Quadriga EMEA Limited
3038297
subsidiary audit exemption

Interactive Hotel Services Limited

Registered number 4033274

Directors' Report and Financial Statements

for the year ended

31 March 2013

Contents

Directors' report

The directors present their annual report and the audited financial statements of Interactive Hotel Services Limited ('company') and of the company and its subsidiary undertakings ('group') for the year ended 31 March 2013

Principal activity

The principal activity of the group is creating on-property value via accessible guest facing technologies and services for the hospitality industry in Europe, North America, Middle East, Africa and Asia The deployed systems and services provide functionality in the areas of internet and network connectivity, guest entertainment, hotel services, and communications

Business review

The group's trading operations are co-ordinated through a network of UK, European, US and Asian undertakings The company's functional currency is Sterling, however since the trading transactions of the group are predominantly carried out in Euro and both internal and external presentations of performance are made in Euro, the directors have adopted a presentation currency of Euro The directors believe that this aids the user of the financial statements to better understand the underlying trading performances of the business

The trading results for the year and the group's financial position at the end of the year are disclosed in the financial statements and notes on pages 8 to 31

Turnover for the financial year ended 31 March 2013 amounted to €80 0 million (2012 €87 7 million) and the group incurred an operating loss for the year of €7 6 million (2012 loss €7 3 million) The loss for the financial year after interest and tax was €12 4 million (2012 loss €15 0 million)

Strategy and future development

The group continues to pursue a strategy of widening its product portfolio and geographies in which it operates, and increase market penetration in order to grow both the profitability and future cash flows of the group The group has a significant rental asset base which generates a contracted revenue stream and resultant operating cash flows sufficient to fund its capital expenditure for the foreseeable future

Key performance indicators

The group's key performance indicators are Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and the number of hotel rooms in which the group's systems are installed

Reconciliation of operating loss to EBITDA

	2013	2012
	€000	€000
Operating loss	**(7,632)**	(7,260)
Depreciation of rental assets	**19,833**	25,666
Other amounts written off rental assets	**493**	756
Amortisation of intangible fixed assets	**3,805**	3,241
Depreciation of tangible fixed assets	**1,428**	1,663
EBITDA	**17,927**	24,066
Exceptional restructuring costs	**508**	2,449
EBITDA before exceptional restructuring costs	**18,435**	26,515

The number of hotels rooms in which the company's systems were installed fell by 6% during the financial year, after having remained stable in the previous financial year

Dividends

The directors do not recommend the payment of a dividend *(2012 £nil)*

Directors' report *(continued)*

Research and development

The group continues to invest in research and development During the financial year the group incurred and capitalised costs of €3 0 million (2012 €4 2 million) and expensed €4 6 million (2012 €4 0 million) on the development of proprietary digital technology platforms for the hotel industry

Principal risks and uncertainties

The group's business and strategy are subject to a number of risks The directors have set out below the principal risks facing the business

The directors of the company are of the opinion that the group has adopted a thorough risk management process that involves the formal review of all the risks identified below Where possible, processes are in place to monitor and mitigate such risks

Competitor action

The management seeks to compete effectively and maintain market share by continuously developing and updating its product portfolio and its relationships with key customers along with a regular review of actions from its competitors and developments in the marketplace

Loss of key personnel

The group employed an average of 259 employees during the financial year ended 31 March 2013 (2012 267)

Regular operational reviews ensure that knowledge and key customer and supplier relationships are retained by the management of the group so that the impact of the loss of any employee or agent would be reduced

Financial risk management

The group's operations expose it to a variety of financial risks that include economic uncertainty, credit risk, liquidity and cash flow risks, interest rate risk, and foreign exchange risk The group has established a financial management framework which seeks to limit the adverse effects on financial performance by monitoring levels of debt finance and the related finance costs

The group's assets primarily consist of rental and other fixed assets, trade debtors, installation of equipment in progress and cash The group's liabilities primarily consist of trade creditors and accruals and notes payable due to a related party

Economic environment uncertainty

The management aim to mitigate the effects of uncertainty in the economic environment by seeking to

- regularly review the company's exposure to customer and supplier payment default risk,
- minimise the company's exposure to fluctuations in hotel occupancy by engaging in fixed fee contracts

Credit risk

The management actively mitigates the risk of payment default by seeking favourable payment methods and credit arrangements with its customers and by reviewing outstanding payments and provisions for payment default regularly

Liquidity and cash flow risks

Liquidity risk is monitored on an ongoing basis by undertaking cash flow forecasting procedures In order to ensure continuity of funding, the management seeks to maintain sufficient cash reserves and un-drawn committed borrowing facilities

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans from its ultimate parent company, Victorian Capital LP Incorporated ('VCL') and 10% notes which are all held by VCL

Directors' report *(continued)*

Interest rate risk

The exposure of the group to interest rate fluctuations is managed by maintaining funding flexibility through a combination of cash pooling, shareholder funding and borrowings while obtaining a large degree of certainty in its commitments by borrowing extensively under fixed rates

Foreign exchange risk

The majority of the group's transactions originate in Sterling and Euro, or in the domestic currency of the overseas undertaking involved, with a minimal exposure to foreign exchange fluctuations The group seeks to further reduce this risk by, where possible, matching foreign currency receipts with payments The overseas undertakings have a minimal exposure to currency risk as their monetary assets and liabilities are held in their functional currencies, which is mainly Euros

Directors

The directors who held office at the date of this report, and their date of appointment if after the start of the financial year, were

S Davies	(appointed 29 January 2013)
K Gozzett	
D Naylor-Leyland	
R Taylor	
P Yordan	(appointed 25 September 2012)

The directors who have resigned since the start of the financial year were

J Hull	(resigned 28 August 2012)
I Webb	(appointed 29 January 2013, resigned 14 June 2013)

The group provided qualifying third party indemnity provisions to one or more of the directors during the financial year and at the date of this report

Employees

The group recognises the value of a workforce drawn from varied backgrounds and requires management to exercise fairness and reasonableness in its human resources practices The group is committed to operating non-discriminatory policies and practices in relation to recruitment, selection, training, development and promotion without regard to sex, marital status, dependants, disability, colour, race, religion, creed or ethnic origins

Where existing employees become disabled, it is the group's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees If the employee is unable continue with their own job then consideration will be given to what reasonable adjustments may be made to enable the employee to carry out a role within the group The group will then make all reasonable efforts to re-deploy the employee within the group

It is the group's policy to communicate regularly with all employees in the business

All employees are encouraged to take an active interest in the business and to read the regular communication documents, announcements and notices issued to employees

The group encourages the existence of regular communication and consultation meetings within the group for all its employees, including the employee representatives on the Business Forum These meetings offer an opportunity for employees' views and ideas to be made known to and considered by the group and for two-way communication to be achieved

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

On behalf of the board

R. Taylor
Director
Interactive Hotel Services Limited
Forum 1
Station Road
Theale,
Berkshire
RG7 4RA

5 September 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the *Companies Act 2006* They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Interactive Hotel Services Limited

We have audited the financial statements of Interactive Hotel Services Limited for the year ended 31 March 2013 set out on pages 8 to 31 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 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 Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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's 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

M Hughes

Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

5 September 2013

Group profit and loss account

For the year ended 31 March 2013

	Note	2013 €000	2012 €000
Turnover		**80,006**	87,652
Cost of sales	*3*	**(53,081)**	(58,305)
Gross profit		**26,925**	29,347
Net operating expenses	*3*	**(34,557)**	(36,607)
Operating loss		**(7,632)**	(7,260)
Interest receivable and similar income	*7*	**53**	37
Interest payable and similar charges	*8*	**(4,278)**	(6,694)
Loss on ordinary activities before taxation		**(11,857)**	(13,917)
Tax on loss on ordinary activities	*9*	**(501)**	(1,036)
Loss for the financial year		**(12,358)**	(14,953)

All results derive from continuing operations

There are no material differences between the results stated above and their historical cost equivalents

Group statement of total recognised gains and losses

For the year ended 31 March 2013

	2013 €000	2012 €000
Loss for the financial year	**(12,358)**	(14,953)
Foreign exchange movements	**522**	(3,093)
Total recognised losses relating to the financial year	**(11,836)**	(18,046)

Group balance sheet
At 31 March 2013

	Note	2013 €000	2012 €000
Fixed assets			
Goodwill	*10*	**1,692**	1,914
Negative goodwill	*10*	**(301)**	(407)
		1,391	1,507
Other intangible assets	*10*	**11,912**	12,724
Tangible assets	*11*	**31,657**	46,214
		44,960	60,445
Current assets			
Stock	*13*	**4,867**	4,979
Debtors	*14*	**21,053**	21,382
Cash at bank and in hand		**6,407**	8,036
		32,327	34,397
Creditors amounts falling due within one year	*15*	**(23,863)**	(28,126)
Net current assets		**8,464**	6,271
Total assets less current liabilities		**53,424**	66,716
Creditors amounts falling due after more than one year	*16*	**(33,668)**	(34,580)
Provisions	*18*	**(5,336)**	(6,530)
Net assets		**14,420**	25,606
Capital and reserves			
Called up share capital	*19*	**271,134**	271,134
Share premium account	*20*	**1,120**	1,120
Profit and loss account	*20*	**(510,099)**	(501,966)
Other reserves	*20*	**205,370**	205,370
Translation reserves	*20*	**46,895**	49,948
Shareholders' funds	*21*	**14,420**	25,606

The financial statements of Interactive Hotel Services Limited, registered number 4033274, were approved by the board of directors on 5 September 2013 and were signed on its behalf by

R. Taylor
Director

Company balance sheet
At 31 March 2013

	Note	2013 €000	2012 €000
Fixed assets			
Investments	*12*	**40,574**	40,991
Current assets			
Debtors	*14*	**481**	294
		481	294
Creditors amounts falling due within one year	*15*	**(939)**	(904)
Net current liabilities		**(458)**	(610)
Net assets		**40,116**	40,381
Capital and reserves			
Called up share capital	*19*	**271,134**	271,134
Share premium account	*20*	**1,120**	1,120
Profit and loss account	*20*	**(256,181)**	(258,964)
Translation reserve	*20*	**24,043**	27,091
Shareholders' funds	*21*	**40,116**	40,381

The financial statements of Interactive Hotel Services Limited, registered number 4033274, were approved by the board of directors on 5 September 2013 and were signed on its behalf by

R Taylor
Director

Group cash flow statement

For the year ended 31 March 2013

	Note	2013 €000	2012 €000
Net cash inflow from operating activities	*23*	**14,144**	23,708
Return on investments and servicing of finance			
Interest and similar income received		**53**	37
Interest paid on finance leases		**(118)**	16
Other interest and similar expenses paid		**(4,160)**	(3,044)
		(4,225)	(2,991)
Taxation			
Overseas taxation		**(695)**	(568)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		**(2,991)**	(4,247)
Payments to acquire tangible fixed assets		**(7,399)**	(9,941)
		(10,390)	(14,188)
Acquisition and disposals			
Purchase of subsidiary undertaking		**-**	(1,763)
Net cash (outflow)/inflow before management of liquid resources and financing		**(1,166)**	4,198
Financing			
Capital element of finance leases		**(684)**	(352)
Increase/(decrease) in 10% notes payable and accrued interest		**221**	(5,313)
Decrease in cash in the financial year		**(1,629)**	(1,467)
Represented by:			
Decrease in bank overdrafts		**-**	139
Decrease in cash at bank and in hand		**(1,629)**	(1,606)
Decrease in cash in the financial year		**(1,629)**	(1,467)

Notes to 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 these financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and under the historical cost accounting rules

The company's functional currency is Sterling, however since the trading transactions of the group are predominantly carried out in Euro and both internal and external presentations of performance are made in Euro, the directors have adopted a presentation currency of Euro The directors believe that this aids the user of the accounts to better understand the underlying trading performance of the business

Going concern

The group's debt financing comprises primarily10% notes issued by Interactive Hotel Services Holdings plc on the CISX (Channel Islands Stock Exchange) The 10% notes are all held by the group's ultimate parent, Victoria Capital LP Incorporated The maturity date of the notes is 21 August 2015

The directors are confident that the group will be able to meet its future obligations by repayment of the 10% notes (through cash flow generated by the operations of the group trading subsidiaries or by new facilities) and/or by agreeing a further extension to the maturity date of the 10% notes Accordingly, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future

The company has net current liabilities of €0 5 million at the balance sheet date (2012 €0 6 million), which is due to intergroup balances with Quadriga Worldwide Limited

The company is not a trading entity, therefore it relies on the cash flows generated by other group undertakings to be able to meet its liabilities as they fall due The directors have considered the availability of these cash flows, their strength and timing and believe the company will meet its obligations as and when they arise

Consequently, the directors consider there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company and the group to continue as a going concern Thus they continue to adopt the going concern basis of accounting in preparing these annual financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings for the year ended 31 March 2013 The acquisition method of accounting has been adopted Under this method, the results of any subsidiary undertakings acquired or disposed of in the financial year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

The group has taken advantage of the exemption in FRS 8 *Related Party Disclosures* not to disclose transactions between two or more members of the group, where any subsidiary undertaking which is party to the transaction is wholly owned by a member of the group

Subsidiary undertakings' audit exemption

The following subsidiary undertakings, which are all included in these consolidated financial statements, are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A of the Companies Act 2006

Name	*Registered number*
Interactive Hotel Services Holdings plc	4068662
Quadriga EMEA Limited	3038297
Quadriga Overseas Holdings Limited	4239101
Quadriga USA Limited	7761462
Quadriga Worldwide Limited	827164

Notes to the financial statements (continued)

1. Accounting policies (continued)

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998, is capitalised

Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is included within fixed assets and released to profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether though depreciation or sale

On subsequent disposal or termination of business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill)

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost plus any expenses incidental to its acquisition

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably These are amortised to nil by equal annual instalments over the estimated useful life

Research and development expenditure

Research expenditure is charged to the profit and loss account as incurred Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the technical feasibility of the related project is considered reasonably certain and where it is anticipated with sufficient certainty that further development costs to be incurred on the same project, together with related production, selling and administrative costs, will be more than covered by a future revenue stream

Capitalised development expenditure is amortised over the period economic benefits are expected to be derived, which is between 3 and 7 years depending on the nature of the project and the timing of the future revenue stream

Capitalised development expenditure for each project is reviewed at the end of each accounting period and where the circumstances which justified the deferral of the expenditure no longer apply, or are considered doubtful, the expenditure, to the extent to which it is considered to be irrecoverable, is written off immediately, project by project

Tangible 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

Investments

Investments in subsidiary undertakings are stated in the company's balance sheet at cost less any provision for impairment

Stock

Stock is stated at the lower of cost and net realisable value

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market

Notes to the financial statements (continued)

1. Accountıng polıcies (contınued)

Classıfication of financial instruments ıssued by the group

Fınancıal ınstruments ıssued by the group are treated as equıty (ı e formıng part of shareholders' funds) only to the extent that they meet the followıng two condıtıons

1 they ınclude no contractual oblıgatıons upon the company (or group as the case may be) to delıver cash or other financıal assets or to exchange financıal assets or financıal lıabılıtıes wıth another party under condıtıons that are potentıally unfavourable to the company (or group), and

2 where the ınstrument wıll or may be settled ın the company's own equıty ınstruments, ıt ıs eıther a non-derıvatıve that ıncludes no oblıgatıon to delıver a varıable number of the company's own equıty ınstruments or ıs a derıvatıve that wıll be settled by the company's exchangıng a fixed amount of cash or other financial assets for a fixed number of ıts own equıty ınstruments

To the extent that thıs defınıtıon ıs not met, the proceeds of ıssue are classıfied as a financıal lıabılıty Where the ınstrument so classıfied takes the legal form of the company's own shares, the amounts presented ın these financıal statements for called up share capıtal and share premıum account exclude amounts ın relatıon to those shares

Where a financıal ınstrument that contaıns both equıty and financıal lıabılıty components exısts these components are separated and accounted for ındıvıdually under the above polıcy The finance cost on the financıal lıabılıty component ıs correspondıngly hıgher over the lıfe of the ınstrument

Fınance payments assocıated wıth financıal lıabılıtıes are dealt wıth as part of ınterest payable and sımılar charges Fınance payments assocıated wıth financıal ınstruments that are classıfied as part of shareholders' funds are dealt wıth as appropriatıons ın the reconcılıatıon of movements ın shareholders' funds

Foreign currencıes

(ı) foreıgn currency transactıons

Transactıons ın foreıgn currencıes are translated to the respectıve functıonal currencıes of group entıtıes at the foreıgn exchange rate rulıng at the date of the transactıon Monetary assets and lıabılıtıes denomınated ın foreıgn currencıes at the balance sheet date are translated to the functıonal currency at the foreıgn exchange rate rulıng at that date Foreıgn exchange dıfferences arısıng on translatıon are recognısed ın the relevant captıons of the ıncome statement Non-monetary assets and lıabılıtıes that are measured ın terms of hıstorıcal cost ın a foreıgn currency are translated usıng the exchange rate at the date of transactıon

(ıı) financıal statements of foreıgn operatıons

The assets and lıabılıtıes of foreıgn operatıons whose functıonal currency ıs not Sterlıng are translated at foreıgn exchange rates rulıng at the balance sheet date The revenues and expenses of these foreıgn operatıons are translated at an average rate for the perıod where thıs rate approxımates to the foreıgn exchange rates rulıng at the dates of the transactıons Gaıns and losses arısıng on these translatıons are taken to reserves, net of exchange dıfferences arısıng on related foreıgn currency borrowıngs

(ııı) presentatıonal currency

The Sterlıng consolıdatıon ıs translated by the followıng method for presentatıonal purposes Income and expenses are translated at the average exchange rate for the financıal year Assets and lıabılıtıes are translated at the closıng exchange rate as at the end of the financıal year Share capıtal, share premıum and related reserve accounts are translated at hıstorıc rate Exchange dıfferences arısıng from thıs retranslatıon of foreıgn operatıons are recognısed dırectly as a separate component of equıty (the translatıon reserve)

The exchange rates used ın these financıal statements are

Average exchange rate for the year ended 31 March 2013 used for ıncome and expense ıtems £1 €1 2275 (2012 £1 1 1589)

Closıng exchange rate at 31 March 2013 used for assets and lıabılıtıes £1 €1 1866 (2012 £1 €1 1988)

Notes to the financial statements (continued)

1. Accounting policies (continued)

Turnover

Turnover consists principally of amounts (excluding value added tax) derived from the rental of in-room equipment (including software) to hotels and is recognised on a straight line basis over the contract life Income from hotel guests viewing of Pay-TV and other in-room technology based services is recognised as turnover as the service is provided Turnover also includes amounts derived from the maintenance of this equipment, recognised rateably over the maintenance term and amounts derived from the outright sale of in-room equipment which is recognised on acceptance of the goods by the customer

Leases

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

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are disclosed under creditors

Post-retirement benefits

The group operates a number of defined contribution schemes

The assets of the schemes are held separately from those of the group in independently administered funds The amount charged against profits represents the contributions payable to the defined contribution schemes in respect of the accounting period

Taxation

The charge for taxation is based on the result for the financial 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 *Deferred tax*

Notes to the financial statements (continued)

2. Turnover and segmental reporting

Analysis by class of business

The directors consider that there is only one class of business being the supply and outright sale of equipment and software enabling the provision of in-room technology based services to hotels and similar services to other markets across Europe and in the USA

The tables below set out information in respect of the business for each of the group's geographic areas of operation The directors consider that there is no material difference between turnover by origin and by destination

Analysis of turnover by geographical market	**2013**	2012
	€000	€000
UK	**14,187**	15,569
Rest of Europe	**60,980**	69,573
Rest of the World	**4,839**	2,510
	80,006	87,652

Segment result before interest and tax	**2013**	2012
	€000	€000
UK	**(7,295)**	(1,710)
Rest of Europe	**2,248**	(4,580)
Rest of the World	**(2,585)**	(970)
	(7,632)	(7,260)
Interest receivable and similar income	**53**	37
Interest payable and similar charges	**(4,278)**	(6,694)
Loss on ordinary activities before taxation	**(11,857)**	(13,917)

Segment net assets excluding intercompany	**2013**	2012
	€000	€000
UK	**17,135**	18,742
Rest of Europe	**28,098**	38,377
Rest of the World	**1,588**	1,006
	46,821	58,125
10% notes and accrued interest from ultimate parent company	**(32,401)**	(32,519)
Net assets	**14,420**	25,606

Notes to the financial statements (continued)

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting)

	Note	2013 €000	2012 €000
Cost of sales			
Amortisation of intangible fixed assets	*10*	3,805	3,241
Depreciation of rental assets	*11*	19,833	25,666
Other amounts written off rental assets		493	756
Other cost of sales		28,950	28,642
		53,081	58,305
Net operating expenses			
Staff costs, excluding redundancy costs	*5*	20,111	20,172
Depreciation of other tangible fixed assets	*11*	1,428	1,663
Rentals payable under operating leases		1,294	2,654
Other expenses		11,216	9,669
Exceptional restructuring costs (see below)		508	2,449
		34,557	36,607
Exceptional restructuring costs			
Professional fees		114	127
Redundancy costs		131	2,016
Other restructuring costs		263	306
		508	2,449

Having regard to the nature of the company's business, the analysis of operating costs as prescribed by the Companies Act 2006 is not meaningful In the circumstances, as prescribed by section 410 of the Companies Act 2006, the directors have adapted the prescribed format to the requirements of the company's business

Included within net operating expenses is €902,000 (2012 €898,000) in respect of expenditure on research and development, and amortisation of capitalised development costs of €3,697,000 (2012 €3,091,000)

Also included in net operating expenses is remuneration to the auditor and its associates for audit and other services as follows

	2013 €000	2012 €000
Audit of these financial statements	69	58
Amounts receivable by the auditor and its associates for other services		
Audit of financial statements of other group undertakings	361	431
Tax compliance services	63	50
All other services	9	36
	502	575

Notes to the financial statements (continued)

4 Directors

The remuneration of directors in respect of qualifying services was as follows

	2013	2012
	€000	€000
Directors' emoluments	404	600
Pension contributions to money purchase schemes	17	23
	421	623

The remuneration of the highest paid director was €248,000 (2012 €291,000) and company pension contributions of €10,000 (2012 €11,000)

There were 2 (2012 3) directors accruing benefits under money purchase schemes

5. Employees

The average number of persons, including directors, employed by the company during the financial year, analysed by category, was as follows

	2013	2012
	Number	Number
Sales	58	61
Operations and administration	193	201
Research and development	8	5
	259	267

The aggregate payroll costs of these persons were as follows	2013	2012
	€000	€000
Wages and salaries	16,239	16,413
Social security costs	3,049	2,957
Other pension costs	823	802
Redundancy costs	131	2,016
	20,242	22,188

6. Pension

The group has established a defined contribution scheme for UK employees in the Prudential Stakeholder Scheme for Quadriga Worldwide Limited under which post-retirement benefits are provided This scheme was established on 23 August 2007

Staff engaged outside the UK are covered by local arrangements, normally defined contribution schemes

The charge to the profit and loss account in respect of the financial year was €823,000 (2012 €802,000) Pension contributions of €nil (2012 €20,000) were accrued as at 31 March 2013

Notes to the financial statements (continued)

7. Interest receivable and similar income

	2013	2012
	€000	€000
Bank interest receivable and investment income	53	37

8. Interest payable and similar charges

	2013	2012
	€000	€000
Bank interest payable	11	72
Interest on related party loans	3,444	6,268
Finance charge payable in respect of finance leases	118	96
Net foreign exchange losses	705	258
	4,278	6,694

Notes to the financial statements (continued)

9. Taxation	2013	2012
	€000	€000
UK corporation tax		
Current tax charge on loss on ordinary activities	-	-
Overseas tax		
Tax on profit/(loss) on ordinary activities	209	1,036
Deferred tax	292	-
Tax charge	501	1,036
Reconciliation of tax charge		
Loss on ordinary activities before taxation	(11,857)	(13,917)
Current tax credit at 24% (2012 26%)	(2,846)	(3,618)
Effects of		
Income not taxable/expenses not deductible for tax purposes	199	248
Differences between capital allowances and depreciation and amortisation charges	199	253
Short term timing differences	(67)	269
Unutilised tax losses	2,515	2,848
Overseas taxation	209	1,036
Tax charge	209	1,036

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 This will reduce the company's future current tax charge accordingly

Unrecognised deferred tax assets

No deferred tax asset has been recognised on the timing differences set out below as, in the opinion of the directors, the ability of the group to obtain the tax benefit is dependent upon suitable profits arising in the relevant statutory company in the future, that are either not currently foreseen or which cannot be estimated with sufficient certainty

	2013	2012
Group	€000	€000
Timing difference including unutilised tax losses	12,582	19,321

Notes to the financial statements (continued)

10 Intangible fixed assets

Group	Goodwill €000	Negative goodwill €000	Development costs €000	Total €000
Cost				
At the beginning of the financial year	200,693	(407)	27,440	227,726
Additions	-	-	2,991	2,991
Translations	(2,041)	5	(378)	(2,414)
At the end of the financial year	**198,652**	**(402)**	**30,053**	**228,303**
Amortisation				
At the beginning of the financial year	198,779	-	14,716	213,495
Charge/(credit) for the financial year	212	(104)	3,697	3,805
Translations	(2,031)	3	(272)	(2,300)
At the end of the financial year	**196,960**	**(101)**	**18,141**	**215,000**
Net book value				
At 31 March 2013	**1,692**	**(301)**	**11,912**	**13,303**
At 31 March 2012	1,914	(407)	12,724	14,231

A full review of the unamortised balance of all development costs that have been capitalised since digital product development commenced was conducted at each balance sheet date in accordance with SSAP 13 No impairment has been recognised during the year ended 31 March 2013 (2012 € nil)

Notes to the financial statements (continued)

11. Tangible fixed assets

	Rental assets	Other	Total
Group	**€000**	**€000**	**€000**
Cost			
At the beginning of the financial year	181,105	17,676	198,781
Additions	5,567	1,832	7,399
Disposals	(24,560)	(401)	(24,961)
Translation	(78)	(152)	(230)
At the end of the financial year	**162,034**	**18,955**	**180,989**
Amortisation			
At the beginning of the financial year	137,205	15,362	152,567
Charge for the financial year	19,833	1,428	21,261
Eliminated on disposals	(23,974)	(395)	(24,369)
Translation	1	(128)	(127)
At the end of the financial year	**133,065**	**16,267**	**149,332**
Net book value			
At 31 March 2013	**28,969**	**2,688**	**31,657**
At 31 March 2012	43,900	2,314	46,214

Other assets included fixtures, equipment and vehicles

The net book value of rental assets includes €1,525,000 (2012 €2,327,000) of assets capitalised under finance lease arrangements

Depreciation on these assets charged in the financial year was €613,000 (2012 €406,000)

Notes to the financial statements (continued)

12. Investments

	Subsidiary undertakings
Company	**€000**
Cost	
At the beginning of the financial year	299,405
Translation	(3,047)
At the end of the financial year	**296,358**
Impairment	
At the beginning of the financial year	258,414
Translation	(2,630)
At the end of the financial year	**255,784**
Net book value	
At 31 March 2013	**40,574**
At 31 March 2012	40,991

The subsidiary undertakings in which the company had an interest (* direct interest) at 31 March 2013 were

	Country of incorporation	Class of shares held	% held
Interactive Hotel Services Holdings plc (*holding/finance company*)	England	Ordinary, B Ordinary, A & B Preference	100%*
Interactive Hotel Services Investments Limited (*holding company)*	England	Ordinary & Preference	100%
Quadriga Americas LLC (previously NX Systems LLC)	USA	Ordinary	100%
NXTV (Thailand) Co Ltd	Thailand	Ordinary	100%
NXTV Asia Ltd	China	Ordinary	100%
Quadriga Belgium NV	Belgium	Ordinary	100%
Quadriga Benelux BV	Netherlands	Ordinary	100%
Quadriga Business Espana SA	Spain	Ordinary	100%
Quadriga d o o	Croatia	Ordinary	100%
Quadriga Danmark A/S	Denmark	Ordinary	100%
Quadriga Deutschland GmbH	Germany	Ordinary	100%
Quadriga EMEA Limited	England	Ordinary	100%
Quadriga EMEA Romania S R L	Romania	Ordinary	100%
Quadriga Finland Oy	Finland	Ordinary	100%
Quadriga France SAS	France	Ordinary	100%
Quadriga Greece Hotel Technologies S A	Greece	Ordinary	100%
Quadriga Holdings BV (*holding company)*	Netherlands	Ordinary	100%
Quadriga Holdings Limited (*holding company)*	England	Ordinary & Preference	100%
Quadriga Italia S p a	Italy	Ordinary	100%
Quadriga Latvija SIA	Latvia	Ordinary	100%
Quadriga Norge AS	Norway	Ordinary	100%
Quadriga Overseas Holdings Limited *(holding company)*	England	Ordinary	100%
Quadriga Poland SP z o o	Poland	Ordinary	100%
Quadriga Suisse SA	Switzerland	Ordinary	100%
Quadriga Svenska AB	Sweden	Ordinary	100%
Quadriga Technology Limited (*dormant)*	England	Ordinary	100%
Quadriga USA Limited (*holding company)*	England	Ordinary	100%
Quadriga Worldwide Limited	England	Ordinary	100%
Smoovie TV Europe SAS	France	Ordinary	100%
Thorn France Holdings SAS (*holding company)*	France	Ordinary	100%
UAB Quadriga hotel inroom technologies	Lithuania	Ordinary	100%

Notes to the financial statements (continued)

12. Investments (continued)

Quadriga UK Limited, a dormant company registered in England, was dissolved on 28 February 2013

The principal activity of the subsidiary undertakings is (unless otherwise indicated) creating on-property value via accessible guest facing technologies and services for the hospitality industry in Europe, North America, Middle East, Africa and Asia The deployed systems and services provide functionality in the areas of internet and network connectivity, guest entertainment, hotel services, and communications

13. Stocks

	2013	2012
Group	**€000**	€000
Component stock	**1,380**	3,163
Work in progress	**3,487**	1,816
	4,867	4,979

Notes to the financial statements (continued)

14. Debtors

	Group		Company	
	2013	2012	**2013**	2012
Amounts falling due within one year	**€000**	€000	**€000**	€000
Trade debtors	**13,860**	14,923	**-**	-
Amounts owed by group undertakings	**-**	-	**481**	290
Prepayments and accrued income	**2,472**	2,091	**-**	4
Net VAT recoverable & other tax debtors	**598**	-	**-**	-
Other debtors	**4,123**	4,368	**-**	-
	21,053	21,382	**481**	294

15. Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
Trade creditors	**4,094**	5,751	**-**	1
Customer deposits and rentals in advance	**4,925**	5,199	**-**	-
Amounts owed to group undertakings	**-**	-	**915**	726
Finance leases	**876**	412	**-**	-
Corporate taxes	**402**	101	**-**	-
Other taxation and social security	**1,113**	919	**-**	-
Other creditors	**3,084**	3,814	**-**	12
Accruals and deferred income	**9,369**	11,930	**24**	165
	23,863	28,126	**939**	904

Notes to the financial statements (continued)

16. Creditors: amounts falling due after more than one year

Group	2013 €000	2012 €000
10% notes payable to a related party	**32,038**	32,368
Interest accrued on 10% notes payable	**363**	151
Finance leases	**805**	1,915
Deferred tax	**462**	146
	33,668	34,580

A subsidiary undertaking, Interactive Hotel Services Holdings plc, has issued 10% notes which are listed on the CISX (Channel Islands Stock Exchange) The 10% notes bear interest at 10% per annum Interest accrues daily and any interest outstanding at 4 March is added to the principal

The repayment date of the 10% notes is 21 August 2015, though they may be redeemed earlier and in amounts at the option of the company

At 31 March 2013 all of the 10% notes issued were held by the ultimate parent company, Victorian Capital LP Incorporated

The maturity of obligations under finance leases and hire purchase contracts is as follows

Group	2013 €000	2012 €000
Finance leases which expire		
Within one year	**973**	789
In the second to fifth years inclusive	**911**	1,857
	1,884	2,646
Less finance charges allocated to future periods	**(203)**	(319)
	1,681	2,327

17. Financial instruments

The group's principal financial instruments, which exclude short-term debtors and creditors comprise loans and cash The main purpose of these financial instruments is to raise finance for the group's operations

The main risks arising on these financial instruments are set out in the Directors' report

Financial liabilities

Group	2013 €000	2012 €000
Loan notes and accrued interest	**32,401**	32,519
Finance leases	**1,681**	2,327
	34,082	34,846

The weighted average interest rate in the current and prior financial years was 10% on the notes payable The weighted average period, in both years, equals the length of the 10% period as detailed above The finance leases have finance lease charges of 6% to 8 1%

Notes to the financial statements (continued)

17. Financial instruments (continued)

Financial assets

The group has only floating rate financial assets, comprising interest bearing cash deposits There are no interest free financial assets in either financial year

The currency profile of financial assets at the end of the financial year was

Group	**2013** **€000**	2012 €000
Sterling	**331**	5,029
Euro	**3,056**	1,075
Other	**3,019**	1,932
	6,406	8,036

Foreign currency risk
The group's principal currency risk exposure is in respect of its UK subsidiary companies which receive finance in Sterling and lend this to trading subsidiaries whose assets are mainly held in Euro The overseas operations have a minimal exposure to currency risk as their monetary assets and liabilities are held in their functional currencies

Liquidity risk
The group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans from its ultimate parent company Victorian Capital LP Incorporated, and 10% notes which, whilst publicly traded, are all held by Victorian Capital LP Incorporated Short-term flexibility is achieved by working capital facilities if required

The maturity profile of the group's financial liabilities at the end of the financial year was as follows

Group	**2013** **€000**	2012 €000
Within one year, or on demand	**876**	412
In more than two years, but not more than five years	**33,206**	34,435
	34,082	34,847

The directors consider that the carrying value of the financial assets and liabilities approximates their fair values

18. Provisions

Group	**Overseas tax liabilities** **€000**	**Other** **€000**	**Total** **€000**
At the beginning of the financial year	1,383	5,147	6,530
Utilised	(25)	(1,358)	(1,383)
Charged to the profit and loss account	(182)	398	216
Translation	(7)	(20)	(27)
At the end of the financial year	**1,169**	**4,167**	**5,336**

Notes to the financial statements (continued)

19. Called up share capital

Group and company	2013 €000	2012 €000
Allotted shares and fully paid		
233,702,477 Ordinary shares of £1 each	**254,988**	254,988
1000 B Ordinary shares of £1 each	**1**	1
15,000,000 Preference shares of £1 each	**16,145**	16,145
	271,134	271,134

Dividends are only payable as a result of a Board resolution The holders of B ordinary shares are entitled to the first £8,541,000 of any profits which the company may determine to distribute Dividends are only payable thereafter to the holders of preference shares until they have received an amount equal to the nominal value of the shares and 8% per annum compounded daily from the date of issue on the nominal value of the shares Dividends are only payable thereafter to the holders of the ordinary shares On return of capital the distribution of assets follows the same rules as for dividends The voting rights attaching to the ordinary shares and B ordinary shares are one vote per share The preference shares have no voting rights

20. Reserves

Group	Share premium €000	Profit & loss €000	Other €000	Translation €000	Total €000
At the beginning of the financial year	1,120	(501,966)	205,370	49,948	(245,528)
Loss for the financial year	-	(12,358)	-	-	(12,358)
Net exchange differences	-	522	-	-	522
Translation	-	3,703	-	(3,053)	650
At the end of the financial year	1,120	(510,099)	205,370	46,895	(256,714)

In March 2008, the company and certain of its subsidiary undertakings carried out a capital reconstruction as a result of which the company issued new shares and the group benefited from a £190 8m reduction in its debt obligations The excess arising over the nominal value of the shares issued has been credited to the other reserve noted above

Company	Share premium €000	Profit & loss €000	Translation €000	Total €000
At the beginning of the financial year	1,120	(258,964)	27,091	(230,753)
Profit for the financial year	-	152	-	152
Translation	-	2,631	(3,048)	(417)
At the end of the financial year	**1,120**	**(256,181)**	**24,043**	**(231,018)**

Notes to the financial statements (continued)

21. Reconciliation of movement in shareholders' funds

	Group		Company	
	2013	2012	**2013**	2012
	€000	€000	**€000**	€000
At the beginning of the financial year	**25,606**	9,838	**40,381**	6,247
Profit/(loss) for the financial year	**(12,358)**	(14,953)	**152**	-
Foreign exchange movement	**522**	(3,093)	**-**	-
Shares issued during the financial year	**-**	33,797	**-**	33,797
Translation	**650**	17	**(417)**	337
At the end of the financial year	**14,420**	25,606	**40,116**	40,381

22. Commitments

Capital commitments

There were no capital commitments at the end of the financial year (2012 €nil)

Lease commitments

Annual commitments under non-cancellable operating leases were as follows

	2013	2012
Group	**€000**	€000
Land and buildings - operating leases which expire		
Within one year	**280**	165
In two to five years	**886**	853
Over five years	**-**	6
	1,166	1,024
Other - operating leases which expire		
Within one year	**340**	639
In two to five years	**224**	751
	564	1,390
Total commitments	**1,730**	2,414

Notes to the financial statements (continued)

23. Reconciliation of operating loss to net cash flow from operating activities

Group	2013 €000	2012 €000
Operating loss	(7,632)	(7,260)
Amortisation of intangible fixed assets	3,805	3,241
Depreciation of tangible fixed assets	21,261	27,314
Loss on disposals of tangible fixed assets	6	15
Net book value of rental assets sold	586	756
Decrease in stocks	112	338
Decrease in debtors	329	3,934
Decrease in creditors	(4,217)	(5,103)
(Decrease)/increase in provisions	(1,194)	1,569
Translation	1,088	(1,096)
Net cash inflow from operating activities	14,144	23,708

24. Reconciliation of net cash flow to movement in net debt

Group	2013 €000	2012 €000
Decrease in cash in the financial year	(1,629)	(1,467)
Payment of debt financing, including finance leases	684	5,648
(Increase)/decrease in net debt resulting from cash flows	(945)	4,181
Non-cash movements	(221)	28,440
Translation	301	(2,313)
(Increase)/decrease in net debt in the financial year	(865)	30,308
Net debt at the beginning of the financial year	(26,810)	(57,118)
Net debt at the end of the financial year	(27,675)	(26,810)

Notes to the financial statements (continued)

25. Analysis of net debt

	Cash €000	Finance leases €000	Debt payable after more than 1 year €000	Total €000
At the beginning of the financial year	8,036	(2,327)	(32,519)	(26,810)
Cash flow	(1,629)	684	-	(945)
Non-cash movement	-	-	(221)	(221)
Translation	-	(38)	339	301
At the end of the financial year	**6,407**	**(1,681)**	**(32,401)**	**(27,675)**

26. Related party transactions

The transactions and balances between the ultimate parent company, Victorian Capital LP Incorporated and the subsidiary undertaking of the company, Interactive Hotel Services Holdings plc in respect of the 10% notes are

	2013		2012	
Group	**Principal €000**	**Interest €000**	Principal €000	Interest €000
At the beginning of the financial year	**32,368**	**151**	64,403	476
Interest charged	-	**3,314**	-	6,268
Interest added to principal	-	-	3,649	(3,649)
Paid	-	**(3,093)**	(37,985)	(2,958)
Translation	**(330)**	**(9)**	2,301	14
At the end of the financial year	**32,038**	**363**	32,368	151

27. Ultimate parent company

The directors regard Victorian Capital LP Inc, a Guernsey incorporated limited partnership, as the ultimate parent company, and through its general partner, Tusk Co-Investment GP Limited, as the ultimate controlling party