockbroker. JP Jenkins Limited cannot deal directly with the general public.

The key elements of OFEX

- OFEX is open to both "limited" and "plc" status companies and can accommodate trading in any class of security provided that it is not quoted on any UK Recognised Investment Exchange, eg the London Stock Exchange.
- Companies raising money from the public must have "plc" status and publish a prospectus meeting the requirements of the Regulations or where such a prospectus is not required, must comply with the investment advertisement regulations of the Financial Services Act 1986.
- Accuracy of documents is principally the responsibility of the company's directors. Neither JP Jenkins Limited nor Newstrack Limited is responsible for, nor do they undertake any steps to check, the accuracy of any information provided by the company to investors.
- Companies are required under the OFEX Code to publish price-sensitive information promptly through the Newstrack Limited announcement service.
- Companies must meet certain ongoing obligations, as stipulated in the OFEX Code.
- Companies applying to join OFEX must do so through a corporate adviser.
- There are no minimum/maximum limits on capitalisation for entry.
- There is no minimum limit on the amount of shares in public hands.
- OFEX securities may only be traded on OFEX through a stockbroker.

OFEX and the UK regulatory framework

It is important to note that, by comparison to the Official List of the UK Listing Authority or AIM, OFEX is not regulated by either the UK Listing Authority or the London Stock Exchange. It should also be noted that the OFEX companies, their participating intermediaries and investors in them are all generally subject to and have the benefit of English common law, in addition to the Financial Services Act 1986, the Companies Acts 1985 and 1989 and the Regulations.

Where relevant, the City Code on Takeovers and Mergers applies to OFEX companies.

In addition, companies whose shares are traded on OFEX are required to comply with the OFEX Code. JP Jenkins Limited can impose sanctions on OFEX constituent companies where the OFEX Code, or the legislation referred to above, are not complied with. These sanctions consist of suspension of trading in the shares of an offending company and ultimately of the OFEX trading facility.

The OFEX Code of Best Practice

Once a company is accepted onto OFEX by JP Jenkins Limited, it has continuing obligations to observe. The OFEX requirements for the application and continuing obligations are not as demanding as apply to companies whose shares are listed on a regulated market, where there are mandatory listing and continuing obligation rules. OFEX constituent companies, however, are required by the OFEX Code to disclose information to investors and Newstrack Limited, in particular, in relation to price-sensitive information. The OFEX Code therefore provides companies and participating intermediaries with guidelines covering the entry and ongoing requirements for companies whose shares are dealt with on OFEX.

12. TRADING HISTORY AND FUTURE PROSPECTS

Whilst the Company has only recently commenced trading following the acquisition of the entire undertaking of The Tellurian Devices Company Limited (further details of which are set out in paragraph 7 of Part IV below), the System has been developed and is ready for commercial exploitation. The Directors have prepared estimates of the revenue and costs, which they anticipate for the Company for the three years ending 30th September 2003.

These estimates are intended as a guide to show what the Company's trading performance could be, if the Directors' assumptions are correct. The illustrative projections, which are derived from the Directors' estimates, are set out on pages 21 to 22. They are included for illustrative purposes only and are not forecasts of future results and should not be treated as such. Attention is drawn to the Risk Factors set out on pages 19 and 20.

13. THE OFFER

Up to 2,170,00 New Ordinary Shares are being offered for subscription at 106 pence per share to raise up to £2,300,200 before expenses. The net proceeds of the Offer are estimated to be approximately £2,178,950 after deduction of the expenses but before deducting any VAT and before any commissions which may be payable. Commissions of up to five per cent of the aggregate value of New Ordinary Shares subscribed may be payable by the Company to persons who subscribe or procure to agree to subscribe or agree to procure subscribers for the New Ordinary Shares. On the basis of the Minimum Amount and of full subscription, such commissions will be a maximum of £35,000 and £115,010 (both exclusive of VAT) respectively.

Investors may apply for a minimum of 1,000 New Ordinary Shares (£1,060) and thereafter in multiples of 500 New Ordinary Shares. Applications must be made on the Application Form. Details of the terms and conditions of the Offer for New Ordinary Shares are set out in Part V of this document. The Directors reserve the right to reject applications in whole or in part or to scale down any application.

The subscription list for the New Ordinary Shares will open at 10.00 am on 2nd October 2000, and may be closed at any time thereafter, subject to the Minimum Amount being raised by 6 November 2000, but not later than 3.00 pm on 10th November 2000 unless at the discretion of the Directors it is extended beyond that date. The subscription price of 106 pence per New Ordinary Share is payable in full on application. Allotments to successful applicants will be made on reaching the Minimum Amount and thereafter on the closing of the Offer which will be the earlier of attaining the maximum subscription or 10th November 2000, unless at the discretion of the Directors it is extended beyond that date and share certificates, or CREST account alterations, together with any surplus application monies, will be sent or made, as applicable, to those persons entitled within 8 days after the respective date of allotment.

The New Ordinary Shares will, following allotment, rank *pari passu* in all respects with the existing issued Ordinary Shares and will have the right to receive all dividends and other distributions hereafter declared, made or paid in respect of the issued ordinary share capital of the Company.

Save as set out in paragraph 3.7 of Part IV of this document, the Directors and certain of the substantial Shareholders have undertaken to Daniel Stewart not to sell any of their holding of Ordinary Shares, details of which are set out in Part IV of this document, before the first anniversary of the admission of the Company's securities to trading on OFEX except where a general or partial offer is made to all shareholders and in exceptional circumstances upon the prior written approval of Daniel Stewart. The Directors have also adopted and will abide by the model code on directors' dealings in securities publishing by the London Stock Exchange.

The Minimum Amount which must be subscribed under the Offer is £700,000 (approximately £578,750 net of expenses but excluding VAT and any commissions which may be payable). The Offer is conditional upon the Company's application to join OFEX being accepted and upon valid applications being received for the Minimum Amount. The Offer has not been underwritten.

14. PROCEEDS

The Company is proposing to raise £2,300,200 before expenses by the issue of 2,170,000 New Ordinary Shares at a price of 106 pence per share. The net proceeds will be used to implement the installation of the System, for product development of both the existing and new product ranges, to purchase stock to support new product ranges, for marketing support and to recruit additional staff, including sales personnel.

15. DIVIDEND POLICY

The Directors intend to have a dividend policy which takes account of both the requirements of the business and the expectation of the Shareholders.

16. WORKING CAPITAL

The Directors are of the opinion that taking into account the Minimum Amount being raised pursuant to the Offer and taking into account existing facilities available to the Company, the Company will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this document.

17. RISK FACTORS

The investment described in this prospectus may not be suitable for all recipients of this prospectus. Before making an investment decision, prospective investors are advised to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in investments of this kind. A prospective investor should consider carefully whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

- OFEX is not the Official List of the UK Listing Authority. Consequently, it may be more difficult for an investor to sell his/her Ordinary Shares and he/she may receive less than the amount paid;
- The value of the Company's Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment;
- While the Directors believe that the Company's application to join OFEX will be accepted, both the application for the Ordinary Shares and the New Ordinary Shares to be traded on OFEX, and the continued membership of OFEX, are entirely at the discretion of JP Jenkins Limited;
- The market for shares in smaller public companies, including the Company, is less liquid than for larger public companies. Consequently share prices may be subject to greater fluctuation and shares may be difficult to buy and sell;
- The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous;
- The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his investment in the Company;
- An investment in the Ordinary Shares of the Company may not be suitable for all recipients of this prospectus. Investors are accordingly advised to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in investments of this kind before making their decision;
- Provisional EIS clearance has been obtained from the Inland Revenue. Final clearance can not be obtained until the New Ordinary Shares have been issued. Although qualifying subscribers should obtain tax relief on their investments under EIS neither the Company nor the Directors can provide any warranty or guarantee in this regard. Subscribers must take their own advice and rely on it.

- Neither the Company nor the Directors give any warranties or undertakings that EIS relief will be available or that, if given, such relief will not be withdrawn.
- Smaller unquoted companies or start-up companies which require capital carry substantially higher risks than investments in larger or longer established companies.
- Although details of competing systems of which the Directors are aware are set out in paragraph 7 of Part I of this document, there may be other systems under development of which they are not aware which may compete with the System.
- The System will require further development in order that it may be used for the purposes set out in paragraph 6 of Part I of this document.
- Economic factors can reduce the potential demand for the System, thereby adversely affecting the Company's revenue potential. For example a major economic downturn could reduce Theme Park attendances to the point where virtual queuing is not necessary.

18. CREST

The Company intends to join CREST, the computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form although a shareholder can continue dealing based on share certificates and stock transfer forms. For private investors who do not trade frequently, this latter course is likely to be more cost effective. For more information concerning CREST, Shareholders should contact their broker or, alternatively, CREST Co Limited at Trinity Tower, 9 Thomas More Street, London E1 9YN.

19. CORPORATE GOVERNANCE

The Directors acknowledge the importance of the guidelines set out in the Principles of Good Governance and Code of Best Practice ("the Combined Code"). They therefore intend to comply with the Combined Code as and when appropriate to the Company, given its size and nature.

An audit committee will be established when appropriate including the Non-Executive Director. It will be responsible both for ensuring that the financial information of the Company is properly reported on and monitored and for meeting the auditors and reviewing their reports relating to accounts and internal control systems.

A remuneration committee will be established when appropriate including the Non-Executive Director. It will review the performance of Executive Directors and recommend the scale and structure of their remuneration and review the basis of their service agreements with due regard to the interests of shareholders. No Director will participate in decisions concerning his own remuneration.

PART II

ILLUSTRATIVE FINANCIAL PROJECTIONS

1. INTRODUCTION

Set out below, for the purpose of illustration only, are Illustrative Projections ("the Projections") for the Company's three financial years ending respectively on 30 September 2001, 30 September 2002 and 30 September 2003.

The Projections have been prepared after due and careful enquiry by the Directors, but are not forecasts and should not be relied upon as necessarily representative of future results. The estimates and assumptions underlying the Projections are inherently uncertain, being based upon events that have not taken place, and are subject to significant economic, competitive and other uncertainties and contingencies beyond the Company's control. Consequently, there can be no assurances that the Projections can be achieved, or that actual results will not be higher or lower than those projected. Prospective investors are cautioned not to place undue reliance on the Projections in determining whether to subscribe for Ordinary Shares. Your attention is drawn to the principal assumptions set out below, and to the risk factors on pages 19 and 20.

The estimates and assumptions underlying the Projections are based on matters as they exist at the date hereof and not as at any future date. Accordingly, the Projections should not be relied on for any purpose following completion of the Offer.

It is emphasised that the Projections do not constitute a profit forecast and can not be regarded as such. They should be read in conjunction with the assumptions set out below.

Year to 30 September	2001	2002	2003
	£'000s	£'000s	£'000s
Turnover	2,423	7,713	17,171
Cost of sales	(703)	(1,811)	(3,034)
Gross profit	1,720	5,902	14,137
Overheads	(1,675)	(3,226)	(4,733)
Operating profit	45	2,676	9,404
Interest receivable	61	52	144
Profit on ordinary activities before taxation	106	2,728	9,548
Taxation	(13)	(818)	(2,864)
Profit on ordinary activities after taxation	93	1,910	6,684

2. PRINCIPAL ASSUMPTIONS

The following principal assumptions have been used in preparing the Projections which could have a material effect on the Projections:

- The Offer will be fully subscribed;
- No account is taken of inflation;
- Interest receivable is calculated at an assumed rate of 4 per cent per annum;
- Corporation tax has been calculated at an assumed rate of 30 per cent;
- No account has been taken of any dividend payments;
- Sales have been projected based on current market conditions and known competition;
- There will be no material changes in the nature or extent of the market which will be served by the Company;
- There will be no changes in legislation, government regulations or policies which materially adversely affect the Company's trading;

The Directors
Lo-Q plc
34a Rectory Road
Wokingham
Berkshire
RG40 1DN

and

The Directors
Daniel Stewart & Company plc
48 Bishopsgate
London
EC2N 4AJ

27th September 2000

Dear Sirs

Lo-Q plc: Prospectus dated 27th September 2000

We have reviewed the accounting policies and calculations adopted in the preparation of the illustrative financial projections of Lo-Q plc for the three years ending 30th September 2003, which are included in the prospectus dated 27th September 2000 ("the Prospectus") and for which the Directors of Lo-Q plc are solely responsible.

The illustrative financial projections set out in Part II of the Prospectus are based on the Directors' assumptions, estimates and assessments of the market and the Company's development plans relevant thereto. The projections cover an extended future period for a business for which there is inherent risk. These projections cannot be regarded as forecasts of results and accordingly we do not express any opinion as to the possibility of their achievement.

In our opinion, the illustrative financial projections, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors set out in the Prospectus and are presented on a basis consistent with the accounting policies adopted by the Company and generally accepted accounting policies.

Yours faithfully

BDO Stoy Hayward
Chartered Accounts and Registered Auditors



BDO Stoy Hayward
Chartered Accountants

Connaught House Alexandra Terrace
Guildford Surrey GU1 3DA
Telephone +44 (0)1483 565666
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PART III

ACCOUNTANT'S REPORT

The Directors
Lo-Q plc
34a Rectory Road
Wokingham
Berkshire
RG40 1DN

and

The Directors
Daniel Stewart & Company plc
48 Bishopsgate
London
EC2N 4AJ



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27th September 2000

Dear Sirs

Lo-Q plc ("the Company")

1. INTRODUCTION

We report on the financial information set out in paragraphs 6 to 9 below. This financial information has been prepared for inclusion in the prospectus dated 27th September 2000 ("the Prospectus") in connection with the Offer for Subscription ("the Offer") for Ordinary Shares in the Company.

The Company was incorporated in England and Wales as Arongold PLC on 29 March 2000 (company number 3959429), with an authorised share capital of £50,000 divided into 50,000 Ordinary Shares of £1 each, of which two were in issue.

On 23rd August 2000 the following events occurred:

- The authorised share capital was increased to £1,000,000 by the creation of 950,000 new Ordinary Shares of £1 each, following which each issued and unissued Ordinary Share of £1 was subdivided into 100 Ordinary Shares of 1p each.
- 729,905 Ordinary Shares of 1p each were issued at par for cash, increasing the issued share capital to £7,301.

- The Company acquired the entire undertaking of The Tellurian Devices Company Limited (company number 2856335) as a going concern, together with the assumption of all its liabilities in consideration for the allotment and issue by the Company to the shareholders of The Tellurian Devices Company Limited of 7,301,050 ordinary shares of 1p each, credited as fully paid, increasing the issued share capital to £80,312.
- The Company's name was changed to Lo-Q plc.

On 20th September 2000 the Company acquired the whole of the issued share capital of Lo-Q (Trustees) Limited (company number 4024467, formerly Finlaw 226 Limited), a non-trading company registered in England and Wales. No separate report for Lo-Q (Trustees) Limited is included as this company has not traded since its incorporation and its acquisition by the Company.

The Company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation. No dividends have been declared or paid.

2. BASIS OF PREPARATION

The financial information set out in paragraphs 6 to 9 is based on the financial records of the Company.

3. RESPONSIBILITY

The Directors of the Company are responsible for the information in relation to the Company and for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

4. BASIS OF OPINION

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

5. OPINION

In our opinion, the financial information set out in paragraphs 6 to 9 gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at 23 August 2000.

6. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial information set out in this report are as follows:

Basis of Accounting

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost convention.

Intangible Fixed Assets

The cost, less the estimated residual value, of the Company's intangible assets are amortised over their estimated useful lives to the business, once development has been completed, as follows:

Development expenditure	Over period of expected benefit (Currently five years)
-------------------------	---

Tangible Fixed Assets

Depreciation is charged on the following basis to reduce the cost of the Company's tangible fixed assets to their net realisable values over their useful lives at the following rate:

Fixtures and fittings	20% on a straight line basis
-----------------------	------------------------------

Research and Development

Research expenditure is charged to the profit and loss account in the period in which it is incurred.

Development costs incurred are capitalised when their recoverability can be assessed with reasonable certainty. Capitalised costs are amortised over the period during which the associated income is realised, as noted above. All other development costs are written off in the year of expenditure.

7. PROFIT AND LOSS ACCOUNT

As at 23 August 2000, the Company had not yet traded, the only transactions being those described above, and accordingly no profit and loss account is presented.

8. BALANCE SHEET

	Note	23 August 2000 £
Fixed assets		
Intangible fixed assets	9.1	180,464
Tangible fixed assets	9.2	12,289
		<hr/> 192,753
Current assets		
Debtors	9.3	13,781
Cash at bank and in hand		366
		<hr/> 14,147
Creditors: amounts falling due within one year	9.4	114,116
Net current liabilities		(99,969)
Total assets less current liabilities		<hr/> 92,784
Capital and reserves		
Called up share capital	9.5	80,312
Capital reserve	9.6	12,472
Shareholders' funds		<hr/> 92,784

9. NOTES TO THE FINANCIAL INFORMATION

9.1 Intangible Fixed Assets

Development expenses	£
Additions	180,464
Cost and Net Book Value as at 23 August 2000	<hr/> 180,464

9.2 Tangible Fixed Assets

Fixtures, fittings and equipment	£
Additions	12,289
Cost and Net Book Value as at 23 August 2000	<hr/> 12,289

9.3 Debtors

**23 August
2000
£**

Unpaid share capital	7,301
Other debtors	6,480
	<hr/>
	13,781

9.4 Creditors: amounts falling due within one year

**23 August
2000
£**

Bank overdraft	8,817
Trade creditors	86,670
Other creditors	9,459
Other taxation and social security	9,170
	<hr/>
	114,116

The bank overdraft is secured by a fixed and floating charge over the assets of the Company.

9.5 Share Capital

**23 August
2000
£**

Authorised: 100,000,000 Ordinary shares of 1p each	1,000,000
	<hr/>
Allotted and called up: 8,031,155 Ordinary shares of 1p each	80,312
	<hr/>

9.6 Other Reserves

**23 August
2000
£**

Capital reserve	12,472
	<hr/>

The capital reserve arises as a result of the acquisition of the business and assets of The Tellurian Devices Company Limited on 23 August 2000.

9.7 Capital Commitments

The Company had no capital commitments as at 23 August 2000.

9.8 Contingent Liabilities

The Company had no contingent liabilities as at 23 August 2000.

9.9 Post Balance Sheet Events

On 23rd September 2000, 480,682 Ordinary Shares of 1 pence each were issued at par, in settlement of debts of an equivalent amount incurred by The Tellurian Devices Company Limited in respect of commercial consultancy services provided during the period from January to March 2000.

10. OTHER MATTERS

The financial information contained in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 as amended.

Yours faithfully

BDO Stoy Hayward

Chartered Accountants and Registered Auditors

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors of the Company whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION

2.1 The Company was incorporated in England and Wales on 29 March 2000 as a public limited company under the Companies Act 1985 with the name Arongold PLC with registered number 3959429. On 23 August 2000 the issued and unissued share capital of the Company was sub-divided into ordinary shares of 1 pence each and the Company changed its name to Lo-Q plc.

2.2 The Company's registered office is at Barclays House, 9-10 Victoria Street, Basingstoke, Hampshire RG21 3BT.

2.3 The Company is subject to the provisions of the Act.

2.4 The liability of the members is limited.

3. SHARE CAPITAL OF THE COMPANY

3.1 The authorised and issued share capital of the Company at the date of this prospectus and following completion of the Offer (assuming full subscription) is as follows:

	Authorised		Issued fully paid	
	Number of Ordinary Shares	£	Number of Ordinary Shares	£
Current	100,000,000	1,000,000	8,511,837	85,118
Proposed	100,000,000	1,000,000	10,681,837	106,818

3.2 Save for the Directors' interests set out in paragraph 4.2 below, the Company is aware of the following interests in 3 per cent. or more of its existing issued ordinary share capital as at 26th September 2000 (being the latest practicable date prior to the date of this document):

Name	Number of Ordinary Shares	% of issued Ordinary Shares
Henrieheta Sim	533,940	6.27
John Clarke	443,300	5.21
Richard Joyce	299,750	3.52

- 3.3 Save as disclosed in this document:
- 3.3.1 no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option; and
- 3.3.2 no issue of Ordinary Shares will be made which will effectively alter the control of the Company without the prior approval of the Company in general meeting.
- 3.4 On 23 August 2000, the Directors were generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot relevant securities up to an aggregate nominal amount of £999,998 such authority to expire on 23 August 2005 save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.
- 3.5 On 23 August 2000, the Directors were empowered pursuant to Section 95 of the Act to allot equity securities as if Section 89 (1) of the Act did not apply to any such allotment provided that such power be limited to the allotment of equity securities up to an aggregate nominal amount of £999,998. This authority expires at the conclusion of the next annual general meeting of the Company, or fifteen months after the date of such authority if earlier, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.
- 3.6 The Company does not have in issue any security not representing share capital and there are no outstanding convertible securities issued by the Company.
- 3.7 The Directors and certain of the substantial Shareholders have undertaken to Daniel Stewart and the Company that they will not dispose of any shares held by them for a period of 12 months from Admission except where a general or partial offer is made to all shareholders and in exceptional circumstances upon the prior written approval of Daniel Stewart.
- 3.8 The Company has established an employee benefit trust called The Lo-Q plc Employee Benefit Trust ("the EBT"). The trustee of the EBT has been granted an option by the Company to subscribe for new Ordinary Shares, details of which are set out in paragraph 7 below.
- 3.9 On 23rd September 2000 the Company issued and allotted 480,682 Ordinary Shares of 1 pence each, credited as fully paid, in settlement of debts of an equivalent amount incurred by The Tellurian Devices Company Limited in respect of commercial consultancy services provided during the period from January to March 2000.

4. DIRECTORS' AND OTHER INTERESTS

- 4.1 The names of the Directors and their functions are given below:

Jeff McManus (Executive Chairman);
Leonard Sim (Managing Director);
John Lillywhite (Finance Director);
Anthony Bone (Non Executive Director);

all of The Old Creamery, Lovel Road, Winkfield, Berkshire SL4 2ES.

4.2 The interests (all of which are beneficial save where otherwise stated) of the Directors and of their immediate families in the Ordinary Shares as they will appear in the register maintained under section 325 of the Act notifiable to the Company pursuant to section 324 or 328 of the Act and persons connected (within the meaning of section 346 of the Act) as at 26th September 2000 (being the latest practicable date prior to the date of this document):

Current Shareholdings

Name	Number of Ordinary Shares	% of issued Ordinary Shares
Jeff McManus*	230,318	2.71
Leonard Sim**	3,828,575	44.98
John Lillywhite	Nil	Nil
Anthony Bone	183,579	2.16

* 93,742 of the Ordinary Shares in which Jeff McManus is shown as being interested are registered in the name of Hedleys Nominees Limited, a trust in respect of which he is a beneficiary, 132,000 of the Ordinary Shares are registered in the name of Jeff McManus Limited, a company in respect of which he is the sole shareholder and 4,576 Ordinary Shares are registered in the name of Oliver McManus, his son who is a minor.

** 533,940 of the Ordinary Shares in which Leonard Sim is shown as being interested are registered in the name of his wife, Henrieheta Sim, 55,000 Ordinary Shares are registered in the name of Leonard Francois Sim, his son who is a minor, and 55,000 Ordinary Shares are registered in the name of David Sim, his son who is a minor.

4.3 Save as disclosed herein, no Director (or member of his/her family) has any interest, beneficial or non-beneficial, in the share capital of the Company.

4.4 Save as disclosed herein none of the Directors has or has had an interest in any transaction effected by any shareholder of the Company which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was effected during the current year or any earlier financial year and remains in any respect outstanding or unperformed.

4.5 The aggregate of the remuneration paid and benefits in kind granted to the Directors in respect of the Company's current financial year is estimated, under the arrangements in force at the date of this document, to be approximately £127,000.

4.6 There will be no variation in the total emoluments receivable by the Directors as a result of the Offer.

4.7 Save as disclosed therein, there are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors.

4.8 The services of the Directors are provided to the Company under the following agreements:-

- (i) On 27th September 2000 Jeff McManus entered into a service agreement with the Company pursuant to which he is employed as Executive Chairman of the Company at an annual salary (subject to review) of £48,800. The agreement is for a fixed term of 1 year from 23rd August 2000 and continues thereafter until terminated by either party giving to the other not less than 12 months' notice in writing.
- (ii) On 27th September 2000 Leonard Sim entered into a service agreement with the Company pursuant to which he is employed as Managing Director of the Company at an annual salary (subject to review) of £64,000. The agreement is for a fixed term of 1 year from 23rd August 2000 and continues thereafter until terminated by either party giving to the other not less than 12 months' notice in writing.
- (iii) On 27th September 2000 the Company entered into an agreement with Barnwell Limited and John Lillywhite pursuant to which the services of John Lillywhite are to be provided as Finance Director of the Company to work three days per month at an annual salary (subject to review) of £10,000. The agreement is for a fixed term of 6 months from 27th September 2000 and continues thereafter until terminated by either party giving to the other not less than 6 months' notice in writing.
- (iv) On 27th September 2000 the Company entered into an agreement with IXXI Limited and Anthony Bone pursuant to which the services of Anthony Bone are to be provided as a Non Executive Director of the Company at an annual fee (subject to review) of £5,000. The agreement is for a fixed term of 3 months from 27th September 2000 and continues thereafter until terminated by either party giving to the other not less than 3 months' notice in writing.
- 4.9 The Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

Current Directorships

Jeff McManus	Lo-Q plc Jeff McManus Limited Jeff McManus Asset Management Limited Springtime Finance Limited Hurst Automotive Services Limited Penn Haven (Management) Limited Whiterose Limited Casco Environmental Services Limited Dream Machines Direct Limited
Leonard Sim	Lo-Q plc Lo-Q (Trustees) Limited The Tellurian Devices Company Limited. (This company was put into members' voluntary liquidation on 23 August 2000).

John Lillywhite	Lo-Q plc Barnwell Limited Lo-Q (Trustees) Limited Lagon Technologies Limited Synergy Centres Limited Kainos Software Limited ICL (Ireland) Pension Trustees Limited
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Anthony Bone	Lo-Q plc Communica Limited IXXI Limited
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Former Directorships

Jeff McManus	Greenlief Limited Technology Club Limited Whiterose Technology Finance Limited Homesight Computers Limited
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Leonard Sim	None
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John Lillywhite	ICL Supplementary Pension Trust Limited ICL Asset Management Limited ICL Flexible Finance Limited ICL Finance Limited ICL Pension Trust Limited ICL Computers (Ireland) Limited Technology Holdings Limited
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Anthony Bone	OSI Group Limited Systec Management Services Limited O.S.I. Services (U.K.) Limited OSI UK Limited OSI Europe Limited N-Able Limited OSI Group Holdings Limited
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4.10 Save as set out in paragraph 4.9, no Director has:

- (i) any unspent convictions;
- (ii) had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- (iii) been a director of a company or a partner in any firm which, at that time or within 12 months after ceasing to be a director or partner (as the case may be), had a receiver appointed, or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into any company or partnership voluntary arrangements or made any composition or arrangement with its creditors;

- (iv) had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or
- (v) been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

5. PREMISES

The head office of the Company is at The Old Creamery, Lovel Road, Winkfield, Berkshire SL4 2ES.

6. SUBSIDIARIES

The Company's only subsidiary is Lo-Q (Trustees) Limited, a company incorporated in England and Wales on 30th June 2000 with company number 4024467. The authorised share capital of Lo-Q (Trustees) Limited is £1,000 divided into 1,000 ordinary shares of £1 each of which 1 ordinary share of £1 is in issue and is fully paid.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Company within the two years immediately prior the date of this document and are or may be material:

- (i) an agreement dated 27th September 2000 made between (1) Daniel Stewart and (2) the Company pursuant to which the Company granted to Daniel Stewart an option to subscribe for such number of Ordinary Shares as is equal to 5 per cent of the fully diluted issued share capital of the Company immediately following the date of admission of the Company's Ordinary Shares to trading on OFEX ("Admission") at the Offer Price for each such share. The option is exercisable from the date of Admission until the fifth anniversary thereof;
- (ii) a reconstruction agreement dated 23 August 2000 made between The Tellurian Devices Company Limited ("Tellurian") (1) Dermot Coakley and Mark Riley (the "Liquidators") (2) and the Company (3), as rectified by a deed of rectification dated 27th September 2000 made between Tellurian (1) the Liquidators (2) and the Company (3), pursuant to which the Company acquired the entire undertaking of Tellurian as a going concern, together with the assumption of all of its liabilities, in consideration for the issue and allotment to the shareholders of Tellurian of 7,301,050 new ordinary shares of 1 pence each in the capital of the Company ("the Agreement"). The Agreement had been entered into following the members voluntary liquidation of Tellurian and the appointment of the Liquidators in accordance with the provisions of the Insolvency Act 1986;
- (iii) an agreement dated 19th July 1999 entered into between Dione PLC (1) and Tellurian (2), as amended by an agreement dated 21st June 2000, which has been transferred to the Company pursuant to the terms of the Agreement, pursuant to which the Company is entitled to a licence, until 31st August 2001, and has the right to purchase the Rights (as defined) for the sum of £27,000 in such intellectual property rights as exist in the source code as developed and made, created or devised by Dione PLC in respect of part of the hand held prompter devices operated under the System and any intellectual property rights created or derived by Tellurian in that regard ("the Rights");

- (iv) an engagement letter dated 13th March 2000 made between Daniel Stewart (1) and Tellurian (2), which has been assigned to the Company pursuant to the terms of the Agreement, pursuant to which Daniel Stewart had been appointed to act as corporate adviser for the purposes of the Offer and Admission. The Company has agreed to pay Daniel Stewart a fee of £20,000 plus VAT and disbursements and a commission of 5 per cent. of the sums raised pursuant to the Offer, such fees conditional upon the Minimum Amount being raised pursuant to the Offer and Admission, together with entering into an option agreement (details of which are set out in sub-paragraph (i) above;
- (v) an option agreement dated 27th September 2000 made between Jeff McManus (1) and the Company (2) pursuant to which Jeff McManus has been granted an option to subscribe for up to 418,000 new Ordinary Shares at 85 pence per share ("the Option"). The Option vests in three tranches, the first such tranche relating to 209,000 new Ordinary Shares which vests on 27th September 2001 and thereafter in two equal tranches of 104,500 new Ordinary Shares which vest on the second and third anniversaries of the date of the Option. Subject to vesting, the Option is exercisable in whole or in part on or before 27th September 2006 provided that at the time of any exercise Jeff McManus is a director of the Company;
- (vi) an option agreement dated 27th September 2000 made between John Lillywhite (1) and the Company (2) pursuant to which John Lillywhite has been granted an option to subscribe for up to 209,000 new Ordinary Shares at 85 pence per share ("the JL Option"). The JL Option vests in four equal amounts of 52,250 new Ordinary Shares on the first, second, third and fourth anniversaries of the date of the JL Option. Subject to vesting, the JL Option is exercisable in whole or in part on or before 27th September 2006 provided that at the time of any exercise John Lillywhite is a director of the Company;
- (vii) an option agreement dated 27th September 2000 made between Lo-Q (Trustees) Limited (1) and the Company (2) pursuant to which the Company has granted Lo-Q (Trustees) Limited an option to subscribe for up to 320,455 new Ordinary Shares at 106 pence per share, exercisable in whole or in part, as from the date thereof until the eighth anniversary thereof;
- (viii) a deed of assignment dated 27th September 2000 made between Leonard Sim (1) and the Company (2) pursuant to which Leonard Sim assigned patent number GB 2307324B to the Company for the sum of £10; and
- (ix) a deed of assignment dated 27th September 2000 made between Leonard Sim (1) and the Company (2) pursuant to which Leonard Sim assigned patent application number PCT/GB96/02810 to the Company for the sum of £10.

8. MEMORANDUM AND ARTICLES OF ASSOCIATION

(a) The Memorandum

The Company's primary object is that of a general trading company.

(b) The Articles of Association

The articles of association contain, inter alia, provisions to the effect set out below:

(i) Dividends

Subject to special rights attaching to any shares, the holders of the Ordinary Shares are entitled, *pari passu* amongst themselves, to the profits of the Company available for distribution and resolved to be distributed according to the amounts paid up on the Ordinary

Shares held by them. The Company in general meeting may from time to time declare dividends but no such dividend shall be payable otherwise than out of the profits of the Company available for the purpose in accordance with the statutes provided that no dividend shall be declared in excess of the amount recommended by the Directors. The Directors may pay interim dividends and fix half yearly dividends. No dividends payable in respect of any ordinary share shall bear interest as against the Company unless otherwise provided by the rights attached to the share. The Directors may, with the prior sanction of an ordinary resolution of the Company, give the holders of the Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of such dividends. The Directors may deduct from any dividend or other moneys payable in respect of any shares all such sums of money (if any) as may be due and payable by him either alone or jointly with any other person to the Company on account of calls or otherwise in respect of shares of the Company.

The Company may cease to send any cheque or warrant through the post for any dividend payable on any shares in the Company which is normally paid in that manner on those shares if, in respect of at least two consecutive dividends payable on those shares, the cheques or warrants have been returned undelivered or remain uncashed. All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and all dividends unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to the Company. The Directors may, subject to the provisions of the Articles relating to disclosure of interests, decline to pay a dividend in respect of shares which are the subject of a notice under Section 212 of the Act and in respect of which the required information has not been received by the Company within 14 days.

(ii) Return of capital

On a winding-up of the Company the liquidator may, with the authority of an extraordinary resolution of the Company, divide among the members in specie the whole or any part of the assets of the Company.

(iii) Voting

Subject to the restrictions referred to in paragraph (iv) below and subject to any special rights or restrictions as to voting attached to any class of shares, on a show of hands every holder of Ordinary Shares who is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and on a poll every such holder who is present in person or by proxy shall have one vote for each ordinary share held by him.

(iv) Restrictions on voting

A member of the Company shall not be entitled, in respect of any Ordinary Share held by him, to vote (either personally or by proxy) at any general meeting of the Company unless all amounts payable by him in respect of that Ordinary Share in the Company have been paid.

A member of the Company shall not, if the Directors so determine, be entitled to attend or vote, or to exercise his rights as a member at any general meeting, if he or any other person appearing to be interested in such Ordinary Shares has failed to comply with a notice given under Section 212 of the Act within 14 days from the date of service of such notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the Ordinary Shares in question are transferred or sold in the circumstances set out in the Articles.

(v) Untraced shareholders

The Company may sell any Ordinary Share (including any further shares issued in respect of that share) if, for a period of 12 years no cheque or warrant payable in respect of the share has been cashed and no communication in respect of the ordinary share has been received by the Company from the relevant member (or other person entitled to the Ordinary Share). The Company must advertise its intention to sell such Ordinary Share in both a national daily newspaper published in the United Kingdom and in a newspaper circulating in the area of the last known address to which cheques or warrants were sent.

Notices of the intention to sell must also be given to the London Stock Exchange. If no communication in respect of the Ordinary Share is received within a further three months the Company may sell the ordinary share by instructing a member of the London Stock Exchange to sell it. The Company shall be indebted to the former member or other person previously entitled to the relevant ordinary share for an amount equal to the net proceeds of sale, but no trust shall be created and no interest shall be payable in respect of such sum.

(vi) Variation of rights

Subject to the Act and every statute affecting the Company, any rights attaching to any class of share in the Company may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued share of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the relevant class. The creation or issue of shares of a particular class ranking *pari passu* with the existing shares shall not, unless otherwise provided, be deemed to be a variation of rights. The quorum for any such separate general meeting shall be two persons at least holding, or representing by proxy, not less than one third in nominal value of the issued shares of the relevant class.

(vii) Transfer of Shares

All transfers of shares must be effected by written instrument in any usual form or in any other form acceptable to the Directors and must be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. The directors may decline to recognise any instrument of transfer unless:

- (i) the instrument of transfer is duly stamped and deposited at the offices of the Registrars of the Company accompanied by the certificate of the shares to be transferred and such other evidence as the Directors may reasonably require to prove the title of the intended transferor;
- (ii) the instrument of transfer is in respect of only one class of share;
- (iii) the instrument of transfer is in favour of not more than four transferees; and
- (iv) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

If the Directors refuse to register a transfer of any shares they must provide the transferor and transferee with a notice of the refusal within two months after the date on which the transfer was lodged with the Company. The Directors may, subject to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under Section 212 of the Act and in respect of which the required information has not been received by the Company within 14 days. There are no pre-emption rights on transfer attaching to the Ordinary Shares.

(viii) Alteration of capital and purchase of own shares

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person. The Company may by special resolution, subject to the provisions of the Act, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner. The Company may by special resolution create and sanction the issue of share capital which is, or at the option of the Company or the holder is to be liable, to be redeemed, subject to and in accordance with the provisions of the Act.

(ix) Directors

Minimum and maximum number

Unless altered by ordinary resolution of the Company, the number of Directors shall not be less than two nor more than eight.

Fees to Directors

The fees paid to the Directors for their services in the office of Director shall not exceed in aggregate £50,000 per annum or such higher amount as may be determined by ordinary resolution of the Company. Subject to this limit, each Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Directors. Any such fee shall be in addition to any remuneration payable to a Director as the Board may in its discretion determine by reason of his appointment to any executive office be payable to a Director who performs services which, in the opinion of the Directors, go beyond the ordinary duties of a Director.

Appointment, retirement and shareholding qualification

At each annual general meeting of the Company, one-third of the Directors (or, if their number is not three or a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation. A person shall be capable of being appointed a Director after he has attained the age of 70 provided that he shall retire at the first annual general meeting after the date of his seventieth birthday where he shall then be eligible for re-election for the period from that annual general meeting until the end of the next following annual general meeting when again he shall retire. A director shall not be required to hold any shares in the Company.

(x) Directors' interests

Save as provided in the Articles, a Director shall not vote or be counted in a quorum at a meeting in relation to any resolution concerning any contract, arrangement, transaction or proposal in which he is to his knowledge directly or indirectly materially interested (including by virtue of the persons connected with him within the meaning of Section 346 of the Act). The prohibition will not apply to any of the following:

- (i) any arrangement for giving him any guarantee, security or indemnity in respect of money lent or obligations undertaken by him for the benefit of the Company (or any of its subsidiaries or subsidiary undertakings); or
- (ii) any arrangement for giving any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company (or any of its subsidiaries or subsidiary undertakings) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security ; or
- (iii) any proposal concerning any placing of shares or debentures or other securities of or by the Company (or any of its subsidiaries or subsidiary undertakings) in which placing he is or may be entitled to participate as a holder of shares, debentures or other securities or in the underwriting or sub-underwriting of which he is to participate; or
- (iv) any proposal concerning any other body corporate in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him within the meaning of Section 346 of the Act) does not have an interest (as that term is used in Part VI of the Act) in one per cent or more of the issued equity share capital or any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for this purpose to be a material interest in all circumstances); or
- (v) any contract arrangement or proposal for the benefit of employees of the Company under which the Director benefits in a similar manner as the employees or which does not accord to any Director as such any privilege or benefit not accorded to the employees to which the scheme or fund relates; or
- (vi) any proposal concerning any insurance which the Company proposes to maintain or purchase for the benefit of persons who include Directors.

(xi) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to any subsidiary undertakings so as to secure (so far, as regards subsidiaries and subsidiary undertakings, as by such exercise they can secure) that the aggregate amount at any one time outstanding in respect of all money borrowed by the Company and/or any of its subsidiaries or subsidiary undertakings (other

than intra-group borrowing) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the nominal amount of the share capital issued and paid up, as shown in the audited balance sheet of the Company last laid before the Company in general meeting, and, the amounts shown as standing to the credit of capital and revenue reserves in either a consolidation of the audited balance sheets of all the companies in the Company's group last laid before the members thereof in general meeting or in the audited consolidated balance sheet of the Company's group last laid before the Company in general meeting.

(xii) Crest

The Directors may implement such arrangements as they think fit in order for any class of shares held in uncertificated form and for the title to those shares to be transferred by means of a system such as CREST in accordance with the Uncertificated Securities Regulations 1995. The Company will not be required to issue a certificate to any person holding such shares in uncertificated form.

9. LITIGATION

The Company and its Subsidiary are not, nor have they been involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on their financial position nor are any such proceedings pending or threatened against the Company or Subsidiary.

10. UNITED KINGDOM TAXATION ON DIVIDENDS

Individual shareholders who are resident in the United Kingdom for tax purposes will be liable to income tax on the aggregate of the dividend received and the related tax credit. The tax credit for individual shareholders will be one ninth of any dividend paid and is not repayable. The tax credit will be available to set against this liability. For shareholders who are liable to tax only at the lower or basic rate (currently 22%) the tax credit will fully discharge the income tax liability in respect of the dividend. Shareholders who are liable to tax at the higher rate (currently 32%) will have to account for tax of 22% on the gross dividend.

United Kingdom resident corporate shareholders will normally (subject to exceptions) not be liable to United Kingdom corporation tax on any dividend received. Any dividend received and the related tax credit will normally constitute franked investment income. No part of the tax credit will be available for set off against losses. No claim for repayment of a tax credit can be made in relation to a dividend paid to a pension fund or venture capital trust. Special transitional rules will apply to charities.

Non UK resident shareholders may be subject to foreign taxation in respect of the dividend received from the Company under the law of their own country of residence. Such shareholders should consult their own tax advisers concerning their tax liabilities both in the United Kingdom, and their country of residence, on whether they can benefit from all or any part of any tax credit and whether a relief or credit may be claimed in the jurisdiction in which they are resident.

If you are in any doubt as to your tax position, you should contact your professional adviser without delay.

11. EIS TAX RELIEF

Set out below are summaries of the main provisions of the EIS so far as it is relevant to the Company and investors, as set out in the Income and Corporation Taxes Act 1988 (as amended). It does not set out the provisions in full and potential investors are strongly advised to seek independent professional advice.

EIS tax relief consists of a number of income tax and capital gains tax elements and these are summarised below. Income tax relief and capital gains tax exemption may be available (see below) provided the shares have been held for a minimum of 3 years (previously 5 years). The reduction in the holding period from 5 years to 3 years was announced in the March 2000 budget statement and is included in the Finance Act 2000.

- 11.1 *Income Tax Relief.* Qualifying individuals may deduct an amount equal to tax at the lower rate on the amount subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year on which shares were issued subject to an overall maximum of £150,000 per annum. The relief is presently obtained at a rate of 20%. It does not matter whether the individual is UK resident for tax purposes but relief is only available when an investor has a UK income tax liability. The amount of the income tax relief cannot exceed an individual's tax liability before certain other reliefs. Part of this relief (maximum of £25,000 of investment) can be carried back to the previous tax year if the shares are issued between 6 April and 5 October.
- 11.2 *Capital gains tax exemption.* To the extent that EIS income tax relief is given and not withdrawn and on the assumption that shares were originally subscribed from the Company, there is no capital gains tax due on gains arising on the disposal of the shares in the Company provided these have been held for a minimum of 3 years.
- 11.3 *Capital gains tax deferral.* Liability to capital gains tax arising from the disposal of any asset may be deferred by investing the gain (or part of the gain) in the shares of a qualifying company. The investment must be made within a time period beginning 1 year before and ending 3 years after the original disposal.
- 11.4 *Loss relief.* Where a loss is incurred by an investor on the first disposal of his shares the loss calculated after deducting EIS tax relief from the cost of the investment may be set against either chargeable gains or taxable income at the election of the investor.
- 11.5 *Individuals qualifying for relief.* Subject to certain exemptions to qualify for the income tax relief an individual must not be, nor has been within the previous 2 years, connected with a company, or become connected with it within the next 5 years, if he is to retain the tax reliefs. The main rules relating to connection are that:
- (a) neither the individual nor his associates may control the company or possess more than 30% of the issued ordinary share capital or loan capital or voting powers in the company or rights carrying entitlement to 30% of the assets available for distribution on a winding-up;
 - (b) Neither the individual nor his associates may be an employee, partner or paid director of the company (subject to (c) below) or its subsidiaries. An unpaid director is not disqualified if he is reimbursed travel or subsistence expenses which would otherwise be allowable for taxation; and

- (c) an individual may become a paid director of the company provided at the time he subscribes for eligible shares he was not, and has not previously been, otherwise connected with the company nor with the trade carried on by the company. Any remuneration paid to a director must be reasonable.
- 11.6 *Claims.* Investors claim income tax relief by submitting a tax certificate (form EIS3) issued to them by the company to the Inspector of Taxes dealing with their own tax affairs. The claim for relief must be made no later than 5 years after 31 January following the end of the tax year in which the shares were issued.
- 11.7 *Limits of Relief.* The maximum income tax relief available to an individual who has subscribed for eligible shares is based on the maximum investment of £150,000 in any one tax year. The tax relief can be spread between any number of EIS qualifying companies. To qualify for EIS relief a company must have gross assets of less than £15 million before the issuance of the shares and not more than £16 million after the issuance.
- 11.8 *Withdrawal of Relief.* If the Company ceases to carry on its qualifying trade, the relief will be withdrawn. Relief will also be wholly or partly withdrawn if, for example, the claimant receives value from the Company (other than dividends) or disposes of the shares within 3 years of the date of issue. Relief will also be lost if an investor takes out a loan under special terms connected in any way with the shares.
- 11.9 *EIS tax relief certificates.* Following the issue of the new ordinary shares, the Company must apply to the Inland Revenue for authorisation to issue tax relief certificates (form EIS 3) to investors. Although the time taken by the Inland Revenue to grant authorisation can not be controlled by the Company, every effort will be made by the directors to expedite matters and as soon as authorisation is given, form EIS 3 will be distributed to investors. Investors should then submit the form EIS 3 to the Inspector of Taxes dealing with their own affairs.

Any person who is in any doubt as to his taxation position, or is subject to taxation in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.

12. GENERAL

- 12.1 The expenses of the Offer are estimated at £121,250 excluding VAT and before the deduction of any commissions which may be payable by the Company. Commissions of up to five per cent of the aggregate value of New Ordinary Shares subscribed may be payable by the Company to persons who subscribe or procure or agree to procure subscribers for the New Ordinary Shares. On the basis of the Minimum Amount and of full subscription, such commissions will be a maximum of £35,000 and £115,010 respectively.
- 12.2 Except as stated in this prospectus, there are no significant investments in progress by the Company.
- 12.3 Except as stated in this prospectus, no exceptional factors have influenced the Company's activities.

- 12.4 Except as stated in this prospectus, the Company is not dependant on any intellectual property rights, licences or particular contracts, where any of these are of fundamental importance to the Company's business.
- 12.5 BDO Stoy Hayward, Chartered Accountants, have given and not withdrawn their consent to the issue of this prospectus with the inclusion in it of their report and letter and references to their name in the form and context in which they respectively appear.
- 12.6 Daniel Stewart & Company Plc has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 12.7 Except as disclosed in this prospectus, there has been no significant change in the financial or trading position of the Company since 29 March 2000, the date to its incorporation.
- 12.8 Except as disclosed in this prospectus and for the advisors named on page 3 of this prospectus, no person has received, directly or indirectly, from the Company within 24 months preceding the Company's application for admission to OFEX or has entered into contractual arrangements to receive, directly or indirectly, from the Company on or after admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to their nominal value or any other benefit to a value of £10,000 or more.
- 12.9 The Offer Price of 106 pence per New Ordinary Share is at a premium of 105 pence for each New Ordinary Share above the nominal value of each New Ordinary Share.
- 12.10 The financial information relating to the Company contained in this prospectus does not comprise statutory accounts for the purposes of section 240 of the Act.
- 12.11 The minimum amount which, in the opinion of the Directors, must be raised by the Offer is £700,000 to provide the sums required to be provided pursuant to paragraph 21 of Schedule 1 of The Public Offers of Securities Regulations 1995 in respect of each of the following:
- | | | |
|-----|--|-----------|
| (a) | the purchase price of property | nil; |
| (b) | commissions and expenses (including VAT) | £183,594; |
| (c) | repayment of borrowings | £nil; and |
| (d) | working capital | £516,406. |

There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the proceeds of the Offer.

13. AVAILABILITY OF THIS DOCUMENT

Copies of this document will be available from the date of this document free of charge to the public on any week day (excluding Saturdays) at the offices of Daniel Stewart and Company Plc, 48 Bishopsgate, London EC2N 4AJ and at the offices of Finers Stephens Innocent, Solicitors, 179, Great Portland Street, London W1N 6LS for a period of not less than 21 days.

Dated: 27th September 2000.

PART V

DETAILS OF THE OFFER

1. TERMS OF THE OFFER

The Company is offering 2,170,000 New Ordinary Shares at 106 pence per Share payable in full on application. Applications must be for a minimum of 1,000 New Ordinary Shares at a cost of £1,060 or any greater number in multiples of 500 New Ordinary Shares.

The contract created by the acceptance of applications under the Offer will be conditional upon the Company's application to join OFEX being accepted and upon valid applications being received for the Minimum Amount by Capita IRG Plc by 3.00 pm on 6th November 2000.

The New Ordinary Shares will be offered free of expenses and will rank equally in all respects with the Ordinary Shares presently in issue, including the right to all dividends and other distributions declared, paid or made after the date of their issue.

2. APPLICATION AND PAYMENT

The Application Form which accompanies this prospectus contains full details regarding application and payment.

Applicants must lodge the Application Form, together with a remittance for the full amount payable on application, with Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1GA ("IRG") prior to 3.00 pm on 10th November 2000. Applicants should note that the Directors may close the Offer immediately if it is fully subscribed, should this be prior to 10th November 2000.

All payments must be made by cheque or banker's draft in pounds sterling drawn on a bank or building society in the United Kingdom, which is either a settlement member of the Cheque and Credit Clearing Company Limited, or the CHAPS and Town Clearing Company Limited or a member of the Scottish or Belfast Clearing Houses, or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by those companies or committees. All such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner.

Cheques or banker's drafts should be made payable to "Capita IRG A/C Lo-Q plc" and crossed "Not negotiable - A/C Payee Only". It is a term of the Offer that all cheques, which are able to be presented on receipt, will be honoured on first presentation. The Company reserves the right to seek special clearance of cheques.

The Company intends to bank all cheques and bankers' drafts received with Application Forms and allotments will only be made after the Offer closes. Application money will be held in a separate account by IRG pending allotment or return if the application is unsuccessful. No interest will be paid on any application money.

The Company reserves the right to accept Application Forms and accompanying remittances which are received through the post or by hand before midnight on 10th November 2000.

If the Offer is oversubscribed, the Directors will exercise their discretion to scale down applications.

Allotments to successful applicants will be made on reaching the Minimum Amount (and following confirmation from JP Jenkins Limited that the Company's securities will be admitted to trading on OFEX) and thereafter on the closing of the Offer which will be the earlier of attaining the maximum subscription or 10th November 2000 unless at the discretion of the Directors it is extended beyond that date and share certificates, or CREST account alterations, together with any surplus application monies, will be sent or made, as applicable, to those persons entitled within 8 days after the date of allotment. Application money will be returned in whole or in part without interest to all applicants by first class post by 13th November 2000 if the Minimum Amount is not reached by 6th November 2000. In each case posting will be at the risk of the person entitled to them. If the Offer is extended, application monies will be returned to unsuccessful applicants within seven days of the extended closing date and certificates for New Ordinary Shares will be despatched within 14 days of the extended closing date.

3. OVERSEAS SHAREHOLDERS

The Offer is only being made to persons resident in the United Kingdom. Where an application appears to be made by a person not so resident, the Directors may request the applicant to prove that he is entitled to apply under the laws of the country in which he is resident and, if they are not satisfied, the application may be rejected by Directors.

4. MONEY LAUNDERING REGULATIONS

It is a term of the Offer that, to ensure compliance with the Money Laundering Regulations 1993, IRG may in its absolute discretion require verification of identity from any person lodging an Application Form ("applicant") including, without limitation, any applicant who (i) tenders payment by way of cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant or by way of a direct credit transfer made by order of a person or persons other than the applicant or (ii) appears to IRG to be acting on behalf of some other person. In either case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. Pending the provision of evidence as to identity satisfactory to IRG, Application Forms stamped "paid" with the receipt at the foot duly completed and definitive certificates in respect of the relevant New Ordinary Shares may be retained in the absolute discretion of IRG. If within a reasonable period of time following a request for verification of identity, IRG has not received evidence satisfactory to it as described, the Directors may, in their absolute discretion, terminate the contract to subscribe, in which event the money payable on application will be returned without interest to the account at the drawee bank to which such money was originally debited.

5. TAXATION

(a) Capital Gains Tax ("CGT")

The issue of the New Ordinary Shares by the Company will be regarded as a new holding for the purpose of United Kingdom CGT.

If successful applicants sell some or all of the New Ordinary Shares allotted to them, they may, depending on their circumstances, incur a liability to United Kingdom CGT.

- (b) Stamp duty and stamp duty reserve tax
 - (i) No stamp duty or stamp duty reserve tax will be payable on the issue of Application Forms.
 - (ii) No stamp duty or stamp duty reserve tax will be payable on the registration of the original holders of Application Forms.

If you are in any doubt as to your tax position, you should contact your professional adviser without delay.

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APPLICATION FORM

Issue of up to 2,170,000 New Ordinary Shares of 1 pence each at 106 pence per share payable in full on application

PROCEDURE FOR APPLICATION

1. Insert at A the number of shares for which you are applying, together with the amount of your cheque or banker's draft. Applications should be for 1,000 or more New Ordinary Shares at a cost of £1,060 or any greater number in multiples of 500 New Ordinary Shares.
2. Completion in full details as requested at B and sign.
3. The completed application form together with your cheque for the full amount payable on application should be sent to New Issues Department, Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1GA so as to arrive not later than 3.00 pm on 10th November 2000.

A.	Total number of shares applied for	Total enclosed at 106 pence per share
		£

To the Directors:

I/We offer to subscribe for the number of shares stated above, subject to the memorandum and articles of association of the Company. I/We enclose payment/have arranged for a direct credit transfer for the above mentioned sum, being the amount payable in full on application for the stated number of shares. I/We understand that the completion and delivery of this application form accompanied by a cheque constitute an undertaking that the cheque will be honoured on first presentation and an acceptance of the other terms and procedure for application set out in the prospectus dated 27th September 2000 ("Prospectus"). I/We understand that no application will be accepted unless and until payment in full for the shares has been made. I/We agree to accept a lower number of shares should the Offer be oversubscribed. I/We declare that I/we am/are resident in the United Kingdom.

B. PLEASE USE BLOCK CAPITAL

Mr/Mrs/Miss/Ms

Forenames (in full)

Surname.....

Address (in full)

Home Tel Day Tel

Signature Date

CREST participant identification No
(if applicable)

Name of joint Applicant if necessary

Mr/Mrs/Miss/Ms

Forenames (in full)

Surname.....

CREST account identification No
(if applicable)

Address (in full)

Home Tel Day Tel

Signature Date

TERMS OF APPLICATION

This Offer is only being made to persons resident in the United Kingdom. Where an application appears to be made by a person not so resident, the Directors may request the application to prove that he is entitled to apply under the laws of the country in which he is resident and, if they are not satisfied, the application may be rejected by the Directors.

This application form should be completed and sent to New Issues Department, Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1GA so as to arrive not later than 3.00 pm on 10th November 2000. The expressions used in this application form have the same meaning as in the prospectus, unless the context otherwise requires, and applicants are recommended to read the prospectus carefully before completing this application form.

Each application must be made on an Application Form and be accompanied by a separate cheque or banker's draft drawn in sterling on a bank or building society in the United Kingdom, which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of the Scottish or Belfast Clearing Houses, or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided by those companies or committees and must bear the appropriate sort code in the top right hand corner, for the full amount of the subscription money. These should be forwarded to:

New Issues Department
Capita IRG Plc
Balfour House
390/398 High Road
Ilford
Essex IG1 1GA

Applicants are advised to allow two full business days for delivery through the post and to use first class mail. Cheques or drafts must be made payable to "Capita IRG A/C Lo-Q plc" and crossed "A/C Payee Only". Cheques will be presented upon receipt. The Company reserves the rights to retain share certificates and any surplus money pending clearance of Applicant's cheques. Due completion and delivery of the Application Form accompanied by a cheque will constitute an undertaking that the cheque will be paid on first presentation. Applications will be irrevocable.

The right is reserved to reject any application or to accept any application in part only. The right is also reserved to treat as valid any application which does not fully comply with the conditions set out in the Application Form. In any application is not accepted in whole or in part, the amount paid on application will be returned, in each case by cheque sent through the post at the Applicant's risk.

The subscription list will be closed at 3.00 pm on 10th November 2000 provided that the Minimum Amount has been received by 3.00 pm on 6th November 2000 unless at the discretion of the Directors it is extended beyond that date. The Directors may shorten the closing date provided that the Minimum Amount is received.

Applications may be made by nominees on behalf of individuals.

Definitive share certificates in respect of New Ordinary Shares will be despatched at the risk of the person entitled to them by post to the person in whose name the shares are to be issued and CREST accounts will be altered where appropriate.