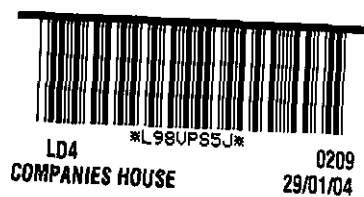


Interactive Hotel Services Limited

**Directors' report and financial
statements**

Registered number 4033274

31 March 2003



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Interactive Hotel Services Limited	3
Profit and loss account	4
Balance sheet	5
Reconciliation of movements in shareholder's funds	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements of Interactive Hotel Services Limited for the year ended 31 March 2003.

Principal activities and business review

The company operates as a holding company for the Quadriga business of the Carmelite Capital Limited group.

Directors

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

M Fresson	(resigned 8 January 2004)
C M Rowlinson	(resigned 23 September 2003)
C P T O'Haire	(appointed 23 September 2003)
Q Stewart	(appointed 8 January 2004)

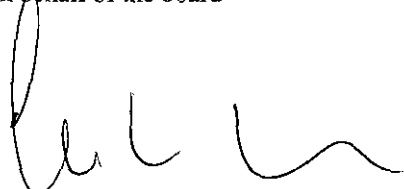
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



Director

Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Date 28/1/04

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 to 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 Interactive Hotel Services Limited

We have audited the financial statements on pages 4 to 11.

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date 28 January 2004

Profit and loss account
for the year ended 31 March 2003

		2003 £	2002 £
Loan interest payable	<i>Note</i>	(5,972)	(1,682)
Loss on ordinary activities before taxation		<u>(5,972)</u>	<u>(1,682)</u>
Tax on loss on ordinary activities	4	-	-
Retained loss for the financial year		<u><u>(5,972)</u></u>	<u><u>(1,682)</u></u>

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 retained for the year.

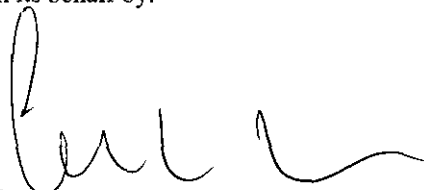
Balance sheet
at 31 March 2003

	<i>Note</i>	2003 £	2002 £
Fixed assets			
Investments	5	50,000	50,000
Current assets			
Cash at bank		1,000	1,000
Total assets		51,000	51,000
Creditors: loans falling due after more than one year	6	(58,442)	(52,470)
Net liabilities		(7,442)	(1,470)
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	(8,442)	(2,470)
Warrant reserve	8	1,000	1,000
Shareholder's deficit - equity		(7,442)	(1,470)

These financial statements were approved by the board of directors on
 on its behalf by:

28/1/04

and were signed


 Director

Reconciliation of movements in shareholder's funds
for the year ended 31 March 2003

	2003 £	2002 £
Loss for the financial year	(5,972)	(1,682)
Warrants issue settlement	-	1,000
	<hr/>	<hr/>
Net reduction in shareholder's funds	(5,972)	(682)
Opening shareholder's deficit	(1,470)	(788)
	<hr/>	<hr/>
Closing shareholder's deficit	(7,442)	(1,470)
	<hr/>	<hr/>

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 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 11.

Investments

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

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.

Warrants

Where warrants are in issue, which give the holder the option to receive cash or shares, the amount is shown as a liability. Where the amount due under the cash option is calculated by reference to the market value per share on the exercise date, the liability included in the balance sheet is based on the director's best estimate of the open market value of the issuing company.

Notes (continued)

2 Auditors remuneration

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

3 Remuneration of directors and staff numbers and costs

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

The company employs no staff.

4 Taxation

	2003 £	2002 £
<i>UK Corporation tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,972)	(1,682)
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	(1,792)	(504)
	<hr/>	<hr/>
<i>Effect of:</i>		
Unutilised tax losses	1,792	504
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

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

Tax losses as at 31 March 2003 amounted to £8,442 (£2,533 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.

Notes (continued)

5 Fixed asset investments

Shares in
 subsidiary
 undertakings
 £

Cost and net book value

At beginning and end of year

50,000

The undertakings in which the company has an interest at 31 March 2003 are as follows (* denotes direct interest):

	Country of incorporation	Class and percentage of shares held	
Quadriga Worldwide Limited	England	Ordinary	100
Quadriga EMEA Limited	England	Ordinary	100
Quadriga Interactive Systems Limited	England	Ordinary	100
Quadriga Benelux BV	Netherlands	Ordinary	100
Quadriga Belgium NS/SA	Belgium	Ordinary	100
Quadriga Danmark AS	Denmark	Ordinary	100
Quadriga Norge AS	Norway	Ordinary	100
Quadriga Finland OY	Finland	Ordinary	100
Quadriga Svenska AB	Sweden	Ordinary	100
Quadriga France SAS	France	Ordinary	100
Quadriga Greece Hotel Technologies SA	Greece	Ordinary	100
Quadriga Poland SP z.o.o	Poland	Ordinary	100
Quadriga Suisse SA	Switzerland	Ordinary	100
Quadriga Espana SA	Spain	Ordinary	100
Quadriga Italia Spa	Italy	Ordinary	100
Quadriga Deutschland GmbH	Germany	Ordinary	100
Quadriga Romania SRL	Romania	Ordinary	100
Thorn Development Holdings' Limited	England	Ordinary	100

The principal activity of the subsidiary undertakings set out above is the supply of equipment and software enabling the provision of in-room technology based services to hotels and similar services to other markets across Europe.

The following subsidiary undertakings are either a holding company or are dormant:

	Principal activity	Country of incorporation	Class and percentage of shares held	
Interactive Hotel Services Holdings plc *	Holding company	England	Ordinary	100
			Preference shares	100
Quadriga Holdings Limited	Holding company	England	Ordinary	100
Quadriga Overseas Holdings Limited	Holding company	England	Ordinary	100
Quadriga UK Limited	Finance company	England	Ordinary	100
Quadriga Holdings BV	Holding company	Netherlands	Ordinary	100
Thorn France Holdings SAS	Holding company	France	Ordinary	100
Quadriga Technology Limited	Dormant	England	Ordinary	100
Thorn France SAS	Dormant	France	Ordinary	100
Visea GP SA	Dormant	France	Ordinary	100
Quadriga Continental Europe SNC	Dormant	France	Ordinary	100
Handelmaatschappij Netto BV	Dormant	Netherlands	Ordinary	100

Notes (continued)

6 Creditors: loans falling due after more than one year

Loans falling due after more than one year comprise unsecured loan notes plus interest accruing at 11% which have maturity dates of 6 September 2010 and 15 March 2012.

7 Called up share capital

	2003 £	2002 £
Authorised		
Equity: 100,000 ordinary shares of 1 pence each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity: 1 ordinary share of 1 pence	-	-
	<hr/>	<hr/>

8 Reserves

	Warrant reserve £	Profit and loss account £
At beginning of year	1,000	(2,470)
Retained loss for the year	-	(5,972)
	<hr/>	<hr/>
At end of year	1,000	(8,442)
	<hr/>	<hr/>

9 Warrants liability

Warrants exercisable at a strike price of £0.01, originally issued to Nomura International Plc, were contributed to Terra Firma Capital Partners I, an English Limited Partnership, acting through its general partner Terra Firma Investments (GP) Limited on 27 March 2002. The warrants are for cash settlement or the issue of one ordinary share per warrant. Upon exercise of the warrants, if the cash settlement has been selected, the cash settlement amount per warrant shall be the excess (if any) of the open market value of an ordinary share in the issuing company over the cost to subscribe at par for an ordinary share. The number of warrants outstanding as at 31 March 2003 was 99,999 (2002: 99,999). During the year no warrants were exercised (2002: nil).

The value of the closing liability of £nil (2002: £nil) represents the directors best estimate of the value of the warrants at the balance sheet date.

10 Related party disclosures

Terra Firma Capital Partners I, 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 2003 they 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 directors therefore consider both entities to be related parties.

During the year, £5,972 (2002: £1,682) has been accrued as interest payable to Terra Firma Capital Partners I on £50,000 subordinated loan notes bearing interest at a rate of 11% per annum. At 31 March 2003 total interest accruing to Terra Firma Capital Partners I was £8,442 (2002: £2,470).

Notes *(continued)*

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

The directors regard Terra Firma Capital Partners 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.