

**Quadriga EMEA Limited**

**Directors' report and financial  
statements**

**Registered number 3038297**

**31 March 2005**



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## Directors' report

The directors present their annual report and the audited financial statements of Quadriga EMEA Limited for the year ended 31 March 2005.

### Principal activity

The principal activity of the company is the supply of equipment and software enabling the provision of in-room technology based services to hotels and similar services through a network of European branch operations outside of the UK. Systems deployed provide functionality in the areas of guest entertainment, hotel information, and communications.

### Business review

Turnover for the year ended 31 March 2005 amounted to £1,593,000 (2004: £1,356,000) and the company made a loss for the year before taxation of £118,000 (2004: Loss £264,000).

### Proposed dividend

The directors do not recommend the payment of a dividend (2004: £nil).

### Directors and directors' interests

The directors who held office during the year were as follows:

I Crabb	(appointed 3 November 2005)
M Budie	(appointed 9 June 2005)
M Tataryn	(appointed 9 June 2005)
P Tyrrell	(appointed 9 June 2005)
P Gallagher	(appointed 13 February 2006)
H Nwana	(resigned 25 April 2005)
B Andradi	(resigned 18 October 2004)
L Levy	(resigned 18 March 2005)
D Spruzen	(resigned 2 August 2005)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

On behalf of the board



Director

Forum 1  
Station Road  
Theale, Berkshire  
RG7 4RA

Date 27 February 2006

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG Audit Plc**

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

**Report of the independent auditors to the members of Quadriga EMEA Limited**

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

*1 March 2006*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

**Profit and loss account**  
*for the year ended 31 March 2005*

	<i>Note</i>	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>
Turnover	<i>1</i>	<b>1,593</b>	1,356
Cost of sales	<i>2</i>	<b>(1,083)</b>	(907)
<b>Gross profit</b>		<b>510</b>	449
Net operating expenses	<i>2</i>	<b>(626)</b>	(623)
<b>Operating loss</b>		<b>(116)</b>	(174)
Interest receivable and similar income	<i>4</i>	<b>63</b>	1
Interest payable and similar charges	<i>5</i>	<b>(65)</b>	(91)
<b>Loss on ordinary activities before taxation</b>		<b>(118)</b>	(264)
Tax on loss on ordinary activities	<i>6</i>	<b>(32)</b>	(76)
<b>Loss for the financial year</b>		<b>(150)</b>	(340)

All results relate to continuing operations.

There is no material difference between the result on a historical cost basis and that described in the profit and loss account.

The company has no recognised gains or losses other than the result for the year.

**Balance sheet**  
*at 31 March 2005*

	<i>Note</i>	<b>2005</b> <b>£000</b>	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>	<b>2004</b> <b>£000</b>
<b>Fixed assets</b>					
Tangible assets	7	1,425		1,329	
Investments	8	-		-	
		<hr/>		<hr/>	
			1,425		1,329
<b>Current assets</b>					
Work in progress		69		94	
Debtors	9	194		327	
Cash at bank and in hand		438		299	
		<hr/>		<hr/>	
		701		720	
<b>Creditors: amounts falling due within one year</b>	10	(4,778)		(4,549)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(4,077)		(3,829)
			<hr/>		<hr/>
<b>Net liabilities</b>			(2,652)		(2,500)
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	11	-		-	
Profit and loss account	12	(2,652)		(2,500)	
		<hr/>		<hr/>	
<b>Shareholders' deficit – equity</b>			(2,652)		(2,500)
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 27 February 2006 and were signed on its behalf by:



Director

**Statement of total recognised gains and losses**  
*for the year ended 31 March 2005*

	2005 £000	2004 £000
Loss for the financial year	(150)	(340)
Currency translation differences on foreign currency net investments	(2)	29
<b>Total recognised gains and losses relating to the financial year</b>	<b>(152)</b>	<b>(311)</b>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 March 2005*

	2005 £000	2004 £000
Loss for the financial year	(150)	(340)
Currency translation differences on foreign currency net investments	(2)	29
<b>Net reduction in shareholders' funds</b>	<b>(152)</b>	<b>(311)</b>
Opening shareholders' deficit	(2,500)	(2,189)
<b>Closing shareholders' deficit – equity</b>	<b>(2,652)</b>	<b>(2,500)</b>



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The directors believe the basis of preparation on a going concern basis to be appropriate as a fellow subsidiary undertaking, Quadriga Worldwide Limited, has confirmed that it will provide such financial support as is necessary for the company to meet its obligations as they fall due for the foreseeable future.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that Carmelite Capital Limited, a parent undertaking, includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Carmelite Capital Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Carmelite Capital Limited group (or investees of the group qualifying as related parties). The consolidated financial statements of Carmelite Capital Limited, within which this company is included, can be obtained from the address given in note 15.

#### ***Investments***

In the company's financial statements, investments in subsidiary undertakings, are stated at cost less any amounts written off.

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Rental assets	-	3 to 7 years
Office equipment	-	5 years
Computer equipment	-	3 years
Fixtures and fittings	-	5 to 10 years

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas branches are translated at the closing exchange rates. Profit and loss accounts of the branches are consolidated at the average rates of exchange during the period. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

#### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Work in progress*

Work in progress is stated at the lower of cost and net realisable value.

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Turnover*

Turnover consists principally of amounts (excluding value added tax) derived from the rental of in-room equipment and software to hotels or from hotel guest viewing of Pay-TV and other in-room technology based services through a network of European branch operations outside of the UK. Turnover also includes the outright sale and after-sales service of in-room equipment.

### 2 Cost of sales and net operating expenses

	2005 £000	2004 £000
Depreciation and other amounts written off rental assets	493	462
Other costs of sale	590	445
	<hr/>	<hr/>
Cost of sales	1,083	907
	<hr/>	<hr/>
Depreciation and other amounts written off other tangible fixed assets	1	9
Other net operating expenses	625	614
	<hr/>	<hr/>
Net operating expenses	626	623
	<hr/>	<hr/>

The audit fees of the company were borne by Quadriga Worldwide Limited, a fellow subsidiary undertaking.

Having regard to the nature of the company's business, the analysis of operating costs as prescribed by the Companies Act 1985 is not meaningful. In the circumstances, as prescribed by paragraph C3(3) of Schedule 4 of the Companies Act 1985, the directors have adapted the prescribed format to the requirements of the company's business.

### 3 Remuneration of directors and staff numbers and costs

No director received any remuneration during the year in respect of services to the company.

The company employs one person (2004: one). The aggregate payroll cost of this employee was £42,000 (2004: £52,000). Administration services are provided by Quadriga Worldwide Limited.

**Notes (continued)**

**4 Interest receivable and similar income**

	2005 £000	2004 £000
Bank interest receivable	2	1
Net exchange gains	61	-
	<u>63</u>	<u>1</u>

**5 Interest payable and similar charges**

	2005 £000	2004 £000
On amounts payable to group undertakings	65	53
Net exchange losses	-	38
	<u>65</u>	<u>91</u>

**6 Taxation**

	2005 £000	2004 £000
<i>Foreign tax</i>		
Current tax on income for the period	32	76
	<u>32</u>	<u>76</u>
Tax on loss on ordinary activities	32	76
	<u>32</u>	<u>76</u>

*Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(118)	(264)
	<u>(118)</u>	<u>(264)</u>
Current tax at 30% (2004: 30%)	(35)	(79)
	<u>(35)</u>	<u>(79)</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(7)	(7)
Depreciation in excess of capital allowances	56	140
Adjustment in respect of foreign tax rates	18	22
	<u>67</u>	<u>155</u>
Total current tax charge (see above)	<u>32</u>	<u>76</u>

## Notes (continued)

### 6 Taxation (continued)

#### *Factors that may affect future tax charges*

The company has the following timing differences which may give rise to reduced tax charges in the future:

#### a) Tax losses

Trading losses as at 31 March 2005 amounted to £270,000 (£81,000 tax value) which are available for offset against future income. No deferred tax asset has been recognised in respect of these losses as the ability of the company to obtain tax relief is dependant on suitable profits arising in the future which cannot be estimated with sufficient certainty.

#### b) Accelerated capital allowances

The company has fixed assets which have a tax written down value of £438,000 (£131,000 tax value) in excess of their net book value as at 31 March 2005. No deferred tax asset has been recognised in respect of this timing difference as the ability of the company to obtain tax relief is dependent upon suitable profits arising in the future which cannot be estimated with sufficient certainty.

### 7 Tangible fixed assets

	Rental assets £000	Office equipment £000	Total £000
<b>Cost</b>			
At beginning of year	3,543	50	3,593
Exchange adjustments	103	-	103
Additions	503	-	503
	<hr/>	<hr/>	<hr/>
At end of year	4,149	50	4,199
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	2,214	50	2,264
Exchange adjustments	17	(1)	16
Charge for year	493	1	494
	<hr/>	<hr/>	<hr/>
At end of year	2,724	50	2,774
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2005	1,425	-	1,425
	<hr/>	<hr/>	<hr/>
At 31 March 2004	1,329	-	1,329
	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**8 Investments**

	Share in subsidiary undertakings £
<i>Cost and net book value</i>	
At beginning and end of year	1

The undertaking in which the company had an interest at the year end was as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Quadriga Technology Limited	England	Dormant	Ordinary 100%

**9 Debtors**

	2005 £000	2004 £000
Trade debtors	64	192
Prepayments and accrued income	106	132
Other debtors	24	3
	<u>194</u>	<u>327</u>

All debtors are due within one year.

**10 Creditors: amounts falling due within one year**

	2005 £000	2004 £000
Trade creditors	21	-
Amounts owed to group undertakings	4,523	4,223
Accruals and deferred income	213	300
Corporation tax	21	26
	<u>4,778</u>	<u>4,549</u>

Amounts owed to group undertakings have no fixed date for repayment.

## Notes (continued)

### 11 Called up share capital

	2005 £	2004 £
<b>Authorised</b>		
Equity: 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
Equity: 2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

### 12 Reserves

	<b>Profit and loss account £000</b>
At beginning of year	(2,500)
Loss for the financial year	(152)
	<hr/>
At end of year	(2,652)
	<hr/>

### 13 Contingent liabilities

The company participates in a cross guarantee arrangement of cash pooling overdrafts with certain other group undertakings; the amount outstanding at the year end was £nil (2004: £nil).

The company participates in a cross guarantee arrangement over bank loans of certain other group undertakings; the amounts outstanding at the year end totalled £74.9 million (2004: £91.8 million).

### 14 Related party disclosures

Terra Firma Capital Partners I ("TFCPI"), an English Limited Partnership, acting through its general partner Terra Firma Investments (GP) Limited, a company incorporated in Guernsey, is a related party by virtue of the fact that during the year ended 31 March 2005 it had the ability to exercise a controlling influence over the company through its holding of warrants to subscribe for ordinary shares in Interactive Hotel Services Limited, the holding company of Interactive Hotel Services Holdings plc. On 4 May 2004, TFCPI transferred its holding of warrants to subscribe for ordinary shares in the company to Carmelite Capital Limited ("CCL"). On 7 May 2004 all of the aforementioned warrants were exercised. TFCPI holds 100% of the issued share capital of CCL, the largest group of which the company is a member and for which group accounts are drawn up.

The directors therefore consider TFCPI to be a related party.

### 15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The directors regard TFCP Holdings Limited, a company incorporated in Guernsey, as the ultimate controlling party and the ultimate parent entity.

Carmelite Capital Limited is the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available to the public and may be obtained from Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX.