

**Quadriga EMEA Limited**

**Directors' report and financial  
statements**

**Registered number 3038297**

**Year ended 31 March 2010**

WEDNESDAY



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## Directors' report

### 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. The company has operations in Bulgaria, Czech Republic, Hungary, Malta, Turkey and the Middle East.

### Business review

Turnover for the year ended 31 March 2010 decreased by 27.2% (2009 increase 19.1%) to £3,185,000 (2009 £4,375,000). The gross profit decreased from the previous year to £1,132,000 (2009 £1,271,000). The decrease in turnover and gross profit is largely due to a reduction in revenue earned from the retailing of televisions to hotels. The net operating expenses increased to £1,439,000 (2009 £1,066,000) due to an increase in management recharges and commissions payable in Turkey. This resulted in an overall loss before taxation of £355,000 compared to a loss of £24,000 in 2009.

### Going concern

The company has net current liabilities of £7,738,000 (2009 £7,370,000) at the balance sheet date. This is primarily due to intercompany balances with Quadriga Worldwide Limited ("QWW"), the immediate parent undertaking and Quadriga Holdings Limited ("QHL"), an intermediate parent undertaking.

The Board has received appropriate assurances from QWW and QHL that they will continue to provide financial and other support to the company for the foreseeable future to enable it to meet its liabilities as they fall due. QWW and QHL have confirmed that they will not seek repayment of the outstanding intercompany creditor balances within 12 months from the date of approval of these financial statements. Consequently, these financial statements are prepared on a going concern basis.

### Strategy

The strategy adopted by the company during the year has been to continue to develop its technology in order to increase the number of hotel rooms in which these systems are installed.

### Key performance indicators

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

	2010 £000	2009 £000
Operating (loss)/profit per profit and loss account	(307)	205
<i>Cost of sales adjustments</i>		
Depreciation of tangible fixed assets	893	938
Amortisation of intangible fixed assets	-	41
<i>Net operating expenses adjustment</i>		
Depreciation of tangible fixed assets	-	5
<b>EBITDA</b>	<b>586</b>	<b>1,189</b>

The number of hotels in which the Company's Genesis systems are installed grew by 10% in the period.

### Principal risks and uncertainties

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

## **Directors' report (*continued*)**

### **Principal risks and uncertainties (*continued*)**

The company's risk management processes are controlled at group level. 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 company seeks to compete effectively and maintain market share by continuously developing and updating its product portfolio through its immediate parent undertaking, Quadriga Worldwide Limited, 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 company employs one full time employee and has branch operations through various subcontracted agents. Regular operational reviews ensure that knowledge and key customer and supplier relationships are retained by the directors and officers of the company so that the impact of the loss of any employee or agent would be reduced.

### **Financial risk management objectives and policies**

#### *Economic environment uncertainty*

The directors 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 where appropriate.

#### *Liquidity risk*

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

#### *Interest rate risk*

The exposure of the company 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.

#### *Credit risk*

The company 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.

#### *Foreign exchange risk*

The majority of the company's transactions originate in foreign currencies and are therefore subject to foreign exchange fluctuations. The company seeks to reduce this risk by, where possible, matching foreign currency receipts with payments and, for certain countries, to negotiate payments from customers and to suppliers in more stable currencies such as Sterling and Euro.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2009 £nil).

### **Directors**

I Crabb

M Budie

J Hull

(appointed 13 May 2009)

P Wilson

G Marsh

Certain companies within the Group provided qualifying third party indemnity provisions to the directors during the financial year and at the date of this report.

## **Directors' report** *(continued)*

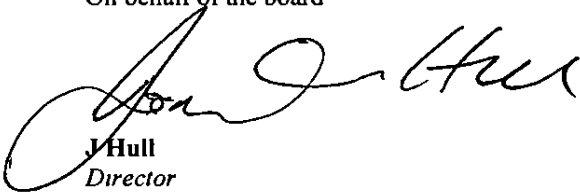
### **Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

On behalf of the board



**J Hull**  
Director

Forum 1  
Station Road  
Theale, Berkshire  
RG7 4RA

16 July 2010

## **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 company and of the profit or loss of the company for that period. In preparing these 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 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 Companies Act 2006. 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

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

### **Independent auditors' report to the members of Quadriga EMEA Limited**

We have audited the financial statements of Quadriga EMEA Limited for the year ended 31 March 2010 set out on pages 7 to 16. 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 auditors' 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 Directors' Responsibilities Statement set out on page 4, 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 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 web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its 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**

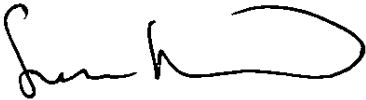
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of Quadriga EMEA Limited**

### **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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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 Baxter (Senior Statutory Auditor)**

**for and on behalf of KPMG Audit plc, Statutory Auditor**

Chartered Accountants

22 July 2010



**Profit and loss account**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
<b>Turnover</b>	2	<b>3,185</b>	4,375
<b>Cost of sales</b>	3	<b>(2,053)</b>	(3,104)
<b>Gross profit</b>		<b>1,132</b>	1,271
<b>Net operating expenses</b>	3,4	<b>(1,439)</b>	(1,066)
<b>Operating profit</b>		<b>(307)</b>	205
<b>Interest receivable and similar income</b>	5	<b>29</b>	-
<b>Interest payable and similar charges</b>	6	<b>(77)</b>	(229)
<b>Loss on ordinary activities before taxation</b>		<b>(355)</b>	(24)
<b>Tax on loss on ordinary activities</b>	7	<b>(104)</b>	1
<b>Loss for the financial year</b>		<b>(459)</b>	(23)

All results relate to continuing operations

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

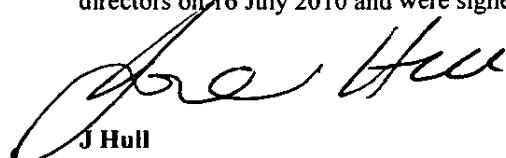
**Statement of total recognised gains and losses**  
*for the year ended 31 March 2010*

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Loss for the financial year</b>	<b>(459)</b>	(23)
<b>Foreign exchange movement on opening reserves</b>	<b>(181)</b>	122
<b>Total recognised (losses)/ profit relating to the financial year</b>	<b>(640)</b>	99

**Balance sheet**  
*at 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Fixed assets</b>					
Intangible assets	8	-		-	
Tangible assets	9	3,059		3,331	
Investments	10	-		-	
			3,059		3,331
<b>Current assets</b>					
Work in progress		32		175	
Debtors	11	1,698		1,579	
Cash at bank and in hand		262		242	
		1,992		1,996	
<b>Creditors</b> amounts falling due within one year	12	(9,730)		(9,366)	
<b>Net current liabilities</b>			(7,738)		(7,370)
<b>Net liabilities</b>			(4,679)		(4,039)
<b>Capital and reserves</b>					
Called up share capital	13	-		-	
Profit and loss account	14	(4,679)		(4,039)	
<b>Shareholders' deficit</b>			(4,679)		(4,039)

The financial statements for Quadriga EMEA Limited, registered number 3038297, were approved by the board of directors on 16 July 2010 and were signed on its behalf by

  
J Hull  
Director

## 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 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 company has net current liabilities of £7,738,000 at the balance sheet date. This is primarily due to intercompany balances with Quadriga Worldwide Limited ("QWW"), the immediate parent undertaking and Quadriga Holdings Limited ("QHL"), an intermediate parent undertaking.

The Board has received appropriate assurances from QWW and QHL that they will continue to provide financial and other support to the company for the foreseeable future to enable it to meet its liabilities as they fall due. QWW and QHL have confirmed that they will not seek repayment of the outstanding intercompany creditor balances within 12 months from the date of approval of these financial statements. Consequently, these financial statements are prepared on a going concern basis.

The company is exempt by virtue of Section 400 of the Companies Act 2006 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 FRS 1 'Cash flow statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds that Interactive Hotel Services Limited ("IHSL") includes the company in its own published consolidated financial statements.

As the company was a wholly owned subsidiary of IHSL during the year, the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the IHSL group (or investees of the group qualifying as related parties). The consolidated financial statements of IHSL, within which this company is included, can be obtained from the address given in note 17.

#### ***Investments***

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

#### ***Intangible fixed assets and amortisation***

Intangible fixed assets purchased separately from a business are capitalised at their cost. Intangibles are amortised to nil by equal annual instalments over the estimated useful life of the intangible asset.

#### ***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

#### ***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 contracted rate or 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.

## 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 'Deferred tax'.

#### Turnover

Turnover consists principally of amounts (excluding value added tax) derived from the rental of in-room equipment including 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 amounts derived from the maintenance of this equipment. Further, turnover includes amounts derived from the outright sale of in-room equipment which is recognised on acceptance by the customer.

### 2 Segmental information

The directors consider that the company has one class of business being supply of equipment and software enabling the provision of in-room technology based services to hotels and similar services.

	2010 £000	2009 £000
<i>Turnover by geographical markets</i>		
Europe	3,007	3,794
Middle East	178	581
	<hr/>	<hr/>
	3,185	4,375
	<hr/>	<hr/>

## Notes (continued)

### 3 Cost of sales and net operating expenses

	2010 £000	2009 £000
<b>Cost of sales</b>		
Depreciation and other amounts written off rental assets	893	938
Amortisation of intangible fixed assets	-	41
Other cost of sales	1,160	2,125
	<u>2,053</u>	<u>3,104</u>
<b>Net operating expenses</b>	<b>2010 £000</b>	<b>2009 £000</b>
Employee costs	47	62
Depreciation of other tangible fixed assets	-	5
Other expenses	1,392	999
	<u>1,439</u>	<u>1,066</u>

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.

The fees for the audit of these financial statements were £15,000 (2009 £10,000). These were borne by Quadriga Worldwide Limited, the immediate parent undertaking.

Amounts receivable by the company's auditor in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent undertaking, IHSL.

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

No director received any remuneration during the year in respect of qualifying services to the company (2009 *£nil*).

The company employs one person (2009 *two*). The aggregate payroll cost (which comprised wages and salaries only) of these employees was £47,000 (2009 £62,000). Administration services are provided by other subsidiary undertakings of Interactive Hotel Services Limited.

### 5 Interest receivable and similar income

	2010 £000	2009 £000
Net foreign exchange gains	<u>29</u>	<u>-</u>

**Notes (continued)**

**6 Interest payable and similar charges**

	2010 £000	2009 £000
On amounts payable to fellow group undertakings	77	206
Net foreign exchange losses	-	23
	<u>77</u>	<u>229</u>

**7 Taxation**

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current year tax charge on loss on ordinary activities	-	-
<i>Overseas tax</i>		
Current tax	104	(1)
	<u>104</u>	<u>(1)</u>

*Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(355)	(24)
	<u>(99)</u>	<u>(7)</u>
Current tax at 28% (2009 28%)	(99)	(7)
<i>Effects of</i>		
Timing differences between depreciation and capital allowances	170	264
Disallowable expenses	96	18
Group relief received at nil consideration	-	(275)
Unutilised trading losses	(167)	-
Overseas tax	104	(1)
	<u>104</u>	<u>(1)</u>
Total current tax charge / (credit) as above	104	(1)

## Notes (continued)

### 7 Taxation (continued)

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

It was announced in the 2010 Budget that the corporation tax rate will be cut from 28% to 27% from April 2011

The change does not have any effect on the company's assets or liabilities at the year end

#### *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 company to obtain the tax benefit of these payments is dependent upon suitable profits arising in the future, that are either not currently foreseen or which cannot be estimated with sufficient certainty

	2010 £000	2009 £000
Differences between the net book value and the tax written down value of fixed assets	(143)	(283)
Unutilised taxation losses	218	218
	<hr/>	<hr/>
	75	(65)
	<hr/>	<hr/>

### 8 Intangible fixed assets

#### *Cost*

At beginning and end of year

£000

95

#### *Amortisation*

At beginning and end of year

95

#### *Net book value*

At beginning and end of year

-

**Notes (continued)**

**9 Tangible fixed assets**

	<b>Rental assets £'000</b>
<b>Cost</b>	
At beginning of year	6,078
Additions	532
Disposals	(264)
Translation	342
At end of year	<u>6,688</u>
<b>Depreciation</b>	
At beginning of year	2,747
Charge for year	893
Eliminated on disposal	(243)
Translation	232
At end of year	<u>3,629</u>
<b>Net book value</b>	
At 31 March 2010	<u>3,059</u>
At 31 March 2009	<u>3,331</u>

**10 Fixed asset investments**

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

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

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



**Notes (continued)**

**11 Debtors**

	2010 £000	2009 £000
Trade debtors	1,069	802
Amounts owed by group undertakings	508	570
Prepayments and accrued income	33	83
Other debtors	35	124
Corporation tax	53	-
	<u>1,698</u>	<u>1,579</u>

All debtors are due within one year

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

	2010 £000	2009 £000
Trade creditors	100	116
Amounts owed to group undertakings	9,086	8,708
Other creditors	87	42
Accruals and deferred income	444	500
Corporation tax	13	-
	<u>9,730</u>	<u>9,366</u>

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

**13 Called up share capital**

The allotted, called up and fully paid share capital of £2 in both years comprised 2 ordinary shares of £1 each

**14 Profit and loss account**

	2010 £000	2009 £000
At beginning of year	(4,039)	(4,138)
Loss for the financial year	(459)	(23)
Foreign exchange movement on opening reserves	(181)	122
	<u>(4,679)</u>	<u>(4,039)</u>

**Notes (continued)**

**15 Reconciliation of movement in shareholders' deficit**

	2010 £000	2009 £000
At beginning of year	(4,039)	(4,138)
Loss for the financial year	(459)	(23)
Foreign exchange movement on opening reserves	(181)	122
	<hr/>	<hr/>
At end of year	<b>(4,679)</b>	<b>(4,039)</b>
	<hr/>	<hr/>

**16 Commitments**

The company had no capital or operating lease commitments at the end of either financial year

**17 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The directors regard Victorian Capital LP Inc formerly Co-Investment Acquisition No 10 LP Inc, a Guernsey incorporated limited partnership, as the ultimate parent company and ultimate controlling party

Interactive Hotel Services Limited is the largest group and Interactive Hotel Services Holdings plc is the smallest group of which the company is a member and for which group financial statements are prepared. Copies of the financial statements are available to the public and may be obtained from Forum 1, Station Road, Theale, Berkshire, RG7 4RA