Registered number 03959429

Lo-Q plc

2012 Annual report and financial statements

Lo-Q plc

Contents of the consolidated financial statements
for financial period ended 4 November 2012

Lo-Q plc

Company information
for financial period ended 4 November 2012

Directors:	John Weston, Non-executive Chairman Tom Burnet, Executive Leonard Sim, Executive John Alder, Executive Anthony Bone, Non-executive David Gammon, Non-executive Matt Cooper, Non-executive Steve Brown, Executive
Secretary:	D Armour (appointed 29 June 2012) Equiniti David Venus Limited Thames House Portsmouth Road Esher Surrey KT10 9AD
Registered office:	Thames House Portsmouth Road Esher Surrey KT10 9AD
Registered number:	03959429 (England and Wales)
Auditors:	BDO LLP Kings Wharf 20-30 Kings Road Reading Berkshire RG1 3EX
Bankers:	HSBC Bank plc 26 Broad Street Reading RG1 2BU

Lo-Q plc

Chairman's report
for financial period ended 4 November 2012

An excellent year

Today's results are the end product of an excellent year for Lo-Q. Notwithstanding the continuing global economic uncertainty we all face, in addition to challenging weather conditions in some of our key markets this year, Lo-Q has delivered strong year-on-year growth in revenue, profit before tax and net cash. Encouragingly, our strong performance continues to be driven by both revenue increases derived from existing sites as well as the 'switch on' of new and additional mandates won during the year.

We have also delivered on a number of important operational and strategic milestones during the period, be that the first sale of our innovative smartphone-based product or the extension of long-term customer relationships, such as our relationship with Six Flags. As these achievements evolve, they will undoubtedly reinforce and enhance Lo-Q's future growth.

Our team

During the period, the Lo-Q product development and sales teams have continued to work both hard and closely to generate success. Their work, and that of all our staff, has contributed to the strong sales momentum enjoyed this year, particularly in new product areas. On behalf of the board, I extend my thanks to all our colleagues for those efforts.

It is also important to note the growth in our team this year, with new colleagues joining us in recent months. Matt Cooper, who joined our board in September, brings with him a wealth of experience in technology and in markets that are particularly important to us, such as the US. Post-period end we also welcomed Steve Brown to the Lo-Q board. Steve joined us as CEO of accesso, the business we acquired in December 2012, and now serves as Chief Operating Officer of our enlarged North American business. Additionally, in November we welcomed Chris Galley to our senior team as CTO.

I would also like to offer my thanks on behalf of the board to departing director, John Lillywhite. In August 2012 we announced that John, who was Non-executive Deputy Chairman of Lo-Q and had served as Non-executive Director of the company since September 2000, had decided to retire from the board. His contribution in that time was central to the development and growth of our company.

Looking ahead

On 5 December 2012, we announced the acquisition of accesso, which was a hugely important day for our team. In combination the two businesses can deliver an enhanced and expanded product offering, deepened customer relationships, significant opportunities for further technological innovation and a larger addressable market. Together, we have an excellent opportunity to build a trusted, proven and energetic supplier of scale across multiple Leisure markets and I look forward to reporting our progress in this endeavor as this New Year moves forward.

Of course, the integration of the accesso and Lo-Q businesses also presents us with new challenges. However, progress with sales is already showing through and, with geographical expansion on the horizon, new parks still to install and a fresh, powerful product range to market, 2013 promises to contain additional exciting opportunities for Lo-Q. I am confident that our dedicated, talented and now expanded team will work hard this year to prove the benefit of Lo-Q's technology to a larger audience than ever before.

John Weston
Non-executive Chairman

Lo-Q plc

Chief executive officer's report
for financial period ended 4 November 2012

Strong, profitable growth

2012 has been a great year for our firm. At the heart of our strategy is the delivery of sustainable growth and we have delivered convincingly on that goal this year. Double digit growth in profitability and net cash is gratifying to see, particularly in a year with continued economic and consumer uncertainty and challenging weather conditions. The hottest July on record in North America; the wettest summer since national records began in the UK and much of Europe and the impact of Hurricane Sandy on America's east coast all featured in a year where like for like attendance at the parks in which we operate showed very limited growth.

The resilience of our performance owes much to the strength of our technology and the hugely compelling offering this offers our guests, particularly our newest innovations. The appeal of these products has enabled us to maintain strong relationships with our key park operators, in some cases extending these relationships by adding further parks, as well as expanding to serve entirely new operators through important contract wins throughout the year. We also continue to pay close attention to the ways in which our customers are evolving their own attendance strategies. In recent years, for example, operators have been placing increasing focus on solutions that can even-out attendance in their parks and improve 'out of season' utilisation rates. There are opportunities to both adapt our existing offering and develop new approaches to ensure that we support and benefit from this trend.

Average like for like guest spend on Lo-Q products increased by 12.6 per cent year-on-year, supported by a 9 per cent increase in the number of park attendees choosing to utilise a Lo-Q system. This continued growth in the appeal and adoption of our products is the consequence of improved sales and marketing efforts and particularly our success in upselling Lo-Q products, moving park-guests to premium-priced solutions. Profit before tax increased to £3.2m, a 16.7% increase on 2011.

Moreover and despite significant investment in additional installations in the period, the company achieved a 18.9% increase in its cash position at the end of the period. Approximately £4.4m of this cash was utilised post period end to fund part of the accesso acquisition.

Customers and markets

Not only have we delivered sales momentum this year, but our team has also worked hard to lay the foundations for future sales success. Progress has been particularly encouraging in new product areas and in the conversion of new customers to our solutions. The company has also made further progress in extending long-standing customer relationships, securing the partnerships and trials that will support its future expansion in to new markets and verticals.

Building on existing relationships

In January 2012, Lo-Q announced a three year contract to install its patented Q-bot system at LEGOLAND® Deutschland: a part of Merlin Entertainments Group, the world's second largest visitor attraction operator. The agreement builds on the success of Lo-Q's existing system at two other Merlin parks: LEGOLAND® Windsor in the UK and Heide Park in Germany and further strengthens the company's presence in the European theme park arena.

During the period, Lo-Q has further expanded its key relationship with Six Flags, the company's largest customer. Under an extended agreement, Six Flags have committed to a six year extension to their existing Q-bot contract which includes 10 Six Flags theme parks. In addition, Six Flags have deployed Q-band across 9 of their North American water parks, also for a six year term. This demonstrates an important vote of confidence in the sustained value and capability of Lo-Q's technology.

Continued progress with Q-band

Sales of Q-band, the company's water park ride reservation system launched in 2011, continue to generate encouraging momentum. During the year the company signed a three-year agreement with Palace Entertainment, the largest operator of water parks in the United States, to bring Q-band to Splish Splash in Long Island, NY.

In addition, Lo-Q also signed a five-year agreement with Zoombezi Bay, which is owned and operated by Columbus Zoo and Aquarium, to install and operate its Q-band.

Strength in our core

The company has also seen continued momentum with Q-bot, its innovative virtual queuing system. During the period, Lo-Q signed a new agreement with a major US theme park operator to install Q-bot at two of the operator's parks in the USA. Under the terms of the agreement, the Q-bot solution will be installed in both parks for four years, with the option to extend this for a further two years. This new relationship highlights the good progress the company has made in building on and converting its sales pipeline, particularly within large global operators.

Landmark first sale for Q-smart

Lo-Q has also made significant headway with Q-smart, the company's new smartphone-based system, that can be deployed to compliment or as an alternative to Q-bot. Following the successful trial of the Q-smart solution at a North American Park during the summer of 2012, Lo-Q secured a contract to install Q-smart at Walibi Holland, one of the Netherlands' top theme parks. Not only does this mark the company's first Q-smart customer, the agreement also opens the door to a new, top-tier customer relationship for Lo-Q with Compagnie des Alpes: the park's owner and a major player in the tourism and leisure industries in Europe. We believe that this is a good further example of Lo-Q's innovative product offering as well as illustrating the significant advancements in expanding its footprint within the global operator community.

Post-period end, Lo-Q has continued this momentum with further contract wins secured. The company has extended its relationship with Palace Entertainment, the largest operator of water parks in the United States and operating a total of 40 attractions in North America. Raging Waters, California's largest water park, is adding Q-band, while Noah's Ark, the largest water park in the US, has begun utilising accesso Passport's eCommerce platform. Herschend Family Entertainment Group owns, operates or manages 26 family-oriented theme parks and attractions across ten states in the US and we were delighted to announce the extension of our Q-bot solution at Dollywood in Tennessee, together with the installation of Q-band at Dollywood's Splash Country water park. All of these agreements operate through 2015. Finally, we have also been contracted to install and operate our Q-band system at Camelbeach Mountain Water Park Pennsylvania's largest water park for a 5 year team.

Extending our reach

An important part of Lo-Q's strategy is to expand sales in to markets where the company does not currently operate. This year, we commenced a project to gain a foothold in the Asian market place, the fastest-growing theme and water park market globally, were a key area of focus for the company: and took a step closer to becoming reality.

In September, Lo-Q signed a partnership agreement with Sanderson Group - an Australian multi-national corporation with over 23 years' experience in delivering high quality, themed tourist attractions – to advance Lo-Q's expansion in Asia. The arrangement sees both firms collaborate on the promotion, sale and support of Lo-Q's products in the region. This venture formally started in December 2012, for an initial one year period and an option to convert into a formal joint venture arrangement and the company is encouraged by the initial progress that the partnership has facilitated.

Positioning our business for the future

The board has as its strategic ambition the vision to build a trusted, proven and energetic supplier of scale across multiple Leisure markets. At the heart of this, we believe the convergence of queuing, ticketing, payments and digital content on to mobile platforms is inevitable and that this represents a huge potential opportunity for Lo-Q. It is this belief that led Lo-Q to the acquisition of accesso.

Accesso and Lo-Q together make for a powerful combination. Together, the enlarged group opens up new routes to growth, possibilities for operational leverage across our combined teams as well positioning us well to defend and deepen both parties' existing client relationships.

Recognised as the attractions industry's leading provider of ticketing solutions offering a range of proprietary PCI Level 1, fully-hosted ticketing, ecommerce, mobile and payment processing solutions to more than 100 leading venues across the United States, Canada and Mexico, accesso adds scale and reach to our existing business. Accesso also brings to Lo-Q a number of significant operator customers, adding to Lo-Q's existing and expanding base of relationships. The addition of accesso's product suite also represents an important strategic step forward for Lo-Q, opening up the potential to expand sales into adjacent Leisure verticals, such as zoos and cultural attractions.

Chief executive officer's report (continued)
for financial period ended 4 November 2012

As with all good combinations, the benefits flow both ways. At this time accesso currently operates only in North and Central America, presenting the enlarged group with an exciting opportunity to leverage Lo-Q's existing presence in Europe and its partnership in Asia to expand sales of accesso's products internationally.

We are still at an early stage in the integration progress, but – as recent announcements have highlighted – we have already begun to see some evidence of the sales synergies we predicted as a part of the transaction coming through as well as numerous operational benefits as our teams start to work together more closely.

Industry recognition

2012 is notable for the success delivered across all of our product lines, but particularly strong for Q-band despite being at an early stage in its development. We are extremely proud to have been awarded an International Association of Amusement Parks and Attractions (IAAPA) Best New Product Award for Q-band.

This award is an important industry endorsement. It, together, of course, with the important contracts we have secured this year, demonstrates the value of our team's dedication to innovation and technology. It is precisely this innovation that has helped us to become the leading provider of virtual queuing systems for the amusement industry around the world and we look forward to continued innovation in future years.

Intellectual property and research & development

One of our greatest strengths as a firm is the extensive portfolio of patents and IP innovations upon which our product set is based. The company is committed both to the protection of this portfolio and, where appropriate, a pragmatic extension of it. As such, this year the company continued to acquire patents that further differentiate and enhance the capabilities of our software and, we believe, extend our technological leadership in the market in which we operate. Whilst committed to defending our investments in IP from infringement, the company is also aware of the additional revenue potential these assets hold. Where appropriate and advantageous, the company is prepared to consider selective licensing of its IP, as demonstrated this year with the signing of an IP licensing agreement for one of our patent families.

Our commitment to invest in technology is unchanged and total research and development expenditure was £0.85m in the period (2011: £0.65m). 48% of this was capitalised (2011: 49%).

Dividend

The board has consistently communicated its view that the payment of a dividend is unlikely in the short to medium term, given anticipated new product investment or deployment and other investment opportunities. The accesso acquisition clearly demonstrates the investment opportunities that the board see as available and the dividend policy therefore remains unchanged.

Summary and outlook for 2013

In summary, I am delighted to report another successful year for Lo-Q. The double-digit growth we have delivered is testament to the hard work of our team and the products they have created, sold and operated. I would like to echo my Chairman's thanks to that team and re-iterate my welcome to the accesso colleagues who join us at this exciting time for the enlarged company.

At this time of year, I talk of my excitement and confidence for the year ahead. Such sentiment is particularly true this year, with the transformational acquisition of accesso complete and the sales and technological opportunities available to be exploited. I have great confidence in the abilities of our enlarged team and in our prospects for the months ahead.

Tom Burnet
Chief Executive Officer

Lo-Q plc

The board of directors
for financial period ended 4 November 2012

John Weston, Non-executive Chairman
John joined Lo-Q in May 2011. He was previously Chief Executive of British Aerospace and then BAE Systems from 1998 to 2002, at the time it was a £12.5 billion business employing over 120,000. He is also Chairman of MB Aerospace, a supplier of machined engine components to the aero-engine industry, AWS Electronics, a company manufacturing circuit boards and wiring harnesses for the defence and aerospace businesses, and Torotrak plc, developers in the commercial application of gearless traction drive technology. John is also Chairman of the trustees for Ufi Charitable Trust.

Tom Burnet, Chief Executive Officer
Tom joined Lo-Q as Chief Executive Officer in October 2010. He joined from Serco plc where he was Managing Director of the company's 5,000 person defence services division. Prior to Serco, Tom was Managing Director of QinetiQ's capability support division, a high growth £50 million Technical Consultancy, working with governments and industry around the world.

Tom is responsible for the leadership, strategic direction and growth of Lo-Q.

Leonard Sim, Founding Director
Leonard is the inventor of the system, which was conceived while he ran Tellurian (Lo-Q's predecessor), a sales agency in data communication devices and software. Previously, Leonard ran technical sales teams for Rockwell Semiconductor and Ferranti Semiconductor after a period as an Electronics Engineer at Plessey Radar. He gained an honours electronic engineering degree from Heriot-Watt University, Edinburgh in 1971.

Leonard's responsibilities include business development, strategic planning, product marketing and managing the engineering team.

John Alder, Finance Director
John is a Chartered Accountant who qualified with Coopers and Lybrand (PricewaterhouseCoopers). He subsequently held Finance Director and Controller positions in quoted and private pan - European businesses.

John is responsible for all aspects of the company's financial management and reporting. John was appointed as a director of the company in August 2009.

Steve Brown, Chief Operating Officer - North America
Steve was appointed to the board in December 2012 following the acquisition of accesso LLC.
Steve spent 16 years with the Walt Disney Co. where he held executive positions as Director of Walt Disney World Ticketing and Vice President of Revenue Management for Disneyland Resort. He has also worked as Corporate Vice President of Ticket Strategy and Sales for Six Flags, before becoming CEO and Principal of accesso in 2008.

Anthony Bone, Non-executive Director
Tony spent over 30 years in the IT industry with ICL, from hardware design, software design, consultancy and then general management. In 1988 he was one of the founder directors of the OSI group which specialised in program and project management, IT, and change consultancy. OSI was acquired by the FI Group plc in 1999. Tony now acts as an investor in, and Non-executive Director of, a number of high technology companies.

Tony, in addition to normal board duties, provides advice in product strategy and development to the company as well as chairing the remuneration committee and serving on the audit committee.

David Gammon, Non-executive Director
David has over 15 years experience as an investment banker having worked for Baring Securites, Salomon Brothers, Robert Fleming & Co and Credit Lyonnais. Since 2001, David has focused on developing, advising and investing in UK technology companies.

David is also a member of the audit and remuneration committees.

Matt Cooper, Non-executive Director
Matt joined Lo-Q in September 2012. He currently serves as Chairman of both Octopus Capital Limited and Octopus Investments Limited, serves as Executive Chairman of AIM listed Imaginatik plc, and also holds further directorships at both private and public companies and of consumer body, Which? Financial.

Matt started his career in the United States and held senior roles at Capital One Financial Corporation before re-locating to the United Kingdom to manage the international expansion of Capital One in the UK and wider Europe, playing a pivotal role in growing Capital One's UK business from zero to two million customers and a workforce of more than 2000 employees.

Matt, in addition to normal board duties, chairs the audit committee and serves on the remuneration committee.

Lo-Q plc

Report of the directors
for financial period ended 4 November 2012

The directors present their report with the financial statements of the company and the group for the financial period ended 4 November 2012.

Principal activity

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

The group made a profit before tax of £3,153,531. After taxation a sum of £2,521,344 has been transferred to retained earnings.

The group will in future develop, market, sell, and operate technology solutions to the attraction and leisure industry.

Review of business

The results for the period and financial position of the company and the group are as shown in the annexed financial statements and explained in the Chairman's report and Chief Executive Officer's statement.

Dividends

No dividends will be proposed for the financial period ended 4 November 2012.

Principal risks and key performance indicators

The board has identified the principal risks and uncertainties which it believes may impact the group and its operations as well as a number of key performance indicators with which to measure the progress of the group.

Principal risks and uncertainties

In line with groups of a similar size, the group is managed by a limited number of key personnel, including executive directors and senior management, who have significant experience within the group and the sectors it operates within and who could be difficult to replace. Executive remuneration plans, incorporating long-term incentives, have been implemented to mitigate this risk.

A key risk relates to the concentration of revenue derived from guests of particular theme parks groups. The group continues to increase its operating parks, including the introduction of additional park operators by introducing new technologies and extending its geographical presence.

The group has a very seasonal business with revenue and cash flows predominantly linked to theme and water park attendance which peak in the summer months. Attendance at leisure venues can be impacted by circumstances outside the control of the group including consumer spending capability within the regions we operate together with operator venue pricing, discount policies, investment capability, safety record and marketing.

A significant proportion of revenues of the business are denominated in US dollars. Although the majority of expenditure is also denominated in this currency, there remains an exposure to movements between sterling and US dollars. This exposure is managed via entering into appropriate forward contracts.

It is of fundamental importance in maintaining a sustainable long-term business that the group is aware and takes action to mitigate competitive threats, whether from technological change, or from competition. Effort is directed to ensure that the group invests in appropriate and focused research and development activity and monitors technological advances and competitor activity. Linked to this, the group is continually looking to protect its technology by the development and, or purchase of patents and will take appropriate action to defend its intellectual property rights.

Key performance indicators

Key performance indicators are used to measure and control both financial and operational performance. Guest attendance, revenues, margins, costs and cash are trended to ensure plans are on track and corrective actions taken where necessary. Product development performance is also monitored and tracked through measurement against agreed milestones. In addition, further key performance indicators include the number

Key performance indicators *(continued)*

of parks where our technology is implemented, the proportion of guests that utilise our products and the sales mix of services offered.

Risk management and internal control

The board is satisfied that the group's risk management and internal control systems are adequate. At this stage the board not consider it to be appropriate to establish an internal audit function.

Research and development

The group's research and development activities relate to the development of virtual queuing technologies, by applying state of the art communications and information technology. During the financial period ended 4 November 2012 the group invested £849,313 (2011 – £694,890) into research and development.

Post balance sheet events

On 5 December 2012, the group announced the acquisition of accesso LLC, a leading US ticketing and e-commerce company. Under the terms of the acquisition, Lo-Q purchased 100% of the equity in accesso for a total consideration of £14.1m. This consideration consisted of the following: £3.95m in cash at completion; the issue of 1,802,246 new ordinary shares in Lo-Q equating to approximately 9.3 per cent of the enlarged issued share capital, a loan note from the seller of £3.95m and additional cash consideration of £0.37m representing cash and working capital that remained post acquisition. The new ordinary shares making up the initial stock consideration were issued at a price of £3.2265 with an exchange rate of 1GBP to 1USD of 1.6036. Full details of this transaction and the refinancing of the loan note are disclosed in note 25.

Directors

The directors during the period under review were:

John Weston, Non-executive Chairman
Tom Burnet, Executive
Leonard Sim, Executive
John Alder, Executive
Anthony Bone, Non-executive
John Lillywhite, Non-executive (resigned 1 September 2012)
David Gammon, Non-executive
Matt Cooper, Non-executive (appointed 1 September 2012)
Steve Brown, Executive (appointed 4 December 2012)

The company paid for sufficient directors and officer's indemnity insurance during the period, and to the date of approval of these financial statements, to enable the directors to carry out their duties.

Report of the directors (continued)
for financial period ended 4 November 2012

The beneficial interests of the directors holding office on 4 November 2012 in the issued share capital of the company were as follows:

Ordinary share capital £0.01 shares	As at 4 November 2012	As at 1 November 2011 or date of appointment
John Weston, Non-executive Chairman	55,700	55,700
Tom Burnet, Executive	-	-
Leonard Sim, Executive	2,493,575	3,243,575
John Alder, Executive	6,612	6,612
Anthony Bone, Non-executive	381,517	381,517
David Gammon, Non-executive	38,000	30,000
Matt Cooper, Non-executive	-	-

Details of the directors' share options are disclosed on page 16.

Group's policy on payment of creditors

It is the group's objective to obtain the best possible terms for all business and abide by the terms of business agreed. At 4 November 2012 trade creditors represented 31.9 days (2011 – 28.8 days) purchases for the group, and 38.6 days (2011 – 25.5 days) purchases for the company.

Financial instruments

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

Substantial shareholdings

As at 29 January 2013 the company had been notified that the following were interested in 3% or more of the ordinary share capital of the company.

	Number of Ordinary Shares	% of Issued Ordinary Share Capital
Mr Leonard Sim, Director	2,393,575	12.38%
Mr Steven Brown, Director	1,723,916	8.92%
Lo-Q Employee Benefit Trust (On behalf of Mr Tom Burnet, Director)	853,818	4.42%
Prudential plc group of companies	1,991,640	10.30%
BlackRock Inc	1,335,484	6.91%
Standard Life Investment Limited	688,279	3.56%

Annual general meeting

The annual general meeting of the company will be held on Tuesday 2 April 2013. The notice convening the meeting is enclosed with these financial statements.

Branch registration

The company operates a branch in Germany.

Report of the directors (continued)
for financial period ended 4 November 2012

Corporate governance

The company's shares are traded on the Alternative Investment Market of the London Stock Exchange. The company is not required to report on compliance with the UK Corporate Governance Code ("the Code"), the board of directors acknowledges the importance of the principles of the code and also the recommendations of the Quoted Companies Alliance in its publication "Corporate Governance Guidelines for Smaller Quoted Companies" and seeks to apply them as appropriate to the company given its nature and size.

The board of directors comprises three executive directors and four independent non-executive directors, one of whom is the chairman, on 4 December 2012 a fourth executive director was appointed. The company holds board meetings regularly throughout the year at which financial and other reports are considered. The board is responsible for formulating, reviewing and approving the group's strategy, budgets and major items of expenditure.

The committees of the board

The following committees have been established to assist the board in fulfilling its responsibilities:

Audit committee

The members of the audit committee are David Gammon, Anthony Bone, John Weston and Matt Cooper, who chairs the committee.

The committee met twice during the year to fulfil its duties. The Chairman, Chief Executive Officer, Finance Director and external auditors attended meetings by invitation.

The committee is comprised of independent non-executive directors only and its terms of reference are to promote appropriate standards of integrity, financial reporting, risk management and internal controls. This committee is responsible for overseeing the involvement of the group's auditors in the planning and review of the group's financial statements, any other formal announcements relating to the group's financial performance, for recommending the appointment and fees of its auditors, and for discussing with the auditors the findings of the audit and issues arising from the audit. It reviews the group's compliance with accounting, legal and listing requirements. It is also responsible, along with the board, for reviewing the effectiveness of the systems of internal control. The committee considers the independence and objectivity of the auditors with regard to the way in which they conduct their audit duties. The committee looks to ensure that the auditors' independence is not compromised by their undertaking of non-audit work. Non-audit/tax advisory services will always be benchmarked by management to ensure value for money, auditor objectivity and independence of advice.

During the year the committee undertook a tendering process and on completion of this exercise appointed BDO LLP as group auditors, replacing Menzies LLP. The process involved submissions from four firms.

The audit committee's recommendation is that BDO LLP be reappointed as the company's auditors and an appropriate resolution will be put before the shareholders at this year's annual general meeting.

Remuneration committee

The members of the remuneration committee are David Gammon, Matt Cooper, John Weston and Anthony Bone who chairs the committee.

The committee met three times during the year to fulfil its duties. The committee considers and approves specific remuneration packages for each executive director following consultation with the chairman. In accordance with guidelines set by the board, the committee determines the group's policy on remuneration of senior executives and the operation of share option schemes and the grant of options. Remuneration of non-executive directors is set by the executive directors.

It is considered that the composition and size of the board does not warrant the appointment of a nominations committee and appointments are dealt with by the board as a whole. The need to appoint such a committee is subject to review by the board.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. We are confident that the group outlook for 2013 is strong and underlying this, the business continues to perform well with a strong balance sheet and cash position. For this reason, the board continue to adopt the going concern basis in preparing the accounts.

Disabled employees

The group's policy is one of equal opportunity in the selection, training, career development and promotion of staff. The group has a policy not to discriminate against disabled employees for those vacancies that they are able to fill and will provide facilities, equipment and training to assist any disabled persons employed.

All necessary assistance with initial training courses will be given. Once employed, a career plan will be developed so as to ensure suitable opportunities for each disabled person. Arrangements will be made, wherever possible, for re-training employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employees

The group's policy is to consult and discuss with employees, by way of meetings and through personal contact by directors and other senior executives, matters likely to affect employees' interests.

Information on matters of concern to employees is given in meetings, handouts, letters and reports, which seek to achieve a common awareness on the part of all employees on the financial and economic factors affecting the group's performance.

Relations with shareholders

The company and board recognise the importance of developing and maintaining good relationships with their shareholders. There have been regular dialogues with shareholders during the year including holding briefings with analysts and other investors including staff shareholders. The company also uses the annual general meeting as an opportunity to communicate with its shareholders. All directors are expected to attend the annual general meeting with the chairman of the audit, remuneration and nominations committees being available to answer shareholders' questions.

Notice of the date of the 2013 annual general meeting is included with this report. Separate resolutions on each substantially separate issue, in particular any proposal relating to the annual report and accounts, will be made at the annual general meeting.

Report of the directors (continued)
for financial period ended 4 November 2012

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors

During the year the audit committee undertook a tendering process and on completion of this exercise appointed BDO LLP as group auditors, replacing Menzies LLP. The process involved submissions from four firms.

A resolution approving the re-appointment of BDO LLP will be proposed at the forthcoming annual general meeting.

Remuneration committee policy

The policy is to provide remuneration packages for executive directors which aim to attract and retain high quality executives and which link their reward to the group's performance. The committee regularly reviews the effectiveness of incentive schemes and, where considered necessary or appropriate in order to maximise shareholder value, the committee will consider updating existing scheme rules and/or implementing new schemes.

Report of the directors (continued)
for financial period ended 4 November 2012

Executive Directors' remuneration package

The components of the remuneration package are base salary and benefits, bonuses, pension contributions and long-term incentive arrangements. Base salaries are reviewed by the committee annually, normally in January. The executives may also receive bonuses, depending on whether certain financial, operational or strategic objectives are met. The annual standard bonus plan for the executive directors has a maximum threshold of between 20% and 50% of base salary and exceptional bonuses are considered at the committee's discretion. The benefits packages offered include private health insurance and payments to money purchase pension schemes. Notice periods for all executive directors are set at six months.

Details of the directors' emoluments who served during the current or prior period are also set out below:

Directors emoluments

	2012					2011	2012	2011
	Salary £	Fees(1) £	Bonus £	Other £	Total £	Total £	Pension contri-butions £	Pension contri-butions £
Non - executive Directors								
Anthony Bone	-	30,000	-	-	**30,000**	27,000	-	-
John Lillywhite (2)	-	25,000	-	-	**25,000**	24,000	-	-
David Gammon	-	30,000	-	-	**30,000**	25,500	-	-
John Weston	-	50,000	-	-	**50,000**	25,000	-	-
Matt Cooper (3)	-	4,950	-	-	**4,950**	-	-	-
Executive Directors								
John Alder (4)	136,337	-	34,138	10,098	**180,573**	143,249	14,697	10,433
Tom Burnet	205,087	-	91,200	544	**296,831**	248,295	17,834	16,191
Leonard Sim	81,078	-	11,139	1,340	**93,557**	133,285	6,678	9,856
Paul Cassar (5)	-	-	-	-	**-**	6,660	-	480
Steve Drake (5)	-	-	-	-	**-**	8,758	-	633
Colin Robertson (5)	-	-	-	-	**-**	8,754	-	633
Totals	**422,502**	**139,950**	**136,477**	**11,982**	**710,911**	**650,501**	**39,209**	**38,226**

(1) Fee payments in respect of the services provide by John Lillywhite, Anthony Bone and David Gammon were paid to Barnwell Ltd, IXXI Ltd and Rockspring respectively.
(2) Resigned 1 September 2012.
(3) Appointed 1 September 2012.
(4) John Alder is a USA resident and is part of the Lo-Q Inc healthcare program.
(5) Resigned 30 November 2010.

Report of the directors (continued)
for financial period ended 4 November 2012

Share option scheme

The share options of the directors are set out below:

Director	31 October 2011	Granted/ (Exercised) in the period	4 November 2012	Exercise price	Date from which exercisable	Expiry date
Leonard Sim	100,000	-	**100,000**	25p	(1)	(1)
John Alder	15,000	-	**15,000**	28.5p	30/09/2009	30/09/2018
	75,000	-	**75,000**	57.5	(2)	(2)
	160,000		**160,000**	156p	10/03/2012	9/03/2021(3)
Tom Burnet	110,000	-	**110,000**	1.025p	2/12/2011	1/12/2020
Non-executive directors						
John Lillywhite	40,000	(40,000)	**-**	156p	10/03/2012	9/03/2021
Anthony Bone	40,000	-	**40,000**	156p	10/03/2012	9/03/2021
David Gammon	40,000	-	**40,000**	156p	10/03/2012	9/03/2021
Rockspring (4)	40,000	-	**40,000**	156p	10/03/2012	9/03/2021
John Weston	69,444	-	**69,444**	144p	18/04/2012	17/04/2021

(1) Options vested in four equal tranches on the 11 April 2009, 2010, 2011 and 2012 and expire on the 10th anniversary of the grant.
(2) Options vested in three equal tranches on the 25 June 2010, 2011 and 2012 and expire on the 10th anniversary of the grant.
(3) Options may only be exercised when the share price is above £1.82.
(4) Held on behalf of David Gammon

Employee benefit trust share subscription and Tom Burnet equity incentive plan

On 10 March 2011, the remuneration committee of the board recommended, and the board approved, an incentive arrangement pursuant to which the company lent its employee benefit trust (''EBT'') £1,331,956, and the EBT subscribed for 853,818 new ordinary shares of 1 penny each in the company (''New Ordinary Shares'').

The EBT plan subsequently granted Tom Burnet an interest in the growth in value above a share price of £2 per share in the New Ordinary Shares. In addition the EBT granted Tom Burnet an option to acquire, in relation to half of the new ordinary shares (426,909), the EBT's interest in the value between £1.30 and £2, provided that at the date of exercise the share price is above £1.82.

The shares are registered in the name of Lo-Q (Trustees) Limited, a wholly owned subsidiary of the company. John Alder, Leonard Sim and Anthony Bone are directors of Lo-Q (Trustees) Limited.

On behalf of the board:

John Alder
Finance Director

11 February 2013

Report of the independent auditors to the members of Lo-Q plc for the 52 week and 6 day financial period ended 4 November 2012

We have audited the financial statements of Lo-Q plc for the financial period ended 4 November 2012 which comprise the group statement of comprehensive income, the group and parent company statements of financial position, the group and parent company statements of cash flow, the group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the director's responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 4 November 2012 and of the group's and the parent company's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditors to the members of Lo-Q plc (continued)
for the 52 week and 6 day financial period ended 4 November 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Simon Brooker (senior statutory auditor)

For and on behalf of
BDO LLP, statutory auditors
Reading
United Kingdom
11 February 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Lo-Q plc

Consolidated statement of comprehensive income
for the 52 week and 6 day financial period ended 4 November 2012

	Notes	2012 £	2011 £
Revenue	3	**29,137,370**	24,546,020
Cost of sales	5	**(22,326,209)**	(18,339,014)
Gross profit		**6,811,161**	6,207,006
Administrative expenses	5	**(3,717,224)**	(3,540,316)
Operating profit		**3,093,937**	2,666,690
Finance income	6	**59,594**	34,825
Profit before tax		**3,153,531**	2,701,515
Income tax	7	**(632,187)**	(760,696)
Profit for the period		**2,521,344**	1,940,819
Other comprehensive income			
Exchange differences on translating foreign operations		**(84,954)**	74,478
Other comprehensive income for the period, net of tax		**(84,954)**	74,478
Total comprehensive income for the period		**2,436,390**	2,015,297
Profit attributable to Owners of the parent		**2,521,344**	1,940,819
Total comprehensive income attributable to Owners of the parent		**2,436,390**	2,015,297
Earnings per share expressed in pence per share:			
Basic	9	**14.56**	11.54
Diluted	9	**13.94**	11.04

All activities of the company are classified as continuing.

The notes on pages 25 to 51 form part of these consolidated financial statements.

Lo-Q plc

Consolidated statement of financial position
for the 52 week and 6 day financial period ended 4 November 2012

Registered Number : 03959429	Notes	**2012** **£**	2011 £
Assets			
Non-current assets			
Intangible assets	10	**1,233,179**	1,182,607
Property, plant and equipment	11	**1,450,592**	477,775
Deferred tax	17	**284,061**	-
		2,967,832	1,660,382
Current assets			
Inventories	13	**455,647**	494,301
Trade and other receivables	14	**1,032,966**	1,134,576
Cash and cash equivalents	15	**8,914,404**	7,497,791
		10,403,017	9,126,668
Liabilities			
Current liabilities			
Trade and other payables	16	**764,468**	1,007,477
Corporation tax payable		**205,780**	346,570
		970,248	1,354,047
Net current assets		**9,432,769**	7,772,621
Non-current liabilities			
Deferred tax	17	**43,491**	-
Net assets		**12,357,110**	9,433,003
Shareholder's equity			
Called up share capital	18	**175,290**	171,702
Share premium		**6,654,906**	6,515,908
Own shares held In trust		**(1,331,956)**	(1,331,956)
Other reserves		**583,792**	238,661
Retained earnings		**6,206,283**	3,684,939
Translation reserve		**68,795**	153,749
Total equity		**12,357,110**	9,433,003
Total shareholder's equity		**12,357,110**	9,433,003

The financial statements were approved by the Board of Directors 11 February 2013 and were signed on its behalf by:

Tom Burnet
Chief Executive Officer

The notes on pages 25 to 51 form part of these consolidated financial statements.

Lo-Q plc

Company statement of financial position
for the 52 week and 6 day financial period ended 4 November 2012

Registered Number : 03959429	Notes	**2012 £**	2011 £
Assets			
Non-current assets			
Intangible assets	10	**1,233,288**	1,182,546
Property, plant and equipment	11	**1,436,833**	455,544
Investments	12	**735**	735
Deferred tax	17	**284,061**	-
		2,954,917	1,638,825
Current assets			
Inventories	13	**176,604**	86,724
Trade and other receivables	14	**4,744,755**	3,453,713
Cash and cash equivalents	15	**6,139,238**	6,346,548
		11,060,597	9,886,985
Liabilities			
Current liabilities			
Trade and other payables	16	**425,195**	636,361
Corporation tax payable		**161,741**	330,983
		586,936	967,344
Net current assets		**10,473,661**	8,919,641
Non-current liabilities			
Deferred tax	17	**43,491**	-
Net assets		**13,385,087**	10,558,466
Shareholders' equity			
Called up share capital	18	**175,290**	171,702
Share premium		**6,654,906**	6,515,908
Other reserves		**583,792**	238,661
Retained earnings		**5,971,099**	3,632,195
Total equity		**13,385,087**	10,558,466
Total shareholders' equity		**13,385,087**	10,558,466

The financial statements were approved by the Board of Directors 11 February 2013 and were signed on its behalf by:

Tom Burnet
Chief Executive Officer

The notes on pages 25 to 51 form part of these consolidated financial statements.

Lo-Q plc

Consolidated statement of cash flow
for the 52 week and 6 day financial period ended 4 November 2012

	Notes	**2012**	2011
		£	£
Cash flows from operating activities			
Cash generated from operations	23	**4,062,552**	2,882,023
Tax paid		**(752,641)**	(621,897)
Net cash from operating activates		**3,309,911**	2,260,126
Cash flows from investing activities			
Purchase of intangible fixed assets	10	**(453,360)**	(344,050)
Purchase of property, plant and equipment	11	**(1,642,118)**	(532,398)
Interest received	6	**59,594**	34,825
Net cash used in investing activities		**(2,035,884)**	(841,623)
Cash flows from financing activities			
Share issue		**142,586**	60,845
Net cash from financing activities		**142,586**	60,845
Increase in cash and cash equivalents	23	**1,416,613**	1,479,348
Cash and cash equivalents at beginning of period		**7,497,791**	6,018,443
Cash and cash equivalents at end of period	23	**8,914,404**	7,497,791

The notes on pages 25 to 51 form part of these consolidated financial statements.

Lo-Q plc

Company statement of cash flow
for the 52 week and 6 day financial period ended 4 November 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	23	**2,376,324**	2,468,185
Tax paid		**(694,642)**	(565,084)
Net cash from operating activates		**1,681,682**	1,903,101
Cash flows from investing activities			
Purchase of intangible fixed assets	10	**(453,360)**	(344,050)
Purchase of property, plant and equipment	11	**(1,637,812)**	(524,597)
Interest received		**59,594**	34,514
Net cash used in investing activities		**(2,031,578)**	(834,133)
Cash flows from financing activities			
Share issue		**142,586**	60,845
Net cash from financing activities		**142,586**	60,845
(Decrease)/Increase in cash and cash equivalents	23	**(207,310)**	1,129,813
Cash and cash equivalents at beginning of period		**6,346,548**	5,216,735
Cash and cash equivalents at end of period	23	**6,139,238**	6,346,548

The notes on pages 25 to 51 form part of these consolidated financial statements.

Lo-Q plc

Statement of changes in equity
for the 52 week and 6 day financial period ended 4 November 2012

Group	**Share capital**	**Retained earnings**	**Share premium**	**Other reserves**	**Own shares held in trust**	**Translation reserve**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**
At 1 November 2011	171,702	3,684,939	6,515,908	238,661	(1,331,956)	153,749	**9,433,003**
Profit for period	-	2,521,344	-	-	-	-	**2,521,344**
Foreign exchange	-	-	-	-	-	(84,954)	**(84,954)**
Issue of share capital	3,588	-	138,998	-	-	-	**142,586**
Share-based payments	-	-	-	84,225	-	-	**84,225**
Share option tax credit	-	-	-	260,906	-	-	**260,906**
At 4 November 2012	**175,290**	**6,206,283**	**6,654,906**	**583,792**	**(1,331,956)**	**68,795**	**12,357,110**
At 1 November 2010	162,327	1,744,120	5,132,482	141,621	-	79,271	7,259,821
Profit for period	-	1,940,819	-	-	-	-	1,940,819
Foreign exchange	-	-	-	-	-	74,478	74,478
Issue of share capital	9,375	-	1,383,426	-	-	-	1,392,801
Own shares held in trust	-	-	-	-	(1,331,956)	-	(1,331,956)
Share-based payments	-	-	-	97,040	-	-	97,040
At 31 October 2011	171,702	3,684,939	6,515,908	238,661	(1,331,956)	153,749	9,433,003

Company	**Share capital**	**Retained earnings**	**Share premium**	**Other reserves**	**Total**
	£	**£**	**£**	**£**	**£**
At 1 November 2011	171,702	3,632,195	6,515,908	238,661	**10,558,466**
Profit for period	-	2,338,904	-	-	**2,338,904**
Issue of share capital	3,588	-	138,998	-	**142,586**
Share-based payments	-	-	-	84,225	**84,225**
Share option tax credit	-	-	-	260,906	**260,906**
At 4 November 2012	**175,290**	**5,971,099**	**6,654,906**	**583,792**	**13,385,087**
At 1 November 2010	162,327	1,790,424	5,132,482	141,621	7,226,854
Profit for period	-	1,841,771	-	-	1,841,771
Issue of share capital	9,375	-	1,383,426	-	1,392,801
Share-based payments	-	-	-	97,040	97,040
At 31 October 2011	171,702	3,632,195	6,515,908	238,661	10,558,466

Notes to the consolidated financial statements
for financial period ended 4 November 2012

1. Accounting policies

Basis of preparation

Lo-Q plc is a public limited company incorporated in the United Kingdom, whose shares are publicly traded on the AIM market. The company is domiciled in the United Kingdom and its registered address is Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD.

The financial period represents the 52 weeks and 6 days to 4 November 2012 (prior financial year 52 weeks and 1 day to 31 October 2011). The consolidated financial statements for the 52 weeks and 6 days to 4 November 2012 comprise the financial statements of the company and its subsidiaries ('group'). The group's principal activities are the development and application of virtual queuing technologies.

Statement of compliance with IFRS

The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) International Accounting Standards Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (“adopted IFRSs”).

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The following new standards have been adopted during the period

- IFRS 9 Classification and Measurement of Financial Instruments (effective 1 January 2013)
- Amendments to IFRS 7 Financial Instrument: Disclosures (effective 1 January 2011/July 2011)
- Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2011/July 2012)
- IAS 24 Related Party transactions (revised) (effective 1 January 2011)

The adoption of the above new standards has not had a material impact on the financial statements during the period ended 4 November 2012.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not effective for 2012 and therefore have not been applied in preparing these accounts. The effective dates shown are for periods commencing on the date quoted.

- IFRS 9 Classification and Measurement of Financial Instruments (effective 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- Amendment to IAS 12 Income Taxes (effective 1 January 2012)
- Amendment to IAS 12 Employee Benefits (effective 1 January 2013)
- IAS 27 Consolidated and Separate Financial Statements (reissued) (effective 1 January 2013)
- IAS 28 Investments in Associates (reissued) (effective 1 January 2013)

The group has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the group or that they would not have a significant impact on the group's financial statements, apart from additional disclosures.

Basis of accounting

The financial statements of Lo-Q plc have been prepared in accordance with EU Endorsed International Financial Reporting Standards and IFRIC interpretations (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

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

Critical estimates and judgements

The group makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions may not equal the related actual results but are based on historical experience and expectations of future events. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Impairment of assets

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

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

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

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

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

Basis of consolidation

The consolidated financial statements incorporate the results of Lo-Q plc and all of its subsidiary undertakings as at 4 November 2012 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Disclosure and details of the subsidiaries are provided in note 12.

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

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

Basis of consolidation *(continued)*

Lo-Q (Trustees) Limited, a subsidiary company that holds an employee benefit trust on behalf of Lo-Q plc is under control of the board of directors and hence has been consolidated into the group results.

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

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

Subsidiaries

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

Revenue recognition

Revenue arises from the development and application of virtual queuing technologies and the rental of such technology by theme park, water park or attraction guests. Revenue recognised represents either total rentals, net of sales taxes, to theme park, water park or attraction guests, where the group is responsible for the operation within the park or attraction, or the group's share of such rental. Where total revenue is accounted for, the park operators share of such rental is included within cost of sales.

Turnover also includes, where applicable, revenue from the sale of an installed system to a new or existing park operator.

Interest expense recognition

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

Employee expenses

The group has applied the requirements of IFRS 2 share-based payment. In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2007.

The group issues equity-settled share-based payments to full time employees. Equity settled share-based payments are measured at the fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model for all share options in issue. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Commitments under operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Plant and machinery	33.3%
Office equipment	33.3%
Installed systems	25 – 33.3% or seasons within life of contract
Furniture and fixtures	20.0%

For installed systems the depreciation is charged over a season of operation as this directly reflects the period of operation of the assets in which economic benefits are generated.

Inventories

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Stocks are calculated on a first in first out basis.

Park installations are valued on the basis of the cost of stock items and labour plus attributable overheads.

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

Deferred tax

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

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

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

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

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

Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Research and development

In accordance with IAS 38 'Intangible Assets', expenditure incurred on research and development is distinguished as either to a research phase or to a development phase.

All advanced research phase expenditure is charged to the income statement. For development expenditure, this is capitalised as an internally generated intangible asset, only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits.

Development expenditure is capitalised and amortised within administrative expenses on a straight line basis over its useful economic life, which is considered to be up to a maximum of 5 years. The group has contractual commitments for development costs of £nil (2011: £nil).

Intellectual property rights and patents

Intellectual property rights comprise assets acquired, being external costs, relating to know how, patents and licences and have been capitalised at the fair value of the assets acquired and are amortised within administrative expenses on a straight line basis over their estimated useful economic life of 5 and 9 years.

Foreign currency exchange

Transactions in currencies other than the functional currency of the group are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and movement shown in reserves.

Pension costs

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

Financial assets

The group classifies all its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the group's accounting policy for each category is as follows:

- ***Loans and receivables*** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset.

- ***Trade receivables*** are initially recognised by the group and carried at original invoice amount less an allowance for any uncollectible or impaired amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad. Other receivables are recognised at fair value.

- ***Cash and cash equivalents*** in the statement of financial position comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement. Bank overdrafts are shown within loans and borrowings in current liabilities in the statement of financial position.

Financial assets *(continued)*

- ***Impairment*** is recognised if there is objective evidence that the balance will not be recovered.

- ***The group's loans and receivables*** comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

- ***Fair value through profit or loss***: This category comprises only 'in the money' foreign exchange derivatives (see 'Financial Instruments' below). Other than these derivative financial instruments, the group does not have any assets held for trading nor has it designated any financial assets as being at fair value through profit or loss.

Financial liabilities

With the exception of financial liabilities in a qualifying hedging relationship, the group treats its financial liabilities in accordance with the following accounting policy:

- ***Trade payables*** and other short-term monetary liabilities are recognised at fair value and subsequently at amortised cost.

- ***Bank borrowings*** are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. "Interest expense" in this context includes initial transaction costs and premiums payable on redemption, as well as any interest payable while the liability is outstanding.

- ***Fair value through profit or loss***: This category comprises only 'out of-the-money derivatives' (see 'financial instruments' below). Other than these derivative financial instruments, the group does not have any liabilities that are accounted for at fair value through profit or loss.

Financial instruments

Financial instruments are used to manage the financial risks arising from the business activities of the group and the financing of those activities. There is no trading in financial instruments.

Forward exchange contracts: Where forward exchange contracts are used to manage foreign currency exchange risk, they are valued by deducting the year end spot rate from the discounted contractual forward price. The discounted contractual forward price is based on market discount rates for similar instruments at the statement of financial position date. Any movement, should it be material, in the valuation of the forward element of these contracts is recognised directly in the consolidated Income statement within administration expenses.

Equity instruments regarding share capital

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

***Employee benefit trust (*EBT)**

As the company is deemed to have control of its EBT trust, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The EBT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The EBT's investment in the company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

2. Financial risk management

Overview:

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

- Liquidity risk;
- Interest rate risk;
- Credit risk; and
- Market risk.

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

Other than short-term trade receivables and trade payables, as detailed in notes that arise directly from operations the group's financial instruments comprise cash. The fair values of these instruments are not materially different to their book values. The objective of holding financial instruments is to raise finance for the group's operations and manage related risks. The group's activities expose the group to a number of risks including interest rate risk, credit risk, liquidity risk and currency risk. The group manages these risks by regularly monitoring the business and providing ongoing forecasts of the impact on the business.

Liquidity risk

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

Maturity analysis

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

4 November 2012

	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Maturity analysis	**£**	**£**	**£**	**£**	**£**
Group					
Trade and other payables	48,132	-	-	-	**48,132**
Total liabilities	**48,132**	**-**	**-**	**-**	**48,132**
Company					
Trade and other payables	380,536	-	-	-	**380,536**
Total liabilities	**380,536**	**-**	**-**	**-**	**380,536**

Maturity analysis *(continued)*
31 October 2011

	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Maturity analysis	£	£	£	£	£
Group					
Trade and other Payables	514,152	-	-	-	514,152
Total Liabilities	514,152	-	-	-	514,152
Company					
Trade and other Payables	580,980	-	-	-	580,980
Total Liabilities	580,980	-	-	-	580,980

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

Interest rate risk

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

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

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

The table below shows the group's and company's financial assets and liabilities that could be affected by the fluctuation in interest rates split by those bearing fixed and floating rates and those that are non-interest bearing:

4 November 2012

	Fixed rate	**Floating rate**	**Non-interest bearing**	**Total asset**	**Total liability**
Group	**£**	**£**	**£**	**£**	**£**
Trade and other receivables	-	-	314,910	**314,910**	**-**
Cash	4,638,957	4,273,551	1,896	**8,914,404**	**-**
Total assets	**4,638,957**	**4,273,551**	**316,806**	**9,229,314**	**-**
Trade and other payables	-	-	(69,801)	**-**	**(69,801)**
Total liabilities	**-**	**-**	**(69,801)**	**-**	**(69,801)**

Interest rate risk (continued)

4 November 2012

Company	**Fixed rate** £	**Floating rate** £	**Non-interest bearing** £	**Total asset** £	**Total liability** £
Trade and other receivables	-	-	4,675,722	**4,675,722**	**-**
Cash	4,638,957	1,498,540	1,741	**6,139,238**	**-**
Total assets	**4,638,957**	**1,498,540**	**4,677,463**	**10,814,960**	**-**
Trade and other payables	-	-	(398,913)	**-**	**(398,913)**
Total liabilities	**-**	**-**	**(398,913)**	**-**	**(398,913)**

31 October 2011

Group	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
Trade and other receivables	-	-	400,751	400,751	-
Cash	2,866,573	4,627,051	4,167	7,497,791	-
Total assets	2,866,573	4,627,051	404,918	7,898,542	-
Trade and other payables	-	-	(526,783)	-	(526,783)
Total liabilities	-	-	(526,783)	-	(526,783)

Company	Fixed rate £	Floating rate £	Non-interest bearing £	Total asset £	Total liability £
Trade and other receivables	-	-	3,153,052	3,153,052	-
Cash	2,866,573	3,475,964	4,011	6,346,548	-
Total assets	2,866,573	3,475,964	3,157,063	9,499,600	-
Trade and other payables	-	-	(588,433)	-	(588,433)
Total liabilities	-	-	(588,433)	-	(588,433)

Credit risk exposure

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

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

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions that have acceptable credit ratings.

Financial assets	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade and other receivables	**992,165**	1,056,164	**4,716,886**	3,375,202
Cash	**8,914,404**	7,497,791	**6,139,238**	6,346,548
Estimated irrecoverable amounts	**-**	-	**-**	-

The maximum exposure is the carrying amount as disclosed in trade and other receivables. The average credit period taken by theme parks on paying over the queuing system revenue is 14 days. The allowance for estimated irrecoverable amounts has been made based upon the knowledge of the financial circumstances of individual trade receivables at the balance sheet date. The group holds no collateral against these receivables at the balance sheet date.

The following table provides an analysis of trade and other receivables that were past due at 4 November 2012 and 31 October 2011 but against which no provision has been made. The group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Up to 3 months	**314,910**	400,751	**314,910**	400,751
3 to 6 months	**-**	-	**-**	-
	314,910	400,751	**314,910**	400,751

Capital risk management

The group considers its capital to comprise its ordinary share capital, share premium, own shares held in trust, other reserves and accumulated retained earnings as disclosed in the consolidated statement of financial position on page 20.

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

Foreign currency exposure

The group has overseas operations in the USA, Canada, Italy, Germany, Spain and Australia and as such is exposed to the risk of foreign currency fluctuations. The main operating currencies of its operations are in sterling, US dollars, Canadian dollars and euros. The group's currency exposure comprises the monetary assets and liabilities of the group that are not denominated in the operating or 'functional' currency of the operating unit involved. At the period end Lo-Q plc, which reports in sterling had bank balances of £2,440,959 (2011 - £1,540,212) denominated in US dollars, £336,923 (2011 - £119,721) denominated in Canadian dollars, denominated in Australian dollars £158,092 (2011 - £66,853) and £513,742 (2011 - £93,954) in euros.

The group manages risk by its subsidiaries matching revenue and expenditure in their local currency wherever possible. The group tries to keep foreign inter company balances as low as possible to avoid translation adjustments.

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

To show the impact of the fluctuation of the USD exchange rate on the group financial statements, the table below shows how the financial period ended 4 November 2012 results would have been impacted by exchange rates of +/-$0.10.

		2012			2011	
	Actual			Actual		
	$1.6105:£1	**$1.5105:£1**	**$1.7105:£1**	$1.6036:£1	$1.5036:£1	$1.7036:£1
	£	**£**	**£**	£	£	£
Group net assets	**12,357,110**	**13,721,872**	**13,661,661**	9,433,003	10,789,570	10,744,583
Group turnover	**29,137,370**	**30,346,972**	**27,175,894**	24,546,020	26,209,095	23,469,318
Group profit for the period	**2,521,344**	**2,846,533**	**2,234,177**	1,940,819	2,259,781	1,659,302

The group's policy is to utilise forward contracts where appropriate. The group substantially managed its exposure in 2012 be entering in GBP/US$ forward contracts to mitigate the risk of foreign currency fluctuation. At the balance sheet date the total notional value of contracts to which the group was committed was US$5m (2011: US$3m), all of which mature during 2013. The fair value of a forward contract is considered materially equal to the value paid.

3. Business and geographical segments

Segmental analysis

The group's operating segments under IFRS have been determined with reference to the information presented in the management accounts reviewed by the board of directors.

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

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

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

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

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

Entity wide disclosures

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

	Revenue		**Non current assets**	
	2012	2011	**2012**	2011
	£	£	**£**	£
UK	**765,713**	695,144	**2,550,901**	1,614,018
Other Europe	**827,544**	660,521	**119,220**	20,425
Australia	**100,225**	114,718	**-**	-
USA and Canada	**27,443,888**	23,075,637	**94,252**	268,693
	29,137,370	24,546,020	**2,764,373**	1,903,136

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

Major customers

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

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

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

Notes to the consolidated financial statements (continued)
for financial period ended 4 November 2012

4. Employees and directors

	2012	2011
	£	£
Wages and salaries	**4,639,721**	3,453,051
Social security costs	**498,758**	395,211
Defined contribution pension costs	**92,757**	68,968
Share based payment transactions	**84,225**	97,040
	5,315,461	4,014,270

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

	2012	2011
Operations	**20**	13
Research & development	**10**	12
Sales	**3**	2
Finance & administration	**9**	9
Marketing	**2**	1
Seasonal staff	**328**	216
	372	253

Details of directors emoluments can be found on page 15.

5. Expenses by nature

	2012	2011
	£	£
Park operating costs (including park share of revenue)	21,506,722	18,028,052
Staff costs	2,287,296	2,040,844
Legal and professional costs	400,118	449,587
Travel	162,439	176,022
Marketing	182,887	113,959
Other costs	300,307	282,270
Other operating leases	119,742	124,945
Depreciation - owned assets	669,301	233,111
Intellectual property rights amortisation	51,764	61,624
Development costs amortisation	351,024	303,589
Auditors' remuneration	33,750	25,350
Auditors' remuneration for non audit work	18,800	4,970
Foreign exchange differences	(40,717)	35,007
	26,043,433	21,879,330

Auditors' remuneration

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

	2012	2011
	£	£
Audit services		
Fees payable to company's auditor of the parent company and consolidated accounts	32,500	24,100
Non audit service		
Review of interim accounts	1,250	1,250
Tax compliance and advisory service	18,800	4,970
	52,550	30,320

6. Net finance income

	2012	2011
	£	£
Bank interest received	59,594	34,825
Net finance income	59,594	34,825

7. Tax

Analysis of the tax charge

	2012	2011
	£	£
UK corporation tax		
Current tax on income for the period	**558,944**	687,081
Adjustment in respect of prior periods	**(33,544)**	-
Overseas tax		
Current tax on income for the period	**86,451**	73,615
Total current taxation	**611,851**	-
Deferred taxation		
Original and reversal of temporary differences (see note 17)	**20,336**	-
Total taxation charge	**632,187**	760,696

The differences between the actual tax charge for the period and the theoretical amount that would arise using the applicable weighted average tax rate are as follows:

	2012	2011
Profit on ordinary activities before tax	**3,153,531**	2,701,515
Tax at the UK corporation tax rate of 24.83% (2011 26.83%)	**783,023**	724,816
Effects of:		
Expenses not deductable for tax purposes	**11,918**	79,757
Income not chargeable for tax purposes	**-**	(7,980)
Profit subject to foreign taxes at an higher marginal rate	**13,961**	21,681
Unrelieved tax losses and other deductions arising in the period	**5,723**	-
Additional deduction for R&D expenditure	**(51,017)**	-
Share scheme deduction	**(191,037)**	(12,719)
Depreciation greater/(less) than capital allowances	**90,847**	(44,859)
Adjustment in respect of prior periods	**(33,544)**	-
Change in rates	**2,313**	-
Total tax charge	**632,187**	760,696

During the period, as a result of the change in the corporation tax rate from 26% to 24% that was substantively enacted on 26 June 2011 and that was effective from 1 April 2012, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the period to 4 November 2012 has been measured using the effective rate that will apply for the period (23%).

8. Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period ended 4 November 2012 was £2,338,904 (2011 - £1,841,771).

9. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders after adjustments for instruments that dilute basic earnings per share by the weighted average of ordinary shares outstanding during the period (adjusted for the effects of dilutive instruments).

The following reflects the income and share data used in the total operations and diluted earnings per share computations.

	Earnings	**2012 Weighted average number of shares**	**Per share amount (pence)**
	£		
Basic EPS			
Earnings attributable to ordinary shareholdings	**2,521,344**	**17,319,153**	**14.56**
Effect of dilutive securities			
Options	**-**	**770,223**	**-**
Diluted EPS			
Adjusted earnings	**2,521,344**	**18,089,376**	**13.94**

	Earnings	2011 Weighted average number of shares	Per share amount (pence)
	£		
Basic EPS			
Earnings attributable to ordinary shareholdings	1,940,819	16,817,116	11.54
Effect of dilutive securities			
Options	-	755,727	-
Diluted EPS			
Adjusted earnings	1,940,819	17,572,843	11.04

10. Intangible assets

Group	Patent costs £	Intellectual property rights £	Development costs £	Totals £
Cost				
At 1 November 2010	203,125	159,492	1,369,623	**1,732,240**
Additions	-	-	344,050	**344,050**
At 31 October 2011	203,125	159,492	1,713,673	**2,076,290**
Additions	41,959	-	411,401	**453,360**
At 4 November 2012	**245,084**	**159,492**	**2,125,074**	**2,529,650**
Amortisation				
At 1 November 2010	9,909	82,374	436,187	**528,470**
Charged	29,726	31,898	303,589	**365,213**
At 31 October 2011	39,635	114,272	739,776	**893,683**
Charged	33,600	18,164	351,024	**402,788**
At 4 November 2012	**73,235**	**132,436**	**1,090,800**	**1,296,471**
Net book value				
At 4 November 2012	**171,849**	**27,056**	**1,034,274**	**1,233,179**
At 31 October 2011	163,490	45,220	973,897	1,182,607

Company	£	£	£	£
Cost				
At 1 November 2010	203,125	159,492	1,368,837	**1,731,454**
Additions	-	-	344,050	**344,050**
At 31 October 2011	203,125	159,492	1,712,887	**2,075,504**
Additions	41,959	-	411,401	**453,360**
At 4 November 2012	**245,084**	**159,492**	**2,124,288**	**2,528,864**
Amortisation				
At 1 November 2010	9,909	82,374	435,647	**527,930**
Charged	29,726	31,898	303,404	**365,028**
At 31 October 2011	39,635	114,272	739,051	**892,958**
Charged	33,600	18,164	350,854	**402,618**
At 4 November 2012	**73,235**	**132,436**	**1,089,905**	**1,295,576**
Net book value				
At 4 November 2012	**171,849**	**27,056**	**1,034,383**	**1,233,288**
At 31 October 2011	163,490	45,220	973,836	1,182,546

11. Property, plant and equipment

Group	Installed systems £	Plant and machinery £	Office equipment £	Furniture & fixtures £	Totals £
Cost					
At 1 November 2010	175,051	34,671	254,157	27,927	**491,806**
Additions	376,420	2,815	29,911	123,252	**532,398**
At 31 October 2011	551,471	37,486	284,068	151,179	**1,024,204**
Additions	1,629,822	-	11,453	843	**1,642,118**
At 4 November 2012	**2,181,293**	**37,486**	**295,521**	**152,022**	**2,666,322**
Depreciation					
At 1 November 2010	78,806	33,481	178,004	23,027	**313,318**
Charged	163,888	1,207	44,586	23,430	**233,111**
At 31 October 2011	242,694	34,688	222,590	46,457	**546,429**
Charged	602,339	1,353	39,420	26,189	**669,301**
At 4 November 2012	**845,033**	**36,041**	**262,010**	**72,646**	**1,215,730**
Net book value					
At 4 November 2012	**1,336,260**	**1,445**	**33,511**	**79,376**	**1,450,592**
At 31 October 2011	308,777	2,798	61,478	104,722	477,775

Company	£	£	£	£	£
Cost					
At 1 November 2010	161,894	9,412	186,066	23,471	**380,843**
Additions	376,420	2,815	22,110	123,252	**524,597**
At 31 October 2011	538,314	12,227	208,176	146,723	**905,440**
Additions	1,629,822	-	7,726	264	**1,637,812**
At 4 November 2012	**2,168,136**	**12,227**	**215,902**	**146,987**	**2,543,252**
Depreciation					
At 1 November 2010	65,649	8,141	137,926	19,923	**231,639**
Charged	163,888	1,207	30,796	22,366	**218,257**
At 31 October 2011	229,537	9,348	168,722	42,289	**449,896**
Charged	602,339	1,353	27,286	25,545	**656,523**
At 4 November 2012	**831,876**	**10,701**	**196,008**	**67,834**	**1,106,419**
Net book value					
At 4 November 2012	**1,336,260**	**1,526**	**19,894**	**79,153**	**1,436,833**
At 31 October 2011	308,777	2,879	39,454	104,434	455,544

12. Investments

Company	Investment in Subsidiaries
Cost	**£**
At 1 November 2010, 1 November 2011 and 4 November 2012	**735**
Net book value	
At 4 November 2012	**735**
At 31 October 2011	**735**

Name	Country of incorporation	% Ownership interest	% Voting rights
Lo-Q Inc	United States of America	100	100
Lo-Q Service Canada Inc	Canada	100	100
Lo-Q (Trustees) Limited	United Kingdom	100	100

The trade for both Lo-Q Inc and Lo-Q Service Canada Inc is that of the application of virtual queue technologies.

Lo-Q (Trustees) Limited operates an employee benefit trust on behalf of Lo-Q plc to provide benefits in accordance with the terms of a joint share ownership plan. Further details of this can be found on page 16.

13. Inventories

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Stock	**375,045**	251,616	**176,604**	86,724
Park installation	**80,602**	242,685	**-**	-
	455,647	494,301	**176,604**	86,724

The amount of inventories recognised as an expense and charged to the cost of sales for the period ended 4 November 2012 was £40,117 (2011 £26,252). The park installation balance includes equipment installed at a theme or water park on a trial basis. This trial has subsequent been converted to a contracted installation post the balance sheet date.

14. Trade and other receivables

	Group		Company	
	2012	2011	**2012**	2011
Current:	**£**	£	**£**	£
Trade debtors	**314,910**	400,751	**314,910**	400,751
Amounts owed by group undertakings	**-**	-	**4,360,812**	2,752,301
Other debtors	**23,924**	223,846	**19,010**	221,256
Prepayments & accrued income	**694,132**	509,979	**50,023**	79,405
	1,032,966	1,134,576	**4,744,755**	3,453,713

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

Included within amounts owed by group undertakings is £388,364 (2011 £174,399) which represents group undertakings that are due in greater then one year.

15. Cash and cash equivalents

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Petty cash	**1,896**	4,167	**1,741**	4,011
Short term deposit	**4,638,957**	2,866,573	**4,638,957**	2,866,573
Bank accounts	**4,273,551**	4,627,051	**1,498,540**	3,475,964
	8,914,404	7,497,791	**6,139,238**	6,346,548

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

16. Trade and other payables

	Group		Company	
Current:	**2012**	2011	**2012**	2011
	£	£	**£**	£
Trade creditors	**87,229**	206,800	**61,828**	161,525
Social security and other taxes	**41,336**	49,127	**4,128**	47,034
Sundry creditors	**4,702**	1,237	**34**	33
Accruals	**609,532**	737,682	**340,828**	420,316
VAT	**21,669**	12,631	**18,377**	7,453
	764,468	1,007,477	**425,195**	636,361

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

17. Deferred taxation

Group and company

	Asset	Liability
	£	**£**
At 1 November 2010 and 31 October 2011	-	**-**
Charged to income (see note 7)	23,155	(43,491)
Charged directly to equity	260,906	**-**
At 4 November 2012	**284,061**	**(43,491)**

Deferred taxation (continued)

The following table summarises the recognised deferred tax asset and liability.

Group and company	2012	2011
	£	£
Recognised asset		
Tax relief on unexercised employee share options	**282,964**	-
Short term timing differences	**1,097**	-
Deferred tax asset	**284,061**	-
Recognised liability		
Depreciation in excess of capital allowances	**(43,491)**	-
Deferred tax liability	**(43,491)**	-

The following table summarises the unrecognised deferred tax asset and liability.

Group and company	2012	2011
	£	£
Recognised asset		
Tax relief on unexercised employee share options	**-**	164,461
Short term timing differences	**-**	1,145
Deferred tax asset	**-**	165,606
Recognised liability		
Depreciation in excess of capital allowances	**-**	(90,993)
Deferred tax liability	**-**	(90,993)

18. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2012	2011
		£	**£**	£
17,528,960 (2011 – 17,170,140)	Ordinary share capital	£0.01	**175,290**	171,702

During the period 358,820 shares with a nominal value of £3,588 were allotted following the exercise of share options.

Following the adoption of new Articles of Association on 12 April 2011 the company no longer has an authorised share capital.

Share option schemes

At 4 November 2012 the following share options were outstanding in respect of the ordinary shares:

Scheme	Number of Shares	Period of option	Price per share
EMI scheme	100,000	(1)	25p
	60,000	25 June 2010 to 24 June 2019	57.5p
	110,000	2 December 2011 to 1 December 2020	102.5p
	135,000	24 June 2013 to June 2021	179p
	15,000	7 December 2013 to 6 December 2021	191.5p
US scheme	12,000	6 April 2005 to 5 April 2014	6p
	50,000	29 March 2006 to 28 March 2015	3.5p
	14,500	9 May 2007 to 7 May 2016	9.25p
	15,000	30 September 2009 to 30 September 2018	28.5p
	75,000	(2)	57.5p
	160,000	10 March 2012 to 9 September 2021 (3)	156p
	84,000	24 June 2013 to 23 June 2021	179p
UK unapproved scheme	120,000	10 March 2012 to 9 March 2021	156p
	69,444	18 April 2012 to 17 April 2021	144p

(1) Options vested in four equal tranches on the 11 April 2009, 2010, 2011 and 2012 and expire on the 10th anniversary of the grant.
(2) Options vested in three equal tranches on the 25 June 2010, 2011 and 2012 and expire on the 10th anniversary of the grant.
(3) Options may only be exercised when the share price is above £1.82.

19. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	***Description and purpose***
Share premium:	Amount subscribed for share capital in excess of nominal value.
Own shares held in trust:	Weighted average cost of own shares held by the EBT trust.
Other reserve:	Reserve to account for share option equity based transactions.
Retained earnings:	All other net gains and losses and transactions not recognised elsewhere.
Translation reserve:	Gains/losses arising on retranslating the net assets of overseas operations into sterling.

20. Pension commitments

The group operates a defined contribution pension scheme in the UK and USA. The assets of each scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £92,757 (2011 - £68,968). Contributions amounting to £nil (2011 - £nil)] were payable to the fund and are included in creditors.

21. Related party disclosures

Ultimate controlling party

There is no ultimate controlling party.

Subsidiaries

Management charges of £4,809,169 (2011 - £4,756,894) were received from Lo-Q Inc and £305,721 (2011 - £278,826) from Lo-Q Service Canada Inc during the period, both 100% subsidiaries of Lo-Q plc.

The US and the Canadian subsidiaries owed the parent company £2,640,493 (2011 - £1,245,946) and £388,363 (2011 – £174,399) respectively at 4 November 2012.

Subsidiaries *(continued)*

Lo-Q (Trustees) Limited owned the parent company £1,331,956 at 4 November 2012 (2011 - £1,331,956).

Other related parties

IXXI Limited, a company in which Anthony Bone, a Lo-Q plc director, is a director invoiced the company in respect of directors fees £30,000 (2011 - £27,000) of which £2,500 (2011 - £nil) was outstanding at the period end.

Barnwell Limited, a company in which John Lillywhite, a Lo-Q plc director until 1 September 2012 , is a director invoiced the company in respect of directors fees £25,000 (2011 - £24,000) of which £nil (2011 - £nil) was outstanding at the period end.

Rockspring, a company in which David Gammon, a Lo-Q plc director, is a director invoiced the company in respect of directors fees £30,000 (2011 - £25,500) of which £2,500 (2011 - £nil) was outstanding at the period end.

Matt Cooper, a Lo-Q plc director, invoiced the company in respect of director fees £4,950 (2011 - £nil) of which £4,950 (2011 - £nil) was outstanding at the period end.

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

Key management compensation

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

	2012	2011
	£	£
Director's remuneration	**710,910**	650,503
Director's contribution to pension scheme	**39,209**	38,226
Share based payments	**57,269**	88,383
	807,388	777,112

22. Share-based payment transactions

Equity settled share option schemes. For details of share option schemes in place during the period see note 18. Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	2012		2011	
	No	**WAEP(pence)**	No	WAEP(pence)
Outstanding at the beginning of the period	**1,364,244**	**94.98**	741,455	31.72
Granted during the period	**15,000**	**191.50**	749,444	154.71
Exercised during the period	**(358,820)**	**39.74**	(83,655)	72.80
Leavers, lapsed & other	**(480)**	**179.00**	(43,000)	89.47
Outstanding at the end of the period	**1,019,944**	**115.79**	1,364,244	94.98
Exercisable at the end of the period	**785,944**	**53.53**	632,800	12.35

The exercise price of options outstanding at 4 November 2012 range between 3.5p and 191.5p (2011 – 3.5p and 179p) and their weighted average contractual life was 9 years (2011 - 9 years).

The weighted average share price at the date of exercise for share options exercised during the period was £2.75 (2011 - £1.31).

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

	2012	2011
Weighted average share price (pence)	**37.24**	72.14
Expected volatility %	**37.00**	37.00
Expected life	**1.00**	1.00
Risk free rate (%)	**1.00**	1.00
Dividend yield (%)	**-**	-

The group did not enter into any share-based payment transactions with parties other then employees during the current or previous period.

Expected volatility was determined by calculating the historic volatility of the groups share price over the previous twelve month period. The market vesting condition was factored into the valuation of shares issued under the EBT trust as explained on page 16.

23. Notes to cash flow – reconciliation of profit before tax to cash generated from operations

Group	**2012**	2011
	£	£
Profit before tax	**3,153,531**	2,701,515
Depreciation and amortisation charges	**1,072,089**	598,324
Share based payment	**84,225**	97,040
Foreign exchange	**(84,954)**	74,478
Finance income	**(59,594)**	(34,825)
	4,165,297	3,436,532
Decrease/(Increase) in inventories	**38,654**	(251,028)
Decrease/(Increase) in trade and other receivables	**101,610**	(305,840)
(Decrease)/Increase in trade and other payables	**(243,009)**	2,359
Cash generated from operations	**4,062,552**	2,882,023

Notes to cash flow – reconciliation of profit before tax to cash generated from operations (continued)

Company	**2012**	2011
	£	£
Profit before tax	**2,884,640**	2,529,149
Depreciation charges	**1,059,141**	583,285
Share based payment	**84,225**	97,040
Finance income	**(59,594)**	(34,514)
	3,968,412	3,174,960
(Increase)/Decrease in inventories	**(89,880)**	80,022
Increase in trade and other receivables	**(1,291,042)**	(797,642)
(Decrease)/Increase in trade and other payables	**(211,166)**	10,845
Cash generated from operations	**2,376,324**	2,468,185

Reconciliation of net cash flow to movements in net funds and analysis of net funds

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

Group	**At 1 November 2011**	**Cash flow**	**Exchange movement**	**At 4 November 2012**
	£	**£**	**£**	**£**
Cash in hand & at bank	7,497,791	1,501,567	(84,954)	**8,914,404**
	7,497,791	1,501,567	(84,954)	**8,914,404**

Company	**At 1 November 2011**	**Cash Flow**	**Exchange movement**	**At 4 November 2012**
	£	**£**	**£**	**£**
Cash in hand & at bank	6,346,548	(207,310)	-	**6,139,238**
	6,346,548	(207,310)	-	**6,139,238**

24. Commitments under operating leases

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

Group	2012	2011
	£	£
Land & buildings		
Less than one year	**91,391**	99,998
Within 2 to 5 years	**196,790**	76,558
	288,181	176,556
Other		
Less than one year	**22,837**	444,875
Within 2 to 5 years	**17,997**	4,831
	40,834	449,706
Company		
Land & buildings		
Less than one year	**59,688**	72,375
Within 2 to 5 years	**145,208**	72,375
	204,896	144,750
Other		
Less than one year	**18,071**	444,875
Within 2 to 5 years	**7,166**	4,831
	25,237	449,706

Operating leases within ‘Land & buildings’ include the leases of company and group offices. Operating leases within ‘other’ principally relate to the leaseback element of the sale & leaseback transaction relating to the sale of equipment to theme parks as installations.

25. Events after the reporting date

On 4 December 2012, the group acquired 100% of the voting equity of accesso LLC (‘accesso’), a leading US ticketing and e-commerce provider to the entertainment sector. The principal reason for this acquisition was to take advantage of the complimentary opportunities available within the sector in which we operate.

At the date of authorisation of these financial statements an initial assessment of the fair value of the identifiable net assets had been undertaken but not fully completed.

Event after the reporting date (continued)

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are:

	Provisional book value		Provisional adjustment	Provisional fair value
	£		£	£
Identifiable intangible assets				
Goodwill	856,752		(856,752)	-
Internally developed technology	162,184		3,196,707	3,358,891
Customer relationships	-		9,260,144	9,260,144
Property, plant and equipment	328,350		(1,794)	326,556
Receivables and other debtors	411,822		-	411,822
Payables and other liabilities	(496,780)		-	(496,780)
Cash	397,844		-	397,844
Total net assets	**1,660,172**		**11,598,305**	**13,258,477**
Cash paid at completion	3,952,045	(1)	-	3,952,045
Loan note to seller	3,952,045	(1),(2)	-	3,952,045
Lo-Q plc shares	5,815,041	(1),(3)	96,326	5,911,367
Estimated cash to be paid reflecting surplus working capital	371,968		-	371,968
Estimated total consideration	**14,091,099**		**96,326**	**14,187,425**
Provisional goodwill on acquisition				**928,948**

(1) Fair value of consideration paid, based on exchange rate of £1:$1.6036.
(2) The loan note to seller is repayable on 31 March 2014 with an interest rate of 1.25% for the period to 31 March 2013 and 2.5% from 1 April 2013 to repayment. The note can be repaid by Lo-Q at any time before maturity and can be converted to Lo-Q plc shares at any time after 1 April 2013 at the option of the holder.
(3) In accordance with IFRS 3 Business Combinations (revised 2008) the fair value adjustment to consideration paid in shares is based on the difference between the share price at the date on which the company obtained control of accesso and the price determined in the Membership Interest Purchase Agreement for calculating the number of shares to be issued to the vendors.

Acquisition costs of approximately £395,000 were incurred in relation to this transaction and will be expensed to the income statement of the 2013 financial statements.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entity and the expected synergies of the enlarged group which do not qualify for separate recognition.

The goodwill and intangible assets recognised will attract tax deductions under the applicable local tax jurisdictions.

On 11 February 2013, the group entered into a facility agreement with Lloyds TSB Bank PLC to provide a revolving credit facility of upto $7.5m. It is the intention of the board that this facility will be utilised to re-finance the loan note issued as part of the consideration for the acquisition and provide additional working capital to the group. The facility has a term of 4 years and interest is payable at a rate of 1.5% above LIBOR on amounts utilised or 0.6% on any unutilised element. The facility is secured on the assets of Lo-Q plc, Lo-Q Inc and accesso LLC.