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The directors of Lo-Q plc, 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.

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YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART 1 OF THIS DOCUMENT.

Lo-Q plc

(Registered in England and Wales with registered number 3959429)

Placing of 3,600,000 ordinary shares of 1p each at 100p per share Admission to trading on the Alternative Investment Market

Nominated Adviser:

Corporate Synergy PLC

Broker:

Daniel Stewart & Company Plc

Corporate Synergy PLC, which is regulated by The Financial Services Authority, is acting as nominated adviser to the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM. Its responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Corporate Synergy PLC as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Corporate Synergy PLC will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document, or for advising them on the contents of this document or any other matter.

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The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933 (as amended). Accordingly, such shares may not be offered, sold, renounced, taken up or delivered, directly or indirectly, in or into the United States. Furthermore, such shares have not been and will not be registered under any of the relevant securities laws of Canada, Japan, Australia or the Republic of Ireland. Accordingly unless an exception under relevant securities laws is applicable, such shares may not be offered, sold, renounced, taken up or delivered, directly or indirectly, in or into Canada, Japan or Australia or the Republic of Ireland.

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PLACING STATISTICS

Placing Price	100p
Number of Ordinary Shares in issue at Admission	14,347,837
Market capitalisation at the Placing Price	£14.3 million
Proportion of enlarged issued share capital subject to the Placing	25.1 per cent.
Gross proceeds of the Placing receivable by the Company	£3.6 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings in Ordinary Shares commence on AIM	24 April 2002
CREST accounts credited	24 April 2002
Share certificates in respect of Placing Shares to be despatched by	1 May 2002

DIRECTORS AND ADVISERS

Directors:	Jeffrey Robert McManus (Executive Chairman) Leonard Sim (Managing Director) John George Lillywhite (Finance Director) Anthony Victor William Bone (Non Executive Director)
Company Secretary:	Paul George Cassar all of:
Registered Office:	New Close Greenlands Henley on Thames Oxfordshire RG9 3AL
Nominated Adviser:	Corporate Synergy PLC 12 Nicholas Lane London EC4N 7BN
Broker:	Daniel Stewart & Company Plc 48 Bishopsgate London EC2N 4AJ
Auditors:	BDO Stoy Hayward Barclays House 9-10 Victoria Street Basingstoke Hampshire RG21 3BT
Reporting accountants to the Company:	BDO Stoy Hayward Connaught House Alexandra Terrace Guildford Surrey GU1 3DA
Solicitors to the Company:	Garretts Abbots House Abbey Street Reading RG1 3BD
Solicitors to the Placing:	Orchard 6-9 Snow Hill London EC1A 2AY
Registrars:	Capita IRG Plc Balfour House 390-398 High Road Ilford Essex IG1 1NQ

DEFINITIONS

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

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules for companies admitted to trading on AIM, published by the London Stock Exchange and dated March 2002
“Articles”	the articles of association of the Company
“Company” or “Lo-Q”	Lo-Q plc
“Corporate Synergy”	Corporate Synergy PLC, nominated adviser to the Company
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
“Daniel Stewart”	Daniel Stewart & Company Plc
“Directors” or “Board”	the directors of the Company
“Enlarged Share Capital”	the Existing Ordinary Shares and New Ordinary Shares
“Existing Ordinary Shares”	the 10,747,837 Ordinary Shares in issue at the date of this document
“FSA”	The Financial Services Authority
“Group”	except in Part II of this document, the Company and its subsidiary Lo-Q Virtual Queuing Inc
“Internet”	a series of interconnected networks providing global links of digital information whether in the form of numerical data, text, sound or image
“Lessor”	S&S Entertainment Finance, L.P.
“London Stock Exchange”	London Stock Exchange plc
“Lo-Q Group”	the Company and all its subsidiaries
“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
“New Ordinary Shares”	the 3,600,000 new Ordinary Shares proposed to be issued pursuant to the Placing
“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
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	the ordinary shares of 1 pence each in the capital of the Company
“Placing”	the conditional placing of the New Ordinary Shares

“Placing Agreement”	the conditional agreement dated 18 April 2002 between the Company (1), the Directors (2), Daniel Stewart (3) and Corporate Synergy (4) relating to the Placing and Admission, further details of which are set out in paragraph 6.13 of Part III of this document
“Placing Price”	100 pence per New Ordinary Share
“Q-bot”	an individual hand held device given to a User and which is operated under the System
“Season”	the Theme Park season, which runs approximately from April to October each year
“Shareholders”	holders of issued Ordinary Shares in the Company
“Six Flags”	Six Flags Inc
“Six Flags Georgia”	Six Flags over Georgia, a Theme Park, located near Atlanta in Georgia, United States and operated by Six Flags
“Tellurian”	The Tellurian Devices Company Limited
“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 and Markets Act 2000
“United States” or “US”	United States of America
“User”	a visitor to a Theme Park who rents a Q-bot
“Virtual Queue”	a computer-generated virtual queue created in a computer memory by using the System

PART I

INFORMATION ON THE COMPANY

1. INTRODUCTION

The Company has developed a queue management system – the Lo-Q Guest Services System – which places visitors to Theme Parks in a computer-generated virtual queue enabling them to avoid physically waiting in queues for popular rides and attractions. By electronically booking a time for a ride or attraction within a Theme Park which utilises the System, guests using the System are free to enjoy other attractions and facilities elsewhere in the Theme Park whilst waiting to be informed of their time slot on the ride by the System.

The System has been successfully installed by the Group at Six Flags Georgia which is operated by Six Flags, one of the world's largest operators of Theme Parks. On 5 March this year, a contract was signed with Six Flags to install the System into eight Theme Parks during the 2002 Season and a further two by the beginning of the 2003 Season, and to retain the System in such Theme Parks until 31 December 2006, with a further fifteen one-year renewal options commencing from 31 December 2006.

The Company is now proposing to raise £3.6 million, before expenses, by way of the Placing. The funds will be used to assist in the installation of the System pursuant to the Six Flags contract as described below, and to develop new services for the System.

2. THE BUSINESS

History

The Company was incorporated in March 2000 and was admitted to OFEX in October 2000 when it raised £2.3 million, before expenses, in order to continue the development and implementation of the System.

Since being admitted to OFEX, the Group has:

- installed the System in Six Flags Georgia, where it was used by approximately 80,000 customers in the 2001 Season, demonstrating the commercial viability of the product;
- hit its projected target of 800 Q-bots available for use in Six Flags Georgia;
- signed a contract with Six Flags, committing the Group to install the System in ten Theme Parks by the beginning of the 2003 Season;
- implemented the proximity marketing messaging system; and
- completed the research and demonstrated the guest/child location finder.

The Directors believe that now the System has been proven in a commercial setting and the contract with Six Flags has been entered into, the Company has reached a stage where it would be in its best interests to seek Admission.

Six Flags

In April 2000, Tellurian secured a contract with Six Flags to install the System in Six Flags Georgia, which attracts up to 2,400,000 visitors a year, and was subsequently taken over by the Company. The System became fully operational in March 2001, and by the end of the 2001 season, the Group had reached its target of approximately 800 Q-bots being available for use in Six Flags Georgia.

On 5 March 2002 Six Flags signed a five year contract, including fifteen one year renewal options to install the System in to eight Theme Parks by various dates during the 2002 Season, and two Theme Parks by the beginning of the 2003 Season. These Theme Parks range in size from Six Flags, St Louis with attendances of approximately one million per year to Six Flags Great Adventure in New Jersey with attendances of over three million annually.

In addition, Six Flags proposes to enter into leasing agreements with the Lessor in relation to each System in each Theme Park. It is currently proposed that after the installation of each System in a Theme Park, Six Flags will enter into a leasing agreement with the Lessor, following the sale of the System by the Company to the Lessor. The Company and Six Flags have received a non-binding offer letter from the Lessor setting out the proposed terms of the leasing agreements. If Six Flags does not enter in to the leasing agreements, then the Company will not be able to sell the Systems to the Lessor, which will have a negative impact on both the cash and profit position of the Group. In such an event the Company will have to consider other options to pay for the installations of the Systems which may include alternative leasing arrangements, issuing further equity, or the installation of the Systems in a reduced number of Theme Parks this year.

The Six Flags contract provides that if permanent installation funding is not provided for one or more Theme Parks the contract will be suspended for those Theme Parks until permanent installation funding is provided.

The revenue generated from the Q-bot hire in each Theme Park is released to both parties through a revenue sharing arrangement whereby the Company will receive a percentage of the revenue generated from the hire of the Q-bot after deduction of lease payments and operating costs. The daily rental rate of the Q-bot will be determined by the number of persons registered on it (up to six persons), and it is expected this will average US\$12.85 per person. Further details of the Six Flags contract are set out in paragraph 6.12 of Part III of this document.

3. THE PRODUCT

The System

On arriving at a Theme Park which operates the System, guests are offered daily rental of a Q-bot, which is a pocket sized pager, for a fixed fee determined by the number of persons registered on the Q-bot. The User and members of his family or group (up to a maximum of six persons) will then be registered in the System and are allocated a Q-bot.

To book a ride, the Q-bot is placed near an electronic booking point which is close to the entrance to each ride, and an infra-red transmitter in the Q-bot carries out an exchange of signals. This action lodges that particular group or individual into a Virtual Queue and the System's central computer in that particular Theme Park then sends a message to the Q-bot showing the time at which the group or individual is booked on a particular ride. The User of the Q-bot, and his family or group are then free to enjoy other facilities in the Theme Park until shortly before the ride time is reached when the Q-bot receives a reminder message. The group or individual then returns to the booked ride and goes through a separate controlled entrance where access is gained by using the Q-bot on a check-in box, informing the central computer that the group or individual are or is on the ride.

Users 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 User.

Users wait the same length of time to go on a ride or attraction as those who physically queue, but are able to spend their waiting time on another attraction or in a restaurant or souvenir shop, thus increasing their enjoyment and giving the Theme Park the opportunity to increase the average per capita spend.

The System can automatically re-schedule bookings to avoid problems caused by ride break downs and keep the User informed of any changes.

The Q-bot can also be used as a proximity marketing messaging service. Marketing or promotional messages can be sent to a User's Q-bot depending on his or her particular location within a Theme Park, advertising relevant products or highlighting special offers.

The System is cell-based and uses a number of transceivers (known as LoQators) to communicate with the Q-bots and it can therefore record location and time information in relation to each Q-bot.

Key Strengths

The Directors believe that the System has the following strengths:

- revenues are generated from ongoing rental of the System;
- Users have the freedom to visit other attractions and concessions rather than standing in a queue, thereby potentially generating additional revenue for the Theme Park;
- so far as the Directors are aware, it is the only current operational method of virtual queuing that allows interactivity between the Theme Park and the park visitor, allowing changes to be made in situations where rides break down or actual queuing times change;
- it has the virtue of being demonstrably ‘fair’ in its treatment of park visitors, as it does not allow Users to ‘queue-jump’;
- Users can make a series of ride reservations but only the first ride is scheduled. The next ride is scheduled when the first is completed;
- Users do not have to keep track of multiple paper tickets, and are reminded when to go to the ride;
- it can be almost fully automated in terms of admissions to rides;
- the Theme Park can benefit from the proximity marketing messaging service; and
- the System can be used to create useful data for park management, which have been typically difficult to obtain previously, such as ride use patterns.

Patent protection

The System is protected by a UK patent which was granted on 21 July 1999 and has been assigned to the Company. An international patent application (which has also been assigned to the Company) was made in November 1996 and the Directors, having taken appropriate advice, anticipate that this will extend the patent protection to certain European countries, the United States, Japan and Hong Kong.

Leonard Sim and Jeff McManus on behalf of, and for the benefit of, the Company, have applied for an additional patent in the US for a “queuing system and method”. A preliminary application was filed on 19 October 2001. The application is at an early stage and detailed specifications have not yet been filed.

The Directors believe that the Company’s UK patent, together with their and the management’s experience to date, creates a barrier to entry to potential competitors. Further details of agreements related to the UK patent and the intellectual property rights are set out in paragraph 6 of Part III of this document.

The Company has not registered any trademarks in respect of the System, although it intends to register “Mr Q-bot”, the logo under which it intends to operate the System in the US.

System expansion

The Directors believe that, through the development of additional software, the System can be expanded to include the following functions in Theme Parks:

Guest/Child Location – The radio transmission method used by the System in a Theme Park is based on a cellular approach, whereby the Group’s central computer for the System within that Theme Park recognises the cell location of each mobile transmitter. The Group has developed a simple small transmitter (a “Q-tag”) which is much smaller than a Q-bot and could be pinned to a child’s clothing, or worn as a watch.

Users wanting to locate another member of their party, for instance parents wanting to locate their child, could enable their Q-bot to display the last recorded cell location of the Q-tag worn by the party member. The System could also be programmed to alert park staff if a guest or child wearing a Q-tag moves into the cell covering the Theme Park entry/exit, giving guests and parents a degree of comfort that a member of their party could not inadvertently leave the Theme Park without the System being notified. Research of the guest/child location finder has now been completed with demonstrations having occurred, and the Directors believe that the development will be completed and the system operational for the 2003 Season;

Daily Programme Selection – A User could register for a series of rides and then be automatically booked on the next ride once a ride has been completed. The Group has completed the development of a prototype guest terminal, which displays a map of the Theme Park on a touch screen and allows a User to plan his day without having to visit each ride to make bookings;

Internet-Based Ride Booking and Day Planning – The Company intends to develop the software for the System to allow a prospective visitor to book on-line via the Internet his/her visit to a Theme Park;

Parallel Ride Booking or Increased Guaranteed Rides – The standard Q-bot programme will normally set the Virtual Queue at the same length of time as the queue in physical space. The Group has initiated the development of a software programme to expand the services available under the System to allow for a small number of customers to a Theme Park to undertake more rides in a day through booking multiple rides. These visitors would pay higher premiums for that type of Q-bot;

Communications with Large Parties: Corporate Hospitality – The Q-bot could be used as a method of contacting members of large groups who may be spread throughout the Theme Park, for example, to call members of a corporate hospitality group to a restaurant service in an orderly and scheduled manner; and

Electronic Purse – The System's software could be amended in order for it be used as a pre-paid cash card, allowing guests to purchase items within the Theme Park without the use of cash. The Directors believe that this application of the Q-bot would be especially attractive to visitors to water parks and guests with children.

4. MARKETS, STRATEGY AND COMPETITION

Current Market

The initial market for the System is the worldwide Theme Park market, the largest 340 of which each has 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. During 2000, the twenty largest Theme Parks in the US (three of which are contracted under the Six Flags contract to have the System installed) attracted approximately 120 million visitors. Market statistics indicate that worldwide Theme Park revenues for 2002 will be US\$15 billion with predicted compound growth rates of 6 per cent. per annum over the next five years.

Surveys undertaken indicate that 58 per cent. of people recently polled in the US reported that they intended to visit in the following 12 months Theme Parks at least as regularly as they had done in the preceding twelve months and that 27 per cent. intended to increase their number of visits.

Surveys undertaken by the Company show that a User of a Q-bot often gets more enjoyment from his/her visit to a Theme Park, and that this can help the latter to increase its revenue. A survey conducted by the Company in conjunction with Six Flags Georgia showed that Users had a longer stay in the park (length of stay being the key industry measure) than other non-Users.

Strategy

The Directors believe that the Group has the opportunity to achieve growth through development within the following areas:

Customer growth – Following the initial success of the Q-bots in Six Flags Georgia, customer uptake of the Q-bots will continue to grow;

Further Six Flag contracts – Six Flags have a further 19 Theme Parks in the US and 10 Theme Parks internationally beyond those already contracted and the Directors believe that, assuming the System continues to function effectively, there is an opportunity to gain further contracts with Six Flags;

Other theme and leisure park contracts – The Directors have had initial discussions with other Theme Park operators who have indicated interest in the System. The Company currently has a contract in place with Virtual Line Systems LLC ("VLS") under which VLS has the sole right to assist the Company in arranging

for the System to be installed in certain Paramount Theme Parks, further details of which are set out in paragraph 6.11 of Part III of this document; and

System expansion – By increasing the range of services offered by the System, as set out in paragraph three of Part I this document, the Directors believe they can generate further revenues from the System through increased customer growth and higher charges for Q-bots.

Future markets

The Directors also believe that, through the adaptation of the System's software, the Group has the potential to generate new revenue streams by expansion into the markets set out below:

Shopping Malls – Booking facilities, locating special outlets, marketing messaging, group locating in shopping/entertaining and reports on shopper movement are all seen by the Directors as potential uses for the System;

Airport Systems – Queuing at check-in facilities, routing of passengers to aircraft, locating unaccompanied children, measuring customer movements and rescheduling customer flight arrangements in prolonged delay situations are seen by the Directors as potential areas of use for the System;

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; and

Data communication - Various elements of the System as developed can be re-packaged to produce a range of standard data communication products for sale through distribution channels such as multi protocol radio modems.

Competition

In the Company's current market, the Directors believe that the competition falls into two main categories:

(a) Paper Tickets

- (i) *'Booking a timed ride'* These are a modern version of the 'deli-counter' style of ticket. A magnetic striped entry ticket is purchased on entry to the park and this can be used to generate a timed ride ticket. These systems have to take account of the number of guests wishing to use each ride, which can lead to booking times of popular rides being towards the end of the day. They suffer from an inability to cope with ride breakdowns and have no communication flow with visitors. Because of the nature of this system the regular queue makes slower progress.
- (ii) *'Jumping the Queue'* This ticket enables a customer to go straight to the front of the queue without taking into account the number of guests wishing to use each ride.

(b) Electronic Methods

Universal Parks Inc have developed a touch sensitive screen approach to booking time slots on rides. It suffers from all the problems associated with the 'booking a timed ride' product.

A number of companies have been identified that offer some form of competition to the System, although the Directors believe that none of the below incorporate all of the elements of the System:

ParkWatch™ – The ParkWatch system™ consists of a small personalised waterproof device the size of a large wristwatch that can be worn on the wrist or ankle, or attached to a belt loop or bathing suit, and transmits the location of the device. The guest passes their ParkWatch under the scanner next to the monitor and the location of every member of the guests group is displayed. The ParkWatch device is not interactive, and does not cover queue management. The system has been tested in a water park in the US.

*Queuemaster Series*TM – This system operates over an intranet structure, with small touch screen computer kiosks used to allow guests to make reservations, view their existing schedule and communicate with family members and friends. It allows users to book times for rides, make reservations for restaurants within the park, and also summon security or medical personnel from any queue-line terminal. The Queuemaster system requires the user actually to find a terminal and to input data, and communication between group members or the group and the Theme Park has to be done through this terminal rather like sending a text message from static terminals. The system is advertised as being in use in one Theme Park in the US.

*Gator*TM – This US based company’s system utilises voice-over IP wireless communication and a location identification device to provide instant contact and location identification, electronic purse functions and marketing and advertising on the device. The system is not thought to be operational in any Theme Park at present.

Directional Data Systems Limited – This company is based in Scotland and supplies Disney with its FastPass[®] system. The system is based on tickets that have time allocations printed on them and are a more recent version of the ‘deli-counter ticket’. They may be issued at the time of initial ticket purchase or at the ride. These systems are not interactive, resulting in the over-booking of popular rides and leading to all ticketed places on the ride being fully booked early in the day.

*ExBand Systems*TM – This system comprises kiosks, disposable radio frequency identification bracelets and readers. The system is very similar to the Queuemaster system but has the added function of tracking and location of group members anywhere in the Theme Park. Communication between the Theme Park and Theme Park guests is facilitated by text messaging via kiosks situated throughout the Theme Park. To read messages, individuals have to scan their bracelet at a kiosk, whereby the message will automatically be displayed for the person to read.

5. FINANCIAL INFORMATION

Financial Record

The following table has been extracted, without adjustment, from the Accountants’ Report set out in Part II of this document. Prospective investors should read the whole of the Accountants’ Report and not rely on the information summarised below:

	<i>6 months to</i> <i>30 September 2000</i>	<i>Year ended</i> <i>30 September 2001</i>
	£	£
Turnover	–	311,224
Gross loss	–	(625)
Operating loss	(59,827)	(720,650)
Loss on ordinary activities before taxation	(59,845)	(667,197)

Current trading and future prospects

Since 30 September 2001, the contract with Six Flags has been signed committing the Group to installing the System into eight Six Flags Theme Parks during this Season, with a further two by the beginning of the 2003 Season. The Directors are also in initial discussions with other Theme Park operators in relation to the System. The Company has also implemented the proximity marketing messaging system and completed the research of the guest/child location finder.

Following the signing of the contract with Six Flags and the receipt of the proceeds of the Placing, the Directors are confident about the future prospects of the Group.

Use of proceeds

The net proceeds of the Placing receivable by the Company are estimated at £3.1 million after expenses of approximately £500,000 (excluding VAT).

The Company intends to apply these funds as follows:

- installation of the Systems in the contracted Six Flags Theme Parks referred to above;
- continued research and development of the System; and
- the balance of the net proceeds of the Placing, will provide working capital for the Company and, pending such use, will be placed on deposit.

6. DIRECTORS, MANAGEMENT AND EMPLOYEES

Directors

Jeff McManus, aged 60, Executive Chairman, has worked in the high technology equipment leasing field for 30 years. He was the original founder of Parc Leasing Limited in 1973, a company that specialised in assisting computer system manufacturers to set up and run vendor leasing programmes. This company was sold in 1988 to Kleinwort Benson. Since then he has 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. Following Admission, Mr McManus will remain responsible for the financing and corporate development of the Group.

Leonard Sim, aged 53, Managing Director, is the inventor of the System. In 1993 he established Tellurian as a sales agency focused on selling data communication chips and embedded telecommunications software. From 1980 to 1993, Mr Sim worked for Rockwell Semiconductor, where he was a main contributor to the integrated modem chip-set concept which saw Rockwell's chip business increase from \$100 million to \$1.6 billion and was twice winner of Rockwell's "President's Award" for major innovative contributions to sales. During this period, he was responsible for the expansion of sales in the North Europe Area from \$1 million to over \$30 million.

Prior to this, Mr 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. Mr Sim will be responsible for the day to day running of the Company and for the continued development of the System.

John Lillywhite, aged 61, Finance Director, is a Fellow of the Institute of Management Accountants and has been in the information technology industry for 40 years. In 1997 he stepped down as group finance director of ICL, after a long career with the group in which he worked in the United Kingdom, Europe, the US and the Far East, filling roles in divisional management, and various aspects of finance, acquisitions, disposals and start-ups. He is now a non-executive director of several high technology companies. Mr Lillywhite has committed to spend between 2 and 6 days per month on the Group's affairs. The Company intends to appoint a new full-time finance director soon after Admission, after which Mr Lillywhite will assume the role of non-executive deputy Chairman.

Anthony Bone, aged 55, Non-Executive Director, 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 an annual turnover of £60 million and had 500 staff. Mr Bone now acts as an investor and non-executive director of a number of high technology companies.

Management

Barry Andrews, Installation manager, is responsible for the installation of the System at Theme Parks, covering all aspects of this process from the initial survey and specification of equipment to final commissioning of the completed product. Mr Andrews has considerable experience in hardware development and project management for high technology companies having previously worked for Racal Communications, Atlantic Computers and Phoenix Data Communications.

Chris Bayne, Software development manager, is responsible for the continuing research and development of the System. Mr Bayne has considerable experience in computer software development through previous positions with Oxford Softworks, Accountancy Training Centre and Safe Start Foundation.

Paul Cassar, Financial controller and company secretary, is responsible for the maintenance of all financial records and production of management information for the Company. Prior to joining the Company, Mr Cassar was financial director of Rhetoric Limited, a market data collection business specialising in the telecommunications industry. Before this he spent over 11 years with Parc Leasing Limited in various roles including treasurer, group accountant and internal audit.

Mike Delaney, Sales manager, is responsible for the marketing and sales of the Company's products. His career in sales has been in major system sales with high technology companies, including Hewlett Packard, UB Networks, Tandem and Xchange.

Steve Drake, Purchasing manager, has been involved in the electronics industry from the outset of his career and is responsible for all purchasing and sub-contract manufacturing operations undertaken by the Company. Prior to joining the Company Mr Drake was purchasing manager for Motorola Inc and for Communicate Limited.

Tony Underwood, Hardware development manager, has been involved since the early days of Lo-Q and has designed the Q-bots, Lo-Qators and charging racks. He was previously a design manager at Lion Systems Development and Atlantic Computers. He also ran his own design consultancy, Eclipse Communications.

Other Personnel

The Group currently employs a further 10 employees, 6 of whom are based in the Company's headquarters in Henley, Oxfordshire.

Corporate governance

The Directors intend to comply with the Combined Code on the Principles of Good Governance and the Code of Best Practice so far as is reasonably practicable for a company of Lo-Q's size.

An audit committee including the current non-executive Director, has been established to operate with effect from Admission. The audit committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit.

A remuneration committee (also including the current non-executive director) had previously been established but its terms of reference have been updated with effect from Admission. The remuneration committee will deal with the remuneration of senior executive management, including determining the payment of bonuses and other benefits.

Share Options

The Company places emphasis on the encouragement and motivation of staff and currently has a share option scheme in accordance with the rules of the Enterprise Management Incentive Scheme, together with an unapproved Directors' share option scheme and an unapproved US staff share option scheme. Details of the share option schemes are set out in paragraphs 2.3 to 2.6 of Part III of this document.

7. THE PLACING AND ADMISSION TO AIM

The Placing

The Company is proposing to raise approximately £3.6 million (before expenses) by way of the Placing.

The Placing is subject, *inter alia*, to the satisfaction of the following conditions on or before 24 April 2002 or such later date (being not later than 24 May 2002) as Corporate Synergy, Daniel Stewart and the Company may agree:

- the placing agreement having become unconditional and not having been terminated in accordance with its terms; and
- Admission becoming effective no later than 24 April 2002 (or such later date as Corporate Synergy, Daniel Stewart and the Company may agree).

Further details of the Placing Agreement are set out in paragraph 6.13 of Part III of this document.

Enterprise Investment Scheme

The Company has obtained confirmation from the Inland Revenue that the Ordinary Shares rank as a qualifying investment for the purposes of the Enterprise Investment Scheme ("EIS").

The continuing availability of EIS relief will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the 'relevant' period of three years from the date of the investor making his investment (under EIS) or the three years from the date that the Company begins to carry on its trade, if later. There is no assurance given by the Directors that the Company will continue to satisfy these requirements.

EIS allows the following possible tax reliefs for individual investors provided that investments are held for three years and the investor meets the requirements over that three year period:

- initial income tax relief of 20 per cent., on a maximum overall investment of £150,000; and
- exemption from capital gains tax ("CGT").

EIS also allows CGT payable on chargeable gains realised by individuals and certain trustees to be deferred. To qualify for CGT deferral, a sum up to the amount of the chargeable gain must be subscribed (within a period of not more than one year before nor more than three years after the date on which the chargeable gain arises) in new ordinary shares of a qualifying trading company or an unquoted company which is the parent of a qualifying trading group. For this purpose, shares admitted to trading on AIM are regarded as unquoted. The amount of reinvestment is not limited to £150,000.

Claims for these reliefs are made by the individual investors and/or trustees claiming the relief.

Investors considering taking advantage of any of the reliefs under EIS should seek their own professional advice in order that they fully understand how the rules apply in their individual circumstances.

Admission to AIM and reasons for Admission

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and trading in the Ordinary Shares to commence on 24 April 2002.

The Directors believe that an AIM listing will assist the Company in its development by:

- enabling the Company to raise funds for its development, through the Placing;
- facilitating acquisitions either directly (by enabling it to offer traded shares) or indirectly (by further equity issues to raise cash);
- raising its profile generally and within its sector; and
- enabling the Company to attract and retain good quality staff by offering its staff equity incentives in traded shares through share ownership and share options.

Lock-ins and orderly market arrangements

At Admission, the Directors, applicable employees and related parties, as defined by the AIM rules, (for themselves and, in the case of the Directors and applicable employees, for their family) will be interested in an aggregate of 5,348,949 Ordinary Shares representing 37 per cent. of the issued share capital of the Company, as enlarged by the Placing. In accordance with the AIM Rules, the Directors, applicable employees and certain related parties have undertaken to the Company, Corporate Synergy and Daniel Stewart that they will not dispose of any of those Ordinary Shares for a period of twelve months from Admission. Further details of the lock-in agreement are set out in paragraph 6.16 of Part III of this document.

8. DIVIDEND POLICY

In the short to medium term, the Directors intend to focus on capital growth, and to re-invest profits, if any, in the business.

9. RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Short Operating History

The Company has a short operating history having commenced trading in late 2000. Although the Group's position in their market sector is strong, investors should be aware that the Group has commercially operated the System in only one park, Six Flags Georgia, for one Season.

Dependence on Six Flags Contract

At present the Group is highly dependent on its contracts with Six Flags. Six Flags is currently Lo-Q's sole customer and loss of these contracts could have a significant adverse financial effect on the Group. Lo-Q have made the decision to concentrate their roll out of the System with Six Flags in order to create critical mass as quickly as possible. Also, because of the time required to install the System, they are limited as to the number of Theme Parks which they can bring on line each year. Whilst Lo-Q has been approached by a number of other Theme Park operators interested in installing the System, there is no guarantee that they will become customers.

Leasing Agreements

Six Flags and Lo-Q have received a non-binding offer letter from the Lessor setting out the terms of the proposed leasing agreements. If the Company is unable to sell the Systems to the Lessor it will be required to finance the installation of the Systems in other ways which may include the raising of further equity.

Installation Delays

While the Group completed the full installation of the System in Six Flags Georgia on time, to budget and with more rides than initially contracted, they are now contracted to install the System in eight new parks this Season and two by the start of next Season. The Group are reliant on a number of sub-contractors to manufacture and install their products before the System can be installed. The customer also needs to be prepared to receive the System. Any delay in installation could cause a corresponding delay in the income received by the Group.

Popularity of the Q-Bot system not replicated in other Parks

Whilst the System has been successful in Six Flags Georgia and the Directors believe this will be replicated across the Six Flags Theme Parks, there is no guarantee that this will happen. The Group generates the

majority of its income from the rental of the Q-bots and, if the popularity of the System is not replicated in other Theme Parks, the Group's revenue will be severely affected.

Competition and Patents

Although the Directors are not aware of any competing systems that have the same functionality of the System, there may be other systems under development which may compete with the System. Future technological advances could result in the Group experiencing increased competition. In addition, the System will require further development in order that it may be used for other purposes set out in this document. Although the Company owns the rights to a UK patent in respect of the System and two further patent applications have been applied for, there can be no guarantee that the existing UK patent will not be challenged nor that the patent applications will be approved, and the resultant patents granted.

Dependence on key personnel

Loss of any key management, particularly Leonard Sim, may have an adverse affect on the future of the Group's business. The Company is in the process of obtaining quotes for keyman insurance for key individuals.

Investment risk

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share which is to be traded on AIM may be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List. The price which investors may realise for their holdings 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.

10. ADDITIONAL INFORMATION

Your attention is drawn to the information contained in the rest of this document.

PART II

ACCOUNTANTS' REPORT ON THE COMPANY



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The Directors
Lo-Q plc
New Close
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Henley-on-Thames
Oxfordshire RG9 AL

and

The Directors
Corporate Synergy PLC
12 Nicholas Lane
London EC4N 7BN

18 April 2002

Dear Sirs

Lo-Q plc (“the Company” or “Lo-Q”)

1. Introduction

We report on the financial information set out in paragraphs 7 to 11 below. This financial information has been prepared for inclusion in the Admission Document dated 18 April 2002 (“the Admission Document”) in connection with the Placing of Ordinary Shares in the Company.

The Company was incorporated in England and Wales as Arongold PLC (company number 3959429) on 29 March 2000. On 23 August 2000 the Company changed its name to Lo-Q plc.

2. Basis of preparation

The financial information set out in paragraphs 7 to 11 is based on the audited consolidated financial statements of Lo-Q and its subsidiaries (“the Group”) for the period from incorporation on 29 March 2000 to 30 September 2001, to which no adjustments were considered necessary.

3. Responsibility

Such financial statements are the responsibility of the Directors of the Company who approved their issue. The Directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, 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. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the

financial statements 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 7 to 11 gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Lo-Q as at 30 September 2000 and 30 September 2001 and of its results, cash flows and recognised gains and losses for the periods then ended.

6. Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

7. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's consolidated financial information set out below.

Basis of consolidation

The financial information incorporates the results of Lo-Q and all of its subsidiary and associated undertakings as at 30 September 2001 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Turnover

Turnover represents sales to external customers as invoiced amounts less value added tax or local taxes on sales.

Tangible fixed assets

All tangible fixed assets are stated at cost.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	20 per cent. on a straight line basis per annum
Office equipment	33½ per cent. on a straight line basis per annum
Park installation	33½ per cent. on a straight line basis per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	weighted average cost
Work in progress and finished goods	cost of raw materials and labour together with attributable overheads

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

Foreign currency

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

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences that arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at an average rate are taken to reserves. All other differences are taken to the profit and loss account.

Financial instruments

Short term debtors and creditors are not treated for disclosure purposes as financial assets or financial liabilities.

Liquid resources include treasury deposits, which are held as readily disposable stores of value.

The Company does not hold or issue derivative financial instruments for trading purposes.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over the period in which the Company benefits from the expenditure when the associated revenue is earned. The amortisation rate is 20 per cent. on a straight line basis per annum.

Operating lease rentals

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

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

8. Consolidated profit and loss account

		<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Turnover	11.1	–	311,224
Cost of sales		–	311,849
		<hr/>	<hr/>
Gross loss		–	(625)
Administrative expenses		59,827	720,025
		<hr/>	<hr/>
Operating loss	11.2	(59,827)	(720,650)
Interest receivable		–	54,462
Interest payable	11.3	(18)	(1,009)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(59,845)	(667,197)
Taxation	11.4	–	(3,416)
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(59,845)	(670,613)
		<hr/>	<hr/>
Earnings/(loss) per share (Basic and diluted)	11.5	(0.03)	(0.06)
		<hr/>	<hr/>

All amounts relate to continuing operations.

There are no recognised gains or losses in any years other than those disclosed in the profit and loss account.

9. Consolidated balance sheet

		<i>30 September</i>	<i>30 September</i>
		<i>2000</i>	<i>2001</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Called up share capital not paid		7,301	7,301
Fixed assets			
Intangible fixed assets	11.8	246,695	449,093
Tangible fixed assets	11.9	10,066	330,354
		<u>264,062</u>	<u>786,748</u>
Current assets			
Stock	11.11	–	54,168
Debtors	11.12	71,215	66,261
Cash at bank and in hand		356	586,146
		<u>71,571</u>	<u>706,575</u>
Creditors: amounts falling due within one year	11.13	297,886	152,096
Net current assets/(liabilities)		<u>(226,315)</u>	<u>554,479</u>
Total assets less current liabilities		<u>37,747</u>	<u>1,341,227</u>
Capital and reserves			
Called up share capital	11.15	85,119	106,818
Share premium account	11.17	–	1,952,394
Capital reserve	11.17	12,473	12,473
Profit and loss account	11.17	(59,845)	(730,458)
Equity shareholders' funds	11.18	<u>37,747</u>	<u>1,341,227</u>

10. Consolidated cash flow statement

		<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Net cash inflow/(outflow) from operating activities	11.24	60,724	(810,674)
Returns on investments and servicing of finance			
Interest received		–	54,462
Interest paid		(18)	(1,009)
		<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investments and servicing of finance		(18)	53,453
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(66,231)	(372,198)
Development costs		–	(244,553)
		<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment		(66,231)	(616,751)
Acquisitions and disposals			
Purchase of subsidiary undertaking	11.28	(1)	–
Cash acquired with purchase of business	11.28	366	–
Bank overdraft acquired with purchase of business	11.28	(8,817)	–
		<hr/>	<hr/>
		(8,452)	–
Cash outflow before management of liquid resources and financing		<hr/>	<hr/>
		(13,977)	(1,373,972)
Management of liquid resources			
Purchase of treasury deposit		–	(400,000)
Financing			
Net cash inflow from issue of shares	11.25	2	1,974,093
		<hr/>	<hr/>
Increase/(decrease) in cash in the period	11.26	(13,975)	200,121
		<hr/>	<hr/>

11. Notes to the financial information

11.1 Turnover

The turnover and loss on ordinary activities before taxation is wholly attributable to the principal activity of the Group.

11.2 Operating loss

Operating loss is stated after charging:

	<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	£	£
Research and development	–	42,115
Depreciation of owned assets	564	51,909
Hire of other assets – operating leases	–	20,250
Auditors' remuneration – audit services	5,000	8,750
Auditors' remuneration – other services	–	11,435
Loss on exchange	–	12,060
	<u> </u>	<u> </u>

11.3 Interest payable

	<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	£	£
Bank loans and overdrafts	18	342
Other interest	–	667
	<u> </u>	<u> </u>
	18	1,009

11.4 Taxation

	<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	£	£
UK corporation tax in respect of current period	–	–
US corporation tax in respect of current period	–	3,416
	<u> </u>	<u> </u>
	–	3,416

11.5 Earnings/(loss) per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders (£670,613) by the weighted average number of Ordinary Shares in issue during the year (10,586,716).

The loss attributable to ordinary shareholders and weighted average number of Ordinary Shares for the purpose of calculating the diluted earnings per Ordinary Share are identical to those used for basic earnings per Ordinary Share. This is because the exercise of share options would have the effect of reducing the loss per Ordinary Share and is therefore not dilutive under the terms of FRS 14.

11.6 Staff numbers and costs

The average number of employees of the Group, including executive directors, was:

	<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	£	£
Development, production and administration	2	24
	<u>2</u>	<u>24</u>

Staff costs for all employees, including executive Directors, consist of:

	<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	£	£
Salaries	29,749	685,466
Social security costs	3,144	62,380
Pension costs	–	12,367
	<u>32,893</u>	<u>760,213</u>

Included above are wages and salaries of £139,415 (2000 – £9,834) and social security costs of £15,178 (2000 – £1,062) capitalised as development expenditure.

11.7 Directors' remuneration

	<i>6 months to 30 September 2000</i>	<i>Year ended 30 September 2001</i>
	£	£
Directors' emoluments	17,200	167,513
Company contributions to money purchase pension schemes paid in respect of two Directors	–	4,541

Included in Directors' emoluments is £3,994 (2000 – £2,273) capitalised under development expenditure. Certain Directors also received share options as disclosed in Note 11.16.

11.8 Intangible fixed assets

	<i>Development costs</i>
	£
Cost	
At 29 March 2000	–
Additions	246,695
At 30 September 2000	246,695
Additions	244,553
At 30 September 2001	<u>491,248</u>
Depreciation	
At 29 March 2000	–
Charge for period	–
At 30 September 2000	–
Charge for period	42,155
At 30 September 2001	<u>42,155</u>
Net book value	
At 30 September 2000	<u>246,695</u>
At 30 September 2001	<u>449,093</u>

11.9 Tangible fixed assets

	<i>Park installation</i>	<i>Fixtures, fittings, tools and equipment</i>	<i>Total</i>
	£	£	£
Cost			
At 29 March 2000	–	–	–
Additions	–	10,630	10,630
At 30 September 2000	–	10,630	10,630
Additions	310,814	61,383	372,197
At 30 September 2001	<u>310,814</u>	<u>72,013</u>	<u>382,827</u>
Depreciation			
At 29 March 2000	–	–	–
Charge for period	–	564	564
At 30 September 2000	–	564	564
Charge for period	38,292	13,617	51,909
At 30 September 2001	<u>38,292</u>	<u>14,181</u>	<u>52,473</u>
Net book value			
At 30 September 2000	–	10,066	10,066
At 30 September 2001	<u>272,522</u>	<u>57,832</u>	<u>330,354</u>

11.10 Subsidiary undertakings

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

<i>Name</i>	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
Lo-Q (Trustees) Limited	England	100%	Non-trading
Lo-Q Virtual Queuing Inc	US	100%	Application of virtual queue technologies

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

11.11 Stock

	<i>30 September 2000</i>	<i>30 September 2001</i>
	<i>£</i>	<i>£</i>
Raw materials	–	39,128
Work in progress	–	9,365
Finished goods and goods for resale	–	5,675
	<u>–</u>	<u>54,168</u>

11.12 Debtors

	<i>30 September 2000</i>	<i>30 September 2001</i>
	<i>£</i>	<i>£</i>
Other debtors	24,346	20,809
Prepayments and accrued income	46,869	45,452
	<u>71,215</u>	<u>66,261</u>

11.13 Creditors: amounts falling due within one year

	<i>30 September 2000</i>	<i>30 September 2001</i>
	<i>£</i>	<i>£</i>
Bank overdraft	14,331	–
Trade creditors	149,053	41,870
Other creditors	46,848	30,413
Other taxation and social security	25,730	33,785
Corporation tax	–	3,416
Accruals and deferred income	61,925	42,612
	<u>297,887</u>	<u>152,096</u>

11.14 Financial instruments

Other than short-term debtors and creditors that arise directly from operations, the Group's financial instruments comprise cash, treasury deposits and, in the previous period, an overdraft. The fair values of these instruments are not materially different to their book values. The main risks arising from holding these instruments are liquidity, interest rate risk and currency risk.

Liquidity

The Group's policy is to maintain adequate cash resources to meet liabilities as they fall due. Where the Group generates short-term cash that is surplus to its immediate requirements, it places cash on deposit with reputable banking institutions to ensure there is no risk of capital loss.

Interest rate risk

The Group is exposed to interest rate risk in as much as the cash attracts floating rates of interest. The Directors do not consider it necessary or appropriate at present to fix the interest rates payable and receivable on these financial instruments. Interest earned on deposit is based on market rates and generally fluctuates in line with LIBOR. At the balance sheet date, the treasury deposits interest rate was 4.025 per cent.

Currency risk

The Group's overseas operations are in the US. The main operating currencies of its operations are therefore sterling and US dollars. The Group's currency exposure comprises the monetary assets and liabilities of the Group that are not denominated in the operating or 'functional' currency of the operating unit involved. At the year end Lo-Q which operates in sterling had bank balances of £147,261 (2000: £nil) denominated in US dollars, with no significant debtors or creditors denominated in US dollars.

11.15 Share capital

	<i>30 September 2000</i>	<i>30 September 2001</i>
	£	£
Authorised		
100,000,000 Ordinary Shares of 1p each	1,000,000	1,000,000
Allotted and called up		
10,681,837 Ordinary Shares of 1p each (2000: 8,511,837)	85,119	106,818

On 23 August 2000, 729,905 Ordinary Shares were allotted at par for cash, increasing the issued share capital to £7,301. These shares were paid up in full on 12 March 2002.

On 23 August 2000, 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 of 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.

On 23 September 2000, 480,682 Ordinary Shares of 1p each were allotted at par in settlement of debts of an equivalent amount incurred by the Tellurian Devices Company Limited, increasing the issued share capital to £85,119.

On 30 October 2000, 2,170,000 Ordinary Shares of 1p each were allotted at a price of 106p for cash, in respect of a public offer for subscription, increasing the issued share capital to £106,818.

11.16 Share options

<i>Option holder</i>	<i>Number of options granted</i>	<i>Options exercised in year</i>	<i>Exercise price (per share)</i>	<i>Date from which exercisable</i>	<i>Option expiry date</i>
J McManus	209,000	–	85p	27 September 2001	27 September 2006
	104,500	–	85p	27 September 2002	27 September 2006
	104,500	–	85p	27 September 2003	27 September 2006
J Lillywhite	52,250	–	85p	27 September 2001	27 September 2006
	52,250	–	85p	27 September 2002	27 September 2006
	52,250	–	85p	27 September 2003	27 September 2006
	52,250	–	85p	27 September 2004	27 September 2006
A Bone	26,125	–	85p	27 September 2001	27 September 2006
	26,125	–	85p	27 September 2002	27 September 2006
	26,125	–	85p	27 September 2003	27 September 2006
	26,125	–	85p	27 September 2004	27 September 2006
Lo-Q (Trustees) Limited	320,455	–	106p	27 September 2001	27 September 2008 surrendered on 1 March 2002

All options relate to 1p Ordinary Shares and were granted on 27 September 2000, save for A Bone's option which was granted on 12 July 2001.

The market value of the 1p Ordinary Shares at 30 September 2001 was 82.5p per share. The options in respect of the 3 individuals above can be exercised only if that person is a director or, as the case may be, employee at the time of exercise.

11.17 Reserves

	<i>Share premium</i>	<i>Capital reserve</i>	<i>Profit and loss account</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 29 March 2000	–	–	–
Loss for the period	–	–	(59,845)
Shares issued	–	12,473	–
At 30 September 2000	–	12,473	(59,845)
Loss for the year	–	–	(670,613)
Shares issued	1,952,394	–	–
At 30 September 2001	<u>1,952,394</u>	<u>12,473</u>	<u>(730,458)</u>

11.18 Reconciliation of movement in shareholders' funds

	<i>30 September 2000</i>	<i>30 September 2001</i>
	<i>£</i>	<i>£</i>
Loss for the financial period	(59,845)	(670,613)
Issue of ordinary shares	85,119	21,699
Increase in share premium account	–	1,952,394
Increase in capital reserve	12,473	–
	<u>37,747</u>	<u>1,303,480</u>
Opening shareholders' funds	–	37,747
Closing shareholders' funds	<u>37,747</u>	<u>1,341,227</u>

11.19 Commitments under operating leases

As at 30 September 2001, the Group had annual commitments under non-cancellable operating leases as set out below:

	<i>30 September</i> 2000	<i>30 September</i> 2001
	£	£
Land and Buildings		
Leases expiring between two and five years	–	37,500

11.20 Capital commitments

The Company had no capital commitments at 30 September 2001 or 30 September 2000.

11.21 Contingent liabilities

During the year ended 30 September 2001, the Group was issued a summons in the US in respect of an alleged patent infringement. The Group is currently responding to the summons, and the Directors believe that they will be successful in defending the action.

Other than the matter described above, the Group had no contingent liabilities at 30 September 2001 or 30 September 2000.

11.22 Related party transactions

As at 30 September 2001, a balance of £1,145 was due to Jeff McManus, a Director, in respect of expenses and is included in creditors.

11.23 Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £12,367 (2000 – £nil). Contributions amounting to £2,829 (2000 – £nil) were payable to the fund and are included in creditors.

11.24 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	<i>6 months to</i> <i>30 September</i> 2000	<i>Year ended</i> <i>30 September</i> 2001
	£	£
Operating loss	(59,827)	(720,650)
Amortisation of development costs	–	42,155
Depreciation	564	51,909
Loss on sale of tangible fixed assets	1,659	–
Decrease/(increase) in stocks	–	(54,168)
Decrease/(increase) in debtors	(64,735)	4,954
Decrease/(increase) in creditors	183,063	(134,874)
Net cash inflow/(outflow) from operating activities	<u>60,724</u>	<u>(810,674)</u>

11.25 Net cash inflow from share issues

	6 months to 30 September 2000	Year ended 30 September 2001
	£	£
Nominal value of share capital	2	21,699
Share premium	–	2,278,501
	<u>2</u>	<u>2,300,200</u>
Share issue costs	–	(326,107)
	<u>2</u>	<u>1,974,093</u>

11.26 Reconciliation of net cash inflow to movement in net funds

	6 months to 30 September 2000	Year ended 30 September 2001
	£	£
Increase/(decrease) in cash in the period	(13,975)	200,121
Cash outflow from increase in liquid resources	–	400,000
Movement in net funds in the period	<u>(13,975)</u>	<u>600,121</u>
Net debt at start of period	–	(13,975)
Net debt at end of period	<u>(13,975)</u>	<u>586,146</u>

11.27 Analysis of net funds/(debt)

	29 March 2000	Cash flow	30 September 2000	Cash flow	30 September 2001
	£	£	£	£	£
Liquid resources					
– Treasury deposits	–	–	–	400,000	400,000
Cash at bank and in hand	–	356	356	185,790	186,146
Overdrafts	–	(14,331)	(14,331)	14,331	–
Cash	<u>–</u>	<u>(13,975)</u>	<u>(13,975)</u>	<u>200,121</u>	<u>186,146</u>
Total	<u>–</u>		<u>(13,975)</u>		<u>586,146</u>

11.28 Acquisitions

	6 months to 30 September 2000	Year ended 30 September 2001
	£	£
Purchase of subsidiary undertaking	(1)	–
Purchase of business (excluding cash and bank)	93,934	–
Cash acquired with purchase of business	366	–
Bank overdraft acquired with purchase of business	(8,817)	–
	<u>85,482</u>	<u>–</u>
Consideration settled by issue of shares	(73,010)	–
Capital reserve created	(12,473)	–
Net cash effect	<u>(1)</u>	<u>–</u>

The Company acquired the assets and liabilities of The Tellurian Devices Company Limited on 23 August 2000. The consideration was the allotment and issue of 7,301,050 Ordinary Shares of 1p each, credited as fully paid. The assets and liabilities were acquired at book value, to which no fair value adjustments were required, as set out below.

	£
Development costs	180,464
Fixtures, fittings and equipment	12,289
Debtors	6,480
Cash	366
Bank overdrafts	(8,817)
Creditors	(105,299)
	<u>85,483</u>

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART III

ADDITIONAL INFORMATION

1. INCORPORATION

- 1.1 The Company was incorporated in England and Wales on 29 March 2000 under registered number 3959429 as a public limited company under the Act with the name Arongold PLC. 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.
- 1.2 The Company's registered office is at New Close, Greenlands, Henley on Thames, Oxfordshire RG9 3AL.
- 1.3 The Company is subject to the provisions of the Act.
- 1.4 The liability of the members is limited.
- 1.5 The principal activities of the Company are to install and develop further the System.

2. SHARE CAPITAL OF THE COMPANY

- 2.1 The authorised and issued share capital of the Company at the date of this document, and following completion of the Admission and Placing, is as follows:

<i>Authorised</i>			<i>Issued fully paid</i>	
<i>Number of</i>			<i>Number of</i>	
<i>Ordinary Shares</i>	<i>£</i>		<i>Ordinary Shares</i>	<i>£</i>
100,000,000	1,000,000	As at the date of this document	10,747,837	107,478
100,000,000	1,000,000	At Admission	14,347,837	143,478

- 2.2 Save for the Directors' interests set out in paragraph 3.2 below, the Company is aware of the following interests in 3 per cent. or more of its existing issued ordinary share capital as at 18 April 2002 (being the date of this document):

<i>Name</i>	<i>Number of</i>	<i>% of existing</i>	<i>Number of</i>	<i>% of Enlarged</i>
	<i>Ordinary Shares</i>	<i>Issued Share</i>	<i>Ordinary Shares</i>	<i>Share Capital</i>
		<i>Capital</i>	<i>following Admission</i>	
Adam & Company International Nominees Limited	545,408	5.07%	545,408	3.80%
Henrieheta Sim	533,940	4.97%	533,940	3.72%
John Clarke	451,300	4.20%	451,300	3.15%
Pershing Keen Nominees Limited	386,343	3.59%	386,343	2.69%

Save as disclosed above or in paragraph 3.2 below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested in 3 per cent. or more of the issued share capital of the Company.

- 2.3 The Company has three employee share plans: the Lo-Q plc EMI Share Option Scheme (the "EMI"), the Lo-Q plc Directors Non Approved Option Scheme (the "Share Option Scheme") and the Lo-Q plc USA Staff Non Approved Option Scheme ("US Scheme").
- 2.4 Under the EMI, there are outstanding options to acquire up to 97,867 Ordinary Shares in the Company at a price of 100.5 pence per share. In accordance with the rules of the EMI, the options will ordinarily be exercisable after 23 October 2002 by those holders who remain in employment with the Company or its subsidiaries. Earlier exercise or exercise after leaving employment may be permitted in specific circumstances. In particular, the rules of the EMI provide as follows:

- (i) options to subscribe for Ordinary Shares in the Company may be granted at the discretion of the Board to selected employees;
- (ii) the consideration for the grant of an option will be £1 which is not returnable;
- (iii) invitations to receive options shall be in writing and shall specify the number of Ordinary Shares subject to the option, the subscription price, and shall refer to all the rules of the EMI;
- (iv) an option shall normally be granted at a meeting of the Board following the last date of acceptance of an offer;
- (v) options may be granted at a subscription price which shall be the higher of the nominal value of an Ordinary Share and the current market value of an Ordinary Share on the day the option was issued;
- (vi) no option may be granted under the EMI if as a result the aggregate of the market value of shares subject to EMI options (calculated at the relevant date of grant) granted to a participant would exceed £100,000;
- (vii) the number of Ordinary Shares over which options may be granted within any ten year period under the EMI shall not exceed 10 per cent. of the issued Ordinary Share capital of the Company from time to time;
- (viii) a maximum of £3 million of options at market value can be granted under this or similar EMI schemes;
- (ix) options are exercisable after the first anniversary of their date of grant. In certain circumstances an option may be exercised earlier (for example, within twelve months of the death of a participant);
- (x) in the event of a general offer made to all the holders of the Ordinary Shares by a company as a result of which the offeror obtains control of the Company, the participant may, by agreement with the acquiring company, release his rights under the EMI for a new right which is equivalent to his option but relates to shares in a different company (generally the offeror);
- (xi) if the Company were to pass a resolution for a voluntary winding-up any participant may exercise his options until the commencement of the winding-up. All options will lapse on a commencement of a winding-up of the Company;
- (xii) all options will lapse on the tenth anniversary of the date of grant of the option;
- (xiii) the EMI may be terminated at any time by a resolution of the Board or by a resolution of the Company in general meeting and shall in any event terminate on the tenth anniversary of the commencement date and no options may be granted after that date but any termination shall not effect the outstanding rights of the participants; and
- (xiv) the participants shall apply to the Company Secretary in writing for permission to sell the shares granted from the exercise of the options. Until such permission is granted, the participant will undertake not to sell the shares. This permission shall not be unreasonably refused and in any event will be granted within six months of the request being made.

2.5 Under the Share Option Scheme, there are outstanding options to acquire up to 731,500 Ordinary Shares at a price of 85 pence per share. These options became exercisable in respect of 287,375 Ordinary Shares on 27 September 2001. The remainder will become exercisable in phases over the next two to three years. The option holders will ordinarily have to be directors of the Company or its subsidiaries to exercise their options except in very limited circumstances. There are no formal rules of the Share Option Scheme. Instead the terms of options have been set by the Board and may be summarised as follows:

- (i) the Board may grant at its discretion options to acquire Ordinary Shares in the Company to selected employees;
 - (ii) no payment is made for the grant of an option;
 - (iii) the subscription price payable on exercise is not less than market value of the shares on the date of grant;
 - (iv) options will be exercisable at times and subject to such conditions as the Board determines. Existing options are ordinarily exercisable as to a proportion (either one third or one quarter) each anniversary of the date of grant provided the option holder is a Director/employee of the Company at the date of exercise of the option;
 - (v) an option may be exercised within 12 months of the death of the option holder by the option holder's personal representatives provided that the option holder was a Director of the Company at the date of his death;
 - (vi) the option holder is responsible for all taxes including income tax and National Insurance payable on the exercise of an option;
 - (vii) options may be exercised in whole or in part. If exercised in part the option must be exercised in respect of no less than 10 Ordinary Shares or an integral number thereof; and
 - (viii) the option holder must present the option certificate to the Company on exercise of an option.
- 2.6 Under the US Scheme, there are outstanding options to acquire up to 16,551 Ordinary Shares at a price of 100.5 pence per share. These options will ordinarily be exercisable between 22 October 2002 and 21 October 2011 provided the holder remains in employment with the Company or its subsidiaries. There are no formal rules of the US Scheme. Instead the terms of options have been set by the Board and may be summarised as follows:
- (i) the Board may grant, at its discretion, options to acquire Ordinary Shares to selected employees of Lo-Q Virtual Queuing Inc or Lo-Q plc;
 - (ii) no payment is made for the grant of an option;
 - (iii) the subscription price payable on exercise of the option is not less than the market value of the shares on the date of grant;
 - (iv) options will be exercisable at times and subject to such conditions as the Board determines;
 - (v) option holders must present the Company with an option certificate in order to exercise options;
 - (vi) an option may be exercised within 12 months of the death of the option holder by the option holder's personal representatives provided that the option holder was an employee/director of one of the companies referred to in (i) above at the date of his death;
 - (vii) the option holder (or his personal representatives) are responsible for all taxes including income tax, payroll taxes, capital gains tax, social security taxes which may be due on grant or exercise of an option or on a sale of the shares received on exercise of the option. This responsibility applies to taxes that are payable by the individual option holder and any tax liability that may fall to the companies detailed in (i) above as an employer; and
 - (viii) options can be exercised in whole or in part. If the option is exercised in part it must be exercised in respect of not less than 10 Ordinary Shares or an integral multiple thereof.
- 2.7 Lo-Q (Trustees) Limited was granted on 27 September 2000 an option to subscribe for up to 320,455 Ordinary Shares. No exercise of this option had occurred prior to 1 March 2002 and the option was surrendered on 1 March 2002 by a Deed of Surrender executed by the Company and Lo-Q (Trustees) Limited dated 1 March 2002.
- 2.8 Save as disclosed in this document no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under options.

- 2.9 On 23 August 2000, the Directors were generally and unconditionally authorised, for the purposes of Section 80 of the Act, 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 could, 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 could allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired. This authority was revoked (save for any outstanding and unsatisfied offers or agreements) at the Company's second annual general meeting held on 18 March 2002.
- 2.10 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 was limited to the allotment of equity securities up to an aggregate nominal amount of £999,998. This authority was renewed at the first annual general meeting of the Company held on 29 October 2001, but was revoked (save for any outstanding and unsatisfied offers or agreements) at the Company's second annual general meeting held on 18 March 2002.
- 2.11 Pursuant to the authority and power referred to in paragraphs 2.9 and 2.10, the Directors allotted and issued in aggregate 729,905 Ordinary Shares at par for cash, on 23 August 2000 to the then existing shareholders of the Company. All these Ordinary Shares were paid up in full by 12 March 2002.
- 2.12 At the Company's second annual general meeting held on 18 March 2002:
- (i) the authorised share capital of the Company was increased from £1,000,000 to £11,000,000;
 - (ii) the Directors were authorised, pursuant to Section 80 of the Act, for a period of five years to allot relevant securities up to an amount equal to £10,893,180; and
 - (iii) the Directors were empowered, pursuant to Section 95 of the Act, to allot equity securities up to an aggregate nominal amount of £10,000,000 as if Section 89(1) of the Act did not apply to such allotment for the period ending on the date of the third annual general meeting of the Company or 15 months from the date of the second annual general meeting (whichever is earlier).
- 2.13 Save as disclosed in this document, there is no present intention to issue any of the authorised but unissued share capital of the Company.
- 2.14 The Company does not have in issue any security not representing share capital and there are no outstanding convertible securities issued by the Company.
- 2.15 The New Ordinary Shares will be in registered form and may be held in either certificated or uncertificated form. In accordance with the Uncertificated Securities Regulations 1995 (the "Regulations"), Shareholders may hold Ordinary Shares under the CREST system. No temporary documents of title will be issued.

3. DIRECTORS' AND OTHER INTERESTS

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

Jeffrey Robert McManus (Executive Chairman);

Leonard Sim (Managing Director);

John George Lillywhite (Finance Director);

Anthony Victor William Bone (Non Executive Director);

all of New Close, Greenlands, Henley on Thames, Oxfordshire, RG9 3AL.

- 3.2 (a) 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 appear or will appear in the register maintained under section 325 of the Act notifiable to the Company pursuant to sections 324 or 328 and Schedule 13 of the Act and of persons connected with the Directors (within the meaning of section 346 of the Act) as at 18 April 2002 (being the date of this document) are as follows:

Current Shareholdings

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of existing Issued Share Capital</i>	<i>Number of Ordinary Shares following Admission</i>	<i>% of Enlarged Share Capital</i>
Jeff McManus*	291,742	2.71%	291,742	2.03%
Leonard Sim**	4,458,575	41.48%	4,458,575	31.07%
John Lillywhite	10,000	0.09%	10,000	0.07%
Anthony Bone	183,579	1.71%	183,579	1.28%

* 159,742 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 and 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.

** 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 also a minor.

- (b) The Directors are also interested in unissued Ordinary Shares under share options held by them as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>
Jeff McManus	418,000
John Lillywhite	209,000
Anthony Bone	182,875

These options have been granted under certain option agreements, the terms of which are summarised in paragraph 6 of this Part III.

- 3.3 Save as disclosed in this document, no Director (or member of his family) has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.
- 3.4 Save as disclosed in this document, none of the Directors has or has had an interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Lo-Q Group and which was effected by any member of the Lo-Q Group during the current or any previous financial year and remains in any respect outstanding or unperformed.
- 3.5 In the financial year ended 30 September 2001, the aggregate remuneration paid (including benefits in kind) to the Directors was £167,813. 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 £255,000.
- 3.6 There will be no variation in the total emoluments receivable by the Directors as a result of the Admission and Placing.
- 3.7 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.
- 3.8 Save as disclosed below, there are no existing or proposed service contracts of the Directors with any member of the Lo-Q Group other than contracts expiring, or determinable by the employing company without payment of compensation (other than statutory compensation) within one year. The services of the Directors are provided to the Company under the following agreements:

Jeff McManus entered into a service agreement with the Company dated 11 March 2002 pursuant to which he is employed as Executive Chairman of the Company. His service with the Company commenced on 23 August 2000. The employment of Jeff McManus will continue for a fixed period until 30 September 2003 and thereafter unless or until terminated by either party giving to the other not less than 12 months' notice in writing to expire on 30 September 2003 or at any time thereafter. From 1 April 2002, the annual salary of Jeff McManus shall be £50,000 and he is required to work a

minimum of 2 days per week. At the request of the Company and with the agreement of Jeff McManus, he may be required to work up to an additional 70 days per annum. For these additional days the Company will pay £500 per day worked. The service agreement contains restrictive covenants which seek to bind Mr McManus for 6 months from termination of employment from, for example, being concerned in any competing trade or business within the UK, US and continental Europe and from soliciting customers or senior employees of the Company or any associated company.

Leonard Sim entered into a service agreement with the Company dated 10 March 2002 pursuant to which he is employed as Managing Director of the Company. The employment of Leonard Sim will continue for a fixed period until 30 September 2003 and thereafter unless or until terminated by either party giving to the other not less than 12 months' notice in writing to expire on 30 September 2003 or at any time thereafter. Mr Sim's employment with the Company commenced on 23 August 2000 but his previous service with Tellurian which commenced on 23 September 1993 counts towards his continuous employment. From 1 April 2002, the annual salary of Leonard Sim shall be £85,000 and he shall be eligible for an on target performance related bonus of £20,000 for the financial year ending 30 September 2002 and £40,000 per annum for the financial years ending 30 September 2003 and thereafter, subject to the bonus terms and conditions from time to time. Mr Sim is eligible to participate in any Company employee wide share option scheme, pension scheme, private health and permanent health schemes. He is entitled to a suitable company car. Mr Sim's service agreement contains similar restrictive covenants to those set out in the service agreement of Mr McManus.

The service agreements for both Jeff McManus and Leonard Sim provide that any discoveries, improvements or developments (not being inventions to which Section 39-43 Patents Act 1977 (as amended) apply) made or acquired by the relevant individual shall belong to the Company. Each individual may be required to execute all documents and do such things as may be necessary to vest the same in the Company.

On 27 September 2000 the Company entered into a consultancy agreement with Barnwell Limited (as amended by two letters dated 22 February 2002 and 11 March 2002 respectively) pursuant to which the services of John Lillywhite are provided as Finance Director to the Company, until such time as the Company appoints a full-time Finance Director, when his services are to be provided as non-executive deputy Chairman. The term of the consultancy agreement is for a fixed period until 30 September 2003 and thereafter unless or until terminated by the Company or Barnwell Limited giving to the other not less than 6 months' notice in writing to expire on 30 September 2003 or at any time thereafter. Mr Lillywhite is required to attend at the Company's premises for a minimum of 2 days per calendar month and up to a maximum of 6 days per calendar month. The exact number of days to be worked in any month is as agreed between the parties. With effect from 1 April 2002, the Company shall pay a fee of £500 per day worked, exclusive of VAT and expenses, in consideration of the services given. During the continuance of the consultancy agreement and for a period of 6 months from termination, Mr Lillywhite is restricted from carrying out work or services for a business which competes directly with the System but there are no other express restrictions on Mr Lillywhite's activities after termination of the agreement.

On 27 September 2000, the Company entered into a consultancy agreement with IXXI Limited (as amended by two letters dated 22 February 2002 and 11 March 2002 respectively) pursuant to which the services of Anthony Bone are provided as a non executive Director of the Company. The term of the consultancy agreement is for a fixed period until 30 September 2003 and thereafter unless or until terminated by the Company or IXXI Limited giving to the other not less than 6 months' notice in writing. Mr Bone is required to attend at the Company's premises for a minimum of 2 days per calendar month and up to a maximum of 6 days per calendar month. The exact number of days to be worked in any month is as agreed between the parties. With effect from 1 April 2002, the Company will pay a fee of £500 per day worked, exclusive of VAT and expenses, in consideration of any services given. During the continuance of the consultancy agreement and for a period of 6 months from termination, and for a period of six months from termination Mr Bone is restricted from carrying out work or services for a business which competes directly with the System but there are no other express restrictions on Mr Bone's activities after termination of the agreement.

Each of the above consultancy agreements provides that the Company shall be entitled to all intellectual property rights in the work undertaken by the relevant consultant. In each agreement, the relevant consultant assigns any such rights it may acquire and agrees to do all such things and execute all such documents as may be necessary.

- 3.9 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/or are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

	<i>Current Directorships</i>	<i>Former Directorships</i>
Jeff McManus	Lo-Q plc Jeff McManus Limited Jeff McManus Asset Management Limited Hurst Automotive Services Limited Lagan Rentals Limited	Greenlief Limited (dissolved on 17 February 1998 following voluntary liquidation) Technology Club Limited (dissolved on 3 March 1998 following voluntary liquidation) Homesite Computers Limited (dissolved on 20 October 1998 following voluntary liquidation) Penn Haven (Management) Limited Whiterose Limited Casco Environmental Services Limited Dream Machines Direct Limited (dissolved on 29 May 2001 following voluntary liquidation)
Leonard Sim	Lo-Q plc Lo-Q (Trustees) Limited	The Tellurian Devices Company Limited (put into members' voluntary liquidation on 23 August 2000)
John Lillywhite	Lo-Q plc Barnwell Limited Lo-Q (Trustees) Limited Lagan Technologies Limited Synergy Centres Limited Kainos Software Limited Lagan Rentals Limited Meridio Limited Kianos Managers Limited Due 2U.com Limited	Consultus International Limited ICL (Ireland) Pension Trustees Ltd ICL (UK) Limited ICL Asset Management Limited ICL Computers (Ireland) Limited ICL Finance Limited ICL Flexible Finance Limited ICL Pension Trust Limited ICL Supplementary Pension Trust Limited Technology Holdings Limited

	<i>Current Directorships</i>	<i>Former Directorships</i>
Anthony Bone	Lo-Q plc Acutek Control Solutions Ltd IXXI Limited Acturia Limited Museum of East Anglian Life Datasphere Limited Montrose Filmworks Limited	OSI Group Limited Systec Management Services Limited O.S.I. Services (U.K.) Limited OSI UK Limited Communica Limited N-Able Limited OSI Group Holdings Limited OSI Europe Limited

3.10 Save as set out in paragraph 3.9, no Director has:

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

4. PREMISES

The head office of the Company is at New Close, Greenlands, Henley on Thames, Oxfordshire RG9 3AL.

5. SUBSIDIARIES

- 5.1 The Company's only English subsidiary is Lo-Q (Trustees) Limited, a company incorporated in England and Wales on 30 June 2000 with company number 4024467, the registered office of which is at New Close, Greenlands, Henley on Thames, Oxfordshire, RG9 3AL. 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 has been issued, fully paid, to the Company.
- 5.2 The Company's only other subsidiary is Lo-Q Virtual Queuing, Inc ("Lo-Q Inc"), a US company organised and existing under the Georgia Business Corporation Code. The authorised capital of Lo-Q Inc is 100,000 shares of a common class with a par value of \$1 per share. The Company is the sole shareholder of Lo-Q Inc.

6. MATERIAL CONTRACTS

The contracts summarised below (not being contracts entered into in the ordinary course of business) have been entered into by the Company and its subsidiaries within the two years immediately prior to the date of this document and are or may be material or are contracts which have been at any time entered into by the Company (or any of its subsidiaries) and which contain any provision under which the Company (or any of its subsidiaries) has any obligation or entitlement which is material to the Company (or any of its subsidiaries) as at the date of this document:

- 6.1 An option agreement dated 27 September 2000 made between Daniel Stewart and the Company pursuant to which Daniel Stewart was granted an option to subscribe for up to 5 per cent. of the Ordinary Shares following admission of such capital to trading on OFEX ("OFEX Admission"). Such

option is exercisable during the option period referred to below at a price of 106p per option share. The option period is the period between the OFEX Admission and five years from the date thereof. The date of OFEX Admission was 30 October 2000.

- 6.2 A reconstruction agreement dated 23 August 2000 made between Tellurian, Dermot Brendon Coakley and Mark Pearce Riley (the "Liquidators") and the Company, as rectified by a deed of rectification dated 27 September 2000 and made between Tellurian, the Liquidators and the Company 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 Ordinary Shares (the "Reconstruction Agreement"). The Reconstruction Agreement was 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. An assignment dated 26 March 2002 was entered into by Tellurian, the Company and the Liquidators formally transferring certain intellectual property rights relating to the business of Tellurian and the System to the Company, pursuant to the Reconstruction Agreement, effective as of 23 August 2000.
- 6.3 On 19 July 1999, Tellurian and Dione Plc entered into an agreement under which title to certain intellectual property (including in relation to the source code of software programs contained in the System) would pass to Tellurian provided Tellurian paid to Dione Plc the sum of £27,000 by 31 December 1999. Tellurian was licensed to use the relevant intellectual property prior to such payment. On 21 June 2000, the parties entered into a formal variation of this agreement which provided for 25 per cent. of the £27,000 to be paid by 31 December 2000 and the balance to be paid by 31 August 2001. All other conditions, benefits and licences were extended until 31 August 2001. The Company wrote to Dione Plc informing Dione Plc that Tellurian had been restructured and confirming that the Company had assumed Tellurian's obligations. The Company and Dione Plc then each signed a letter dated 4 September 2001 confirming that all payments due to Dione Plc under the agreement of 19 July 1999 had been made and that the Company now had full title to the relevant intellectual property.
- 6.4 An option agreement dated 27 September 2000 made between Jeff McManus and the Company pursuant to which Jeff McManus was granted an option to subscribe for up to 418,000 Ordinary Shares at 85 pence per share (the "JM Option"). The JM Option vests in three tranches; the first such tranche relating to 209,000 Ordinary Shares vested on 27 September 2001 and two equal tranches of 104,500 Ordinary Shares will vest on 27 September in each of 2002 and 2003 respectively. Subject to vesting, the JM Option is exercisable in whole or in part on or before 27 September 2006 provided that if Jeff McManus ceases to be an employee of the Company the JM Option will cease and determine. The option may be exercised before vesting in certain circumstances; for example, on a take-over of the Company.
- 6.5 An option agreement dated 27 September 2000 made between John Lillywhite and the Company pursuant to which John Lillywhite was granted an option to subscribe for up to 209,000 Ordinary Shares at 85 pence per share (the "JL Option"). The JL Option vests in four equal amounts of 52,250 Ordinary Shares on 27 September in each of the years 2001, 2002, 2003 and 2004 respectively. Subject to vesting, the JL Option is exercisable in whole or in part on or before 27 September 2006 provided that if John Lillywhite ceases to be an employee of the Company the JL Option will cease and determine.
- 6.6 A deed of assignment dated 27 September 2000 between Leonard Sim and the Company pursuant to which Leonard Sim assigned patent number GB 2307324B to the Company for the sum of £10.
- 6.7 A deed of assignment dated 27 September 2000 between Leonard Sim and the Company pursuant to which Leonard Sim assigned patent application number PCT/GB96/02810 to the Company for the sum of £10.
- 6.8 At a meeting of the Board on 10 July 2001, Anthony Bone was granted an option to subscribe for up to 104,500 Ordinary Shares at 85 pence per share and under an option agreement dated 26 March 2002, Mr Bone was granted a further option over 78,375 Ordinary Shares by the Company (the "AB Option"). The AB Option must be exercised on or before 27 September 2006 and vests in four tranches; the first

tranche relating to 26,125 Ordinary Shares vested on 27 September 2001 and three equal tranches of 52,250 Ordinary Shares will vest on 27 September in each of 2002, 2003 and 2004 respectively. The options cease and determine if Mr Bone ceases to be a director of the Company. The option may be exercised before vesting in certain circumstances; for example, on a take-over of the Company.

- 6.9 Heads of agreement dated 19 January 2002 made between Six Flags and the Company pursuant to which Six Flags confirmed their intention to have the Company install and operate the System at eight of Six Flag's US Theme Parks in 2002 to the extent that implementation is commercially viable, and also to have the Company install the System in a further two Theme Parks in 2003. The Company agreed that it will not install the System in any Theme Park within 200 miles of a Six Flags Theme Park that has the System.
- 6.10 A supply agreement dated 22 April 2000 between Tellurian and Six Flags over Georgia II, L.P. acting through its general partner SFOG II, Inc. ("SFOG"). This agreement relates to the provision and installation of the System in Six Flags Georgia and was assumed by the Company pursuant to the Reconstruction Agreement. The agreement provides that Tellurian and SFOG will share the Net Park Operating Revenue (as defined) and the Software License Fee (as defined) as mutually agreed from time to time. The term commenced upon execution of the agreement and continues until 31 December 2002, but may be renewed for an additional term by mutual agreement between the parties. Either party may terminate the agreement immediately if the other party is in default of any of the material provisions of the agreement and fails to remedy or begin in good faith to remedy that default within 15 business days after notice of default has been given by the non-defaulting party. Either party shall also be entitled to terminate the agreement in the event of the other party becoming insolvent or a similar event. Each party shall indemnify the other party in respect of a wide range of potential claims or losses if suffered by the other party as a consequence of the acts or omissions of the defaulting party or its sub-contractors, agents or employees etc.
- 6.11 A marketing and supply agreement between the Company and Virtual Line Systems LLC ("VLS") dated 29 September 2000 pursuant to which VLS has the sole right to assist the Company to persuade six specified Theme Parks (five of which are part of the Paramount group) to enter into a licence agreement with the Company to install the System. The Company has agreed that, whilst this agreement remains in force, it will not engage in any activities which compete with those of VLS in any of the six specified Theme Parks. In addition, the Company has agreed not to support the activities of any other organisation which competes with those of VLS under the agreement. The agreement is to continue (unless terminated earlier in accordance with the agreement) for 10 years provided that VLS meets its obligations under the agreement and does not commit a material breach of the agreement which VLS cannot or does not remedy.
- 6.12 A supply agreement dated 5 March 2002 between the Company, Lo-Q, Inc. and Six Flags governing the installation and operation of the System in 8 Theme Parks in the United States during 2002 and 2 additional Theme Parks in 2003. The agreement is governed by the laws of the State of New York. The agreement continues until 31 December 2006, with 5 one year renewals extending the agreement under the same terms and conditions as the previous year. During the initial 10 year period (assuming 5 one year renewals) Lo-Q has agreed not to install the System in any non-Six Flags Theme Park which is within 200 miles of a Six Flag Theme Park that either has the System or an agreement to install the System. After the initial 10 year period, Six Flags is granted an additional 10 one-year extendable renewal periods during which the terms and conditions for support and maintenance by Lo-Q are limited and Six Flags have no non competition rights. Under the agreement, Six Flags is granted a non-exclusive, non-transferrable limited licence to use the System. Employees and sub contractors of Lo-Q will provide system installation, maintenance and support services and training whilst Lo-Q will receive a share of the net cash flow from operations. Six Flags is obliged to provide signage, promotion, equipment, access and employees to assist in the operation of the System. Six Flags also provides operation space on site in each Theme Park. Under the agreement, the intellectual property rights of Lo-Q in the System are stated to be exclusive to Lo-Q. Neither party may disclose confidential information under the agreement except as necessary to effect its obligations under the agreement. A

source code escrow is also provided if Lo-Q is unable to meet its obligations under the agreement. The parties have also agreed to indemnify one another for certain stated liabilities.

- 6.13 A placing agreement dated 18 April 2002 between the Company (1), Corporate Synergy (2), Daniel Stewart (3) and the Directors (4), pursuant to which Daniel Stewart agreed conditionally upon, *inter alia*, Admission taking place on 24 April 2002 (or such later date as the Company, Daniel Stewart and Corporate Synergy may agree) to use its reasonable endeavours to procure places for the New Ordinary Shares at the Placing Price.

The Placing Agreement contains certain representations, warranties and indemnities in favour of Daniel Stewart and Corporate Synergy given by the Company and the Directors together with provisions which enable Daniel Stewart and Corporate Synergy to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. Under the Placing Agreement the Company has agreed to pay Daniel Stewart a corporate finance fee of £20,000 (plus VAT where applicable) and a commission at the rate of 5 per cent. of the value (at the Placing Price) of all the Placing Shares subscribed for by the places up to a maximum of £200,000.

- 6.14 An agreement between the Company, the Directors and Corporate Synergy dated 18 April 2002 pursuant to which the Company appointed Corporate Synergy as its nominated adviser for the purposes of Admission and thereafter, conferring on Corporate Synergy all powers, authorities and discretions which are reasonably necessary for, or reasonably incidental to, its role as nominated adviser. The Company further agreed to indemnify Corporate Synergy against claims, actions, demands, liabilities and proceedings made, brought or threatened against Corporate Synergy and its associated companies incurred as a direct result of or directly in connection with the performance by Corporate Synergy of its obligations and services in connection with the Placing or Admission. The Company has agreed to pay Corporate Synergy a corporate finance fee of £100,000 (plus VAT as applicable and up to £50,000 of which may be satisfied at the Company's option by the issue of Ordinary Shares) and an option as set out in paragraph 6.15 below. In addition the Company has agreed to pay Corporate Synergy a retainer of £25,000 for acting as Nominated Adviser to the Company.
- 6.15 An option agreement dated 18 April 2002 made between the Company and Corporate Synergy pursuant to which the Company granted to Corporate Synergy an irrevocable right to exercise an option to acquire such number of Ordinary Shares as is equal to 2 per cent. of the issued share capital of the Company immediately following Admission. The option may be exercised in whole or in part at any time following Admission, on or before the seventh anniversary of the date of Admission.
- 6.16 A Lock-In Deed dated 18 April 2002 between the Directors and others (the "Locked-In Persons"), the Company, Corporate Synergy and Daniel Stewart whereby the Locked-In Persons agree not to dispose of their interests in Ordinary Shares (other than in certain specified circumstances) held by them before the first anniversary of the date of Admission.
- 6.17 An agreement between the Company and Daniel Stewart dated 18 April 2002 pursuant to which the Company appointed Daniel Stewart as its broker for the purposes of AIM for a minimum period of 18 months from the time of Admission and also as a financial adviser. The Company has agreed to pay Daniel Stewart an annual retainer of £25,000 for acting as broker and also a commission of 3 per cent. on the aggregate gross monetary value (up to a maximum US\$330,000) should further financing be raised in the future from the US. The Company has also agreed to indemnify Daniel Stewart and its associated persons against any losses, claims, liabilities and costs incurred directly or indirectly in connection with the breach by the Company of the agreement.
- 6.18 The Company occupies The Print Unit, Henley Management College, Greenlands, Marlow Road, Henley on Thames under a lease dated 20 February 2001 made between the Henley Management College and Lo-Q Plc. The lease is for 5 years from 8 January 2001, expiring on 7 January 2006. The current rent is £37,500 per annum (subject to upwards only review in January 2004) with a rent deposit (held by the landlord) of £9,375. There is a mutual right to determine the lease on 8 January 2004, by giving not less than six months' written notice to the other.

Under the terms of the lease, the Company was obliged to register a charge with the Registrar of Companies of its interest in the rent deposit, as security for moneys payable to the landlord. This charge has not been registered. The Directors have undertaken to make arrangements for the execution and registration of, the charge required by the lease.

7. MEMORANDUM AND ARTICLES OF ASSOCIATION

7.1 The Memorandum

The Company's principal objects, which are set out in Clause 4 of its Memorandum of Association, are to act as a general trading company.

7.2 The Articles of Association

The articles of association (which were adopted on 23 August 2000 and amended on 18 March 2002) 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 and no dividend shall exceed the amount recommended by the Directors. Subject to any special rights attaching to, or the terms of issue of any shares, any dividend may be paid in such currency as the Directors may determine. 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 the relevant Shareholder 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 winding up

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. The holders of fully paid Ordinary Shares will rank *pari passu* on a winding up 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) or by proxy shall have one vote and on a poll every such holder who is so 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 have been paid.

A member of the Company shall not, if the Directors so determine, be entitled to 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 (or 28 days if the member holds less than 0.25 per cent. of any class of shares) 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 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.

Notice 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; and the Directors may authorise some person to execute an instrument of transfer or take such steps as they consider appropriate to effect a sale of any Ordinary Share held in uncertificated form. 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 in relation to such amount.

(vi) *Variation of rights*

Subject to the Act, 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 shares 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*

Transfers of shares in certificated form 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. Shares may also be held in uncertificated form and uncertificated shares may be transferred in accordance with the Regulations. A transferor shall remain the holder of the share concerned (whether certificated or uncertificated) until the name of the transferee is entered in the register as the holder of such share. The Directors may refuse to register a transfer of any share held in certificated form which is not fully paid or on which the Company has a lien (provided that the market in those shares is not disturbed). The Directors may also refuse to register a transfer of any share held in certificated form or a renunciation of a renounceable letter of allotment unless the instrument of transfer:

- (a) is in respect of only one class of share;

- (b) is in favour of a single transferee or renounee or not more than four joint transferees or renounees; and
- (c) is duly stamped, is delivered for registration to the registered office, or at such other place as the Directors may determine and is accompanied by the certificate(s) for the shares to which it relates and such other evidence as the Directors may reasonably require to prove the title of the transferor to make the transfer.

If the Directors refuse to register a transfer of any certificated shares they must provide the purported 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 the specified time. There are no pre-emption rights on transfer attaching to the Ordinary Shares.

The Company shall, subject to any listing requirements, register a transfer of title to any uncertificated share or any renounceable right of allotment of a share which is held in uncertificated form, but the Directors may refuse to register such a transfer in favour of more than four persons jointly or in any circumstances permitted by the Regulations (save where to do so would disturb the market in the Ordinary Shares) and shall send notice of the refusal to the purported transferee within two months.

Registration of transfers may be suspended and the register of members closed by the Directors provided (*inter alia*) that the register of members shall not be closed for more than 30 days in any year.

(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 issue shares which are, or at the option of the Company or the holder are, liable to be redeemed. The Company shall (subject to approval by extraordinary resolution passed as a separate class meeting of the holders of any class of convertible shares) have the power to purchase its own shares, including redeemable shares.

(ix) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge the Company's undertaking, property, assets and uncalled capital, and, subject to the Act, 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 borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies so as to secure (as regards subsidiary companies, to the extent possible) that the aggregate of the amounts borrowed by the Company and all of its subsidiary companies (if any) (other than intra-group borrowings) shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the aggregate of the nominal amount of the share capital of the Company's share capital and capital and revenue reserves, as adjusted and defined in the Articles.

(x) *CREST*

All Ordinary Shares are eligible for electronic settlement (except where the UK Listing Authority otherwise agrees, if applicable).

8. LITIGATION

- 8.1 Morfun Systems, Inc. (“Morfun”) filed a civil complaint in the United States District Court for the Northern District of Georgia on 20 July 2001 against Lo-Q, Inc. and the Company alleging that the System installed at Six Flags Georgia infringed Morfun’s United States Patent No. 5,987,421 (the “’421 Patent”). Morfun is seeking to recover an unspecified amount of actual damages to compensate it for the alleged infringement, treble damages because of the alleged wilfulness, prejudgment and post-judgment interest, costs, and attorneys’ fees and a permanent injunction to prohibit further infringement.

The Company has denied infringement and asserted counterclaims seeking a declaratory judgment that the System does not infringe the ’421 Patent and that the ’421 Patent is invalid. The Company’s patent counsel in the US have advised the Company that, in their opinion, the System does not infringe the ’421 Patent. Morfun’s counsel (with Morfun’s consent) filed a notice indicating their intention to withdraw as counsel and the court have made an order granting Morfun’s counsel’s motion to withdraw and declaring that, unless Morfun retains new counsel within the next few weeks (believed to be before 30 April 2002), it will be declared in default.

- 8.2 Apart from the above, there are no legal or arbitration proceedings active, pending or threatened against, or being brought by, any member of the Lo-Q Group which are having or may have a significant effect on the Company’s or the Lo-Q Group’s financial position.

9. 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 per cent.) 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 per cent.) will have to account for tax of 22 per cent. 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 any 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 in their country of residence, on whether they can benefit from all or any part of any tax credit, and on whether a relief or credit may be claimed in the jurisdiction in which they are resident.

If any investor or potential investor is in any doubt as to his tax position, he should contact his professional adviser without delay.

10. EIS TAX RELIEF (“EIS”)

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.

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 in which shares were issued, subject to an overall maximum investment of £150,000 per annum. The relief is presently obtained at a rate of 20 per cent. It does not matter whether the individual is UK resident for tax purposes but relief is available only 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. Half of this relief (up to a 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.

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 the gains arising on the disposal of shares in the Company provided these have been held for a minimum of 3 years.

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.

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.

Individual qualifying for relief

Subject to certain exemptions, to qualify for the income tax relief an individual must not be, nor have been within the previous 2 years, connected with a company, or become connected with it within the next 3 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 per cent. of the issued ordinary share capital or loan capital or voting power in the company or rights carrying entitlement to 30 per cent. 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 merely because 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.

Claims

Investors claim income tax relief by submitting a tax certificate (form EIS 3) 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.

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.

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.

EIS tax relief certificates in relation to New Ordinary Shares

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, forms 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.

11. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry and after taking into account available bank facilities and the net proceeds of the Placing, the Company and the Lo-Q Group will have sufficient working capital available for its and their present requirements, that is for at least 12 months from the date of Admission.

12. GENERAL

- (a) The expenses of the Placing are estimated at £500,000 excluding applicable VAT. This amount includes a corporate finance fee and an estimated commission of £200,000 payable to Daniel Stewart in consideration of its agreeing to procure subscribers under the Placing. The total gross proceeds expected to be raised by the Placing are £3.6 million.
- (b) Except as stated in this document, there are no significant investments in progress by the Company.
- (c) Except as stated in this document, no exceptional factors have influenced the Company's activities.
- (d) In addition to the UK patent referred to in Part I of this document, the System requires certain intellectual property rights to operate. These are now vested in the Company, as more particularly described in paragraph 6 above. Except as stated in this document, the Company is not dependant on any intellectual property rights, licences or particular contracts, where any of these is of fundamental importance to the Company's business.
- (e) BDO Stoy Hayward, Chartered Accountants, have given and not withdrawn their written consent to the issue of this document 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.
- (f) Daniel Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which they respectively appear.
- (g) Corporate Synergy has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which they respectively appear.
- (h) Except as disclosed in this document, there has been no significant change in the financial or trading position of the Company or the Group since 30 September 2001, the date of its most recently published audited accounts.

- (i) Except as disclosed in this document and save for the advisers named on page 3 of this document, no person has received, directly or indirectly, from the Company within 12 months preceding the Company's application for Admission 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 the Placing Price or any other benefit to a value of £10,000 or more at the date of Admission.
- (j) The Placing Price of 100 pence per Ordinary Share is at a premium of 99 pence above the nominal value of each Ordinary Share.
- (k) Corporate Synergy Holdings plc, parent of Corporate Synergy, will subscribe for 150,000 New Ordinary Shares pursuant to the Placing.
- (l) The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 240 of the Act.

13. AVAILABILITY OF DOCUMENTS

Copies of the following documents may be inspected at the offices of Garretts, 2 Arundel Street, London WC2R 3GA and Abbots House, Abbey Street, Reading, RG1 3BD during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited financial statements of the Company for the two financial periods ended 30 September 2001;
- (c) the Accountants' Report set out in Part II of this document;
- (d) the service agreements referred to in paragraph 3.8 of this Part III;
- (e) the rules of the EMI Scheme referred to in paragraph 2.4 of this Part III;
- (f) the material contracts referred to in paragraph 6 of this Part III or a memorandum summarising the key terms of the relevant material contract; and
- (g) the consent letters referred to in paragraph 12 of this Part III.

14. 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 weekday (Saturdays and public holidays excepted) at the offices of Daniel Stewart & Company Plc, 48 Bishopsgate, London EC2N 4AJ for a period of one month from Admission.

18 April 2002

