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Interactive Hotel Services Limited

Group Strategic Report, Directors' Report and

Consolidated Financial Statements for the Year Ended 31 March 2014

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for the Year Ended 31 March 2014

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Company Information
for the Year Ended 31 March 2014

DIRECTORS:	S D M Davies K Gozzett D G E Naylor-Leyland R D Taylor P D Yordan
REGISTERED OFFICE:	Forum 1 Station Road Theale Berkshire RG7 4RA
REGISTERED NUMBER.	04033274 (England and Wales)
AUDITOR	KPMG LLP Arlington Business Park Theale Reading RG7 4SD

Interactive Hotel Services Limited

Group Strategic Report
for the Year Ended 31 March 2014

The directors present their strategic report of the company and the group for the year ended 31 March 2014

REVIEW OF BUSINESS

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 33

Turnover for the financial year ended 31 March 2014 amounted to €77 0 million (2013 €80 0 million) and the group incurred an operating loss for the year of €5 4 million (2013 loss €7 6 million) The loss for the financial year after interest and tax was €7 2 million (2013 loss €12 4 million)

Strategy and future development

The group continues to pursue a strategy of widening its product portfolio and adapting to challenges posed by the development of new mobile technologies in order to grow both the profitability and future cash flows of the group An updated product, Sensiq, which integrates hotel services with customer mobile devices such as phones, tablets and MP3 players, was launched five years ago with a view to increasing market penetration and build on the historic rental asset base During the financial year Sensiq generated a contracted revenue stream and operating cash flows that are 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

	2014 €000	2013 €000
Operating loss	**(5,431)**	(7,632)
Depreciation of rental assets	**14,946**	19,833
Other amounts written off rental assets	**1,137**	493
Amortisation of intangible fixed assets	**3,495**	3,805
Depreciation of tangible fixed assets	**955**	1,428
EBITDA	**15,102**	17 927
Exceptional restructuring costs	**225**	508
EBITDA before exceptional restructuring costs	**15,327**	18,435

The number of hotels rooms in which the company's systems were installed fell by 13% during the financial year, after having fallen by 6% in the previous financial year

Research and development

The group continues to invest in research and development During the financial year the group incurred and capitalised costs of €2 6 million (2013 €3 0 million) and expensed €3 9 million (2013 €4 6 million) on the development of proprietary digital technology platforms for the hotel industry

Interactive Hotel Services Limited

Group Strategic Report
for the Year Ended 31 March 2014

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

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 250 employees during the financial year ended 31 March 2014 (2013 259) 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

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

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

ON BEHALF OF THE BOARD

R D Taylor - Director

24 July 2014

DIVIDENDS

The directors do not recommend the payment of a dividend (2013 €nil)

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2013 to the date of this report

S D M Davies
K Gozzett
D G E Naylor-Leyland
R D Taylor
P D Yordan

Other changes in directors holding office are as follows

I J Webb - 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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

ON BEHALF OF THE BOARD:

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

24 July 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the group and parent company 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 the group and of the profit or loss of the group 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 judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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

Report of the Independent Auditor 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 2014 on pages eight to thirty three The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 Statement of Directors' Responsibilities set out on page six, 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
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements
- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Group Strategic Report and 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 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

N Hughes

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

24 July 2014

Interactive Hotel Services Limited

Consolidated Profit and Loss Account
for the Year Ended 31 March 2014

	Notes	2014 €'000	2013 €'000
TURNOVER	2	**76,953**	80 006
Cost of sales		**(52,393)**	(53,081)
GROSS PROFIT		**24,560**	26,925
Administrative expenses		**(29,991)**	(34,557)
OPERATING LOSS	5	**(5,431)**	(7,632)
Interest receivable and similar income	6	**21**	53
Interest payable and similar charges	7	**(3,327)**	(4,278)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(8,737)**	(11,857)
Tax on loss on ordinary activities	8	**1,502**	(501)
LOSS FOR THE FINANCIAL YEAR FOR THE GROUP		**(7,235)**	(12,358)

All results derive from continuing operations

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

The notes form part of these financial statements

Consolidated Statement of Total Recognised Gains and Losses
for the Year Ended 31 March 2014

	Notes	2014 €'000	2013 €'000
LOSS FOR THE FINANCIAL YEAR	23 26	(7,235)	(12,358)
Translation		559	522
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		(6,676)	(11 836)

The notes form part of these financial statements

Interactive Hotel Services Limited (Registered number 04033274)

Consolidated Balance Sheet
31 March 2014

	Notes	2014 €'000	2013 €000
FIXED ASSETS			
Intangible assets	11	**12,656**	13,303
Tangible assets	12	**18,274**	31,657
		30,930	44,960
CURRENT ASSETS			
Stocks	14	**6,762**	4,867
Debtors	15	**22,055**	21,053
Cash at bank		**7,302**	6,407
		36,119	32,327
CREDITORS			
Amounts falling due within one year	16	**(21,532)**	(23,863)
NET CURRENT ASSETS		**14,587**	8,464
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,517**	53,424
CREDITORS			
Amounts falling due after more than one year	17	**(35,126)**	(33,668)
PROVISIONS FOR LIABILITIES	21	**(3,744)**	(5,336)
NET ASSETS		**6,647**	14,420
CAPITAL AND RESERVES			
Called up share capital	22	**271,134**	271,134
Share premium	23	**1,120**	1,120
Other reserves	23	**205,370**	205,370
Translation reserve	23	**55,484**	46,895
Profit and loss account	23	**(526,461)**	(510,099)
SHAREHOLDERS' FUNDS	26	**6,647**	14,420

The financial statements were approved by the Board of Directors on 24 July 2014 and were signed on its behalf by

R D Taylor - Director

The notes form part of these financial statements

Interactive Hotel Services Limited (Registered number 04033274)

Company Balance Sheet
31 March 2014

	Notes	2014 €'000	2013 €000
FIXED ASSETS			
Investments	13	4,550	40,574
		4,550	40,574
CURRENT ASSETS			
Debtors	15	448	481
CREDITORS			
Amounts falling due within one year	16	(957)	(939)
NET CURRENT LIABILITIES		(509)	(458)
NET ASSETS		4,041	40,116
CAPITAL AND RESERVES			
Called up share capital	22	271,134	271,134
Share premium	23	1,120	1,120
Translation reserve	23	29,937	24,043
Profit and loss account	23	(298,150)	(256,181)
SHAREHOLDERS' FUNDS	26	4,041	40,116

The financial statements were approved by the Board of Directors on 24 July 2014 and were signed on its behalf by

R D Taylor - Director

The notes form part of these financial statements

Consolidated Cash Flow Statement
for the Year Ended 31 March 2014

	Notes	2014 €'000	2013 €000
Net cash inflow from operating activities	1	**10,437**	14,144
Returns on investments and servicing of finance	2	**(3,306)**	(4,225)
Taxation		**(211)**	(695)
Capital expenditure	2	**(6,861)**	(10,390)
		59	(1,166)
Financing	2	**836**	(463)
Increase/(decrease) in cash in the period		**895**	(1,629)

The notes form part of these financial statements

1 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 €'000	2013 €'000
Operating loss	(5,431)	(7,632)
Depreciation charges	19,397	25,066
Loss on disposal of fixed assets	995	592
Decrease in provisions	(1,592)	(1,194)
Translation	514	1,088
(Increase)/decrease in stocks	(1,895)	112
(Increase)/decrease in debtors	(1,206)	329
Decrease in creditors	(345)	(4,217)
Net cash inflow from operating activities	10,437	14,144

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2014 €'000	2013 €'000
Returns on investments and servicing of finance		
Interest received	21	53
Interest paid	(3,252)	(4,160)
Interest element of finance lease payments	(75)	(118)
Net cash outflow for returns on investments and servicing of finance	(3,306)	(4,225)
Capital expenditure		
Purchase of intangible fixed assets	(2,605)	(2,991)
Purchase of tangible fixed assets	(4,256)	(7,399)
Net cash outflow for capital expenditure	(6,861)	(10,390)
Financing		
Increase in notes payable and accrued interest	1,869	221
Capital repayments in year	(1,033)	(684)
Net cash inflow/(outflow) from financing	836	(463)

The notes form part of these 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

Accounting convention
The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

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 primarily 10% notes issued by Interactive Hotel Services Holdings plc on the CISEA (Channel Islands Securities Exchange Authority) The 10% notes are all held by the group's ultimate parent, Victorian Capital LP Incorporated The maturity date of the notes is 21 August 2015

The group is in advanced negotiations to restructure its debt obligations owed to VCL with the intention of reducing the overall debt, reducing the interest rate on the 10% notes and aligning the debt with the majority of the group's cash flow by converting the base currency from Sterling to Euro 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, 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 2014 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

continued

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 USA Limited	7761462
Quadriga Worldwide Limited	0827164
Quadriga Holdings Limited	4019893

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

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 through 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

Tangible fixed assets
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

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

continued

1 **ACCOUNTING POLICIES - continued**

Taxation
The charge/(credit) 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

Research and development
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

Foreign currencies
(i) foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the relevant captions of the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction

(ii) financial statements of foreign operations

The assets and liabilities of foreign operations whose functional currency is not Sterling are translated at foreign exchange rates ruling at the balance sheet date The revenues and expenses of these foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings

(iii) presentational currency

The Sterling consolidation is translated by the following method for presentational purposes Income and expenses are translated at the average exchange rate for the financial year Assets and liabilities are translated at the closing exchange rate as at the end of the financial year Share capital, share premium and related reserve accounts are translated at historic rate Exchange differences arising from this retranslation of foreign operations are recognised directly as a separate component of equity (the translation reserve)

The exchange rates used in these financial statements are

Average exchange rate for the year ended 31 March 2014 used for income and expense items £1 €1 1855 (2013 £1 1 2275)

Closing exchange rate at 31 March 2014 used for assets and liabilities £1 €1 2102 (2013 £1 €1 1866)

continued

1 **ACCOUNTING POLICIES - continued**

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

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

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

Classification of financial instruments issued by the group
Financial instruments issued by the group are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

1 they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group), and

2 where the instrument will or may be settled in the company's own equity instruments it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy The finance cost on the financial liability component is correspondingly higher over the life of the instrument

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds

continued

2 TURNOVER

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	**2014**	2013
	€000	€000
UK	**14,389**	14,187
Rest of Europe	**57,444**	60,980
Rest of the World	**5,120**	4,839
	76,953	80,006

Segment result before interest and tax	**2014**	2013
	€000	€000
UK	**(6,867)**	(7,295)
Rest of Europe	**5,171**	2,248
Rest of the World	**(3,735)**	(2,585)
	(5,431)	(7,632)
Interest receivable and similar income	**21**	53
Interest payable and similar charges	**(3,327)**	(4,278)
Loss on ordinary activities before taxation	**(8,737)**	(11 857)

Segment net assets excluding intercompany	**2014**	2013
	€000	€000
UK	**17,800**	17,135
Rest of Europe	**21,007**	28,098
Rest of the World	**2,707**	1,588
	41,514	46,821
10% notes and accrued interest from ultimate parent company	**(34,867)**	(32,401)
Net assets	**6,647**	14,420

continued

3 STAFF COSTS

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

	2014	2013
	Number	Number
Sales	**60**	58
Operations and administration	**184**	193
Research and development	**6**	8
	250	259

The aggregate payroll costs of these persons were as follows

	2014	2013
	€000	€000
Wages and salaries	**14,834**	16,239
Social security costs	**2,812**	3,049
Other pension costs	**627**	823
Redundancy costs	**30**	131
	18,303	20,242

4 DIRECTORS' EMOLUMENTS

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

	2014	2013
	€000	€000
Directors' emoluments	**371**	496
Pension contributions to money purchase schemes	**-**	21
	371	517

The remuneration of the highest paid director was €271,000 (2013 €304,000) and no company pension contributions were made (2013 €12,000)

There were no (2013 2) directors accruing benefits under money purchase schemes

continued

5 OPERATING LOSS

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

	Note	2014 €000	2013 €000
Cost of sales			
Amortisation of intangible fixed assets	11	3,495	3,805
Depreciation of rental assets	12	14,946	19,833
Other amounts written off rental assets		670	493
Other cost of sales		33,282	28,950
		52,393	53,081
Net operating expenses			
Staff costs, excluding redundancy costs	3	18,273	20,111
Depreciation of other tangible fixed assets	12	955	1,428
Rentals payable under operating leases		921	1,294
Other expenses		9,617	11,216
Exceptional restructuring costs (see below)		225	508
		29,991	34,557
Exceptional restructuring costs			
Professional fees		(243)	114
Redundancy costs		30	131
Other restructuring costs		438	263
		225	508

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 €472 000 (2013 €902 000) in respect of expenditure on research and development, and amortisation of capitalised development costs of €3,392 000 (2013 €3,697,000)

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

	2014 €000	2013 €000
Audit of these financial statements	66	69
Amounts receivable by the auditor and its associates for other services		
Audit of financial statements of other group undertakings	224	361
Tax compliance services	36	63
All other services	8	9
	334	502

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 €'000	2013 €'000
Bank interest receivable and investment income	21	53

continued

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	€'000	€'000
Bank interest payable	31	11
Net foreign exchange (gain)/loss	(52)	705
Interest on related party loan s	3,273	3,444
Finance charge payable in respect of finance leases	75	118
	3,327	4,278

8 TAXATION

	2014	2013
	€000	€000
UK corporation tax		
Current tax charge on loss on ordinary activities	-	-
Overseas tax		
Tax on profit/(loss) on ordinary activities	(222)	209
Deferred tax	(1,280)	292
Tax (credit)/charge	(1,502)	501

Reconciliation of tax charge		
Loss on ordinary activities before taxation	(8,737)	(11,857)
Current tax credit at 23% (2013 24%)	(2,010)	(2,846)
Effects of		
Income not taxable/expenses not deductible for tax purposes	9	199
Differences between capital allowances and depreciation and amortisation charges	(12)	199
Short term timing differences	(85)	(67)
Unutilised tax losses	2,098	2,515
Overseas taxation	(222)	209
Tax (credit)/charge	(222)	209

Factors that may affect future tax charges

The Budget Statement on 20 March 2013 included an announcement that the UK corporation tax rate will reduce to 20% with effect from 1 April 2015. Reductions in the rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 This will reduce any future UK current tax charge accordingly

Deferred tax

A deferred tax asset and liability have been recognised in the accounts in those entities where the directors consider that it is reasonable to forecast that there will be future profits against which the assets can be recovered

continued

8 **TAXATION - continued**

The movement on the assets and liabilities recognised this year are as follows

Assets

	Brought forward €000	Credit/(charge) to P&L €000	Translation €000	Carried forward €000
Difference between depreciation and capital allowances	-	423	9	**432**
Other timing differences	-	354	7	**361**
Deferred tax asset on tax losses	-	84	2	**86**
Total per note 15	-	861	18	**879**

The breakdown of the asset by country is as follows

	€000
Sweden	56
Poland	135
Italy	356
Finland	318
Bulgaria	14
Total	**879**

Liabilities

	Brought forward €000	Credit/(charge) to P&L €000	Translation €000	Carried forward €000
Difference between depreciation and capital allowances	-	-	-	-
Other timing differences	(462)	392	2	**(68)**
Total per note 17	(462)	392	2	**(68)**

The liability relates solely to the Malta branch

For the remaining entities no deferred tax asset has been recognised on the timing differences set out below as, in the opinion of the directors, their ability 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

Group	**2014 €000**	2013 €000
Timing difference including unutilised tax losses	**11,576**	12 582

continued

9 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements The parent company's loss for the financial year was €36,122,000 (2013 €152,000 profit)

During the year the directors conducted a detailed operational review designed to build on the developments of the past two years and continue the transformation of the business As a result of the financial projections produced by this review they made a re-evaluation of the company's investment in its subsidiaries which resulted in an impairment of €36 1 million in the carrying value of the investment

10 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 €627,000 (2013 €823,000) Pension contributions of €nil (2013 €nil) were accrued as at 31 March 2014

11 INTANGIBLE FIXED ASSETS

Group

	Goodwill €'000	Negative goodwill €'000	Development costs €'000	Totals €'000
COST				
At 1 April 2013	198,652	(402)	30,053	228,303
Additions	-	-	2,605	2,605
Exchange differences	3,950	(8)	652	4,594
At 31 March 2014	202,602	(410)	33,310	235,502
AMORTISATION				
At 1 April 2013	196,960	(101)	18,141	215,000
Amortisation for year	204	(101)	3,392	3,495
Exchange differences	3,924	(4)	431	4,351
At 31 March 2014	201,088	(206)	21,964	222,846
NET BOOK VALUE				
At 31 March 2014	1,514	(204)	11,346	12,656
At 31 March 2013	1,692	(301)	11,912	13,303

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 2014 (2013 €nil)

continued

12 TANGIBLE FIXED ASSETS

Group

	Rental assets €'000	Other assets €'000	Totals €'000
COST			
At 1 April 2013	162,034	18,955	180,989
Additions	3,563	693	4,256
Disposals	(54,118)	(816)	(54,934)
Exchange differences	(1,378)	220	(1,158)
At 31 March 2014	110,101	19,052	129,153
DEPRECIATION			
At 1 April 2013	133,065	16,267	149,332
Charge for year	14,946	955	15,901
Eliminated on disposal	(53,491)	(808)	(54,299)
Impairments	361	-	361
Exchange differences	(621)	205	(416)
At 31 March 2014	94,260	16,619	110,879
NET BOOK VALUE			
At 31 March 2014	15,841	2,433	18,274
At 31 March 2013	28 969	2 688	31,657

Other assets included fixtures, equipment and vehicles

The net book value of rental assets includes €930,000 (2013 €1,525,000) of assets capitalised under finance lease arrangements

Depreciation on these assets charged in the financial year was €605 000 (2013 €613 000)

continued

13 FIXED ASSET INVESTMENTS

Company	**Subsidiary undertakings €000**
COST	
At the beginning of the financial year	**296,358**
Translation	**5,894**
At the end of the financial year	**302,252**
IMPAIRMENT	
At the beginning of the financial year	**255,784**
Impairment	**36,080**
Translation	**5,838**
At the end of the financial year	**297,702**
NET BOOK VALUE	
At 31 March 2014	**4,550**
At 31 March 2013	40,574

continued

13 **FIXED ASSET INVESTMENTS - continued**

Company

The subsidiary undertakings in which the company had an interest (* direct interest) at 31 March 2014 were

	Country of incorporation	Class		% of shares 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	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%

Quadriga d o o entered formal liquidation procedures on 12 August 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

14 **STOCKS**

	Group 2014 €'000	2013 €'000
Stocks	2,594	1,380
Work-in-progress	4,168	3,487
	6,762	4,867

continued

15 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2014	2013	2014	2013
	€'000	€'000	€'000	€'000
Trade debtors	16,966	13 860	-	-
Amounts owed by group undertakings	-	-	448	481
Other debtors	1,399	4,123	-	-
Deferred taxation	879	-	-	-
Net VAT recoverable & other tax debtors	225	598	-	-
Prepayments and accrued income	2,586	2,472	-	-
	22,055	21,053	448	481

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2014	2013	2014	2013
	€'000	€'000	€'000	€'000
Bank loans and overdrafts (see note 18)	586	-	-	-
Finance leases (see note 19)	413	876	-	-
Trade creditors	5,211	4 094	-	-
Customer deposits and rentals in advance	3,552	4,925	-	-
Amounts owed to group undertakings	-	-	933	915
Corporate taxes	193	402	-	-
Social security and other taxes	727	1,113	-	-
Other creditors	3,798	3,084	-	-
Accruals and deferred income	7,052	9,369	24	24
	21,532	23,863	957	939

17 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	2014	2013
	€'000	€'000
Finance leases (see note 19)	191	805
Deferred tax	68	462
Loan notes payable	33,902	32,038
Interest accrued on 10% notes payable	965	363
	35,126	33,668

continued

17 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued

A subsidiary undertaking, Interactive Hotel Services Holdings plc has issued 10% notes which are listed on the CISEA 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 2014 all of the 10% notes issued were held by the ultimate parent company, Victorian Capital LP Incorporated

18 LOANS

An analysis of the maturity of loans is given below

	Group	
	2014	2013
	€'000	€'000
Amounts falling due within one year or on demand		
Bank loans	**586**	-

19 OBLIGATIONS UNDER LEASING AGREEMENTS

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

Group	**2014**	2013
	€000	€000
Finance leases which expire		
Within one year	**483**	973
In the second to fifth years inclusive	**223**	911
	706	1,884
Less finance charges allocated to future periods	**(102)**	(203)
	604	1,681

Annual commitments under non-cancellable operating leases were as follows

Group	**Land and buildings**		**Other operating leases**	
	2014	2013	**2014**	2013
	€'000	€'000	**€'000**	€'000
Expiring				
Within one year	**312**	280	**177**	340
In the second to fifth years inclusive	**875**	887	**396**	224
	1,187	1 167	**573**	564

continued

20 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 Strategic Report

Financial liabilities

Group	2014 €000	2013 €000
Loan notes and accrued interest	**34,867**	32,401
Finance leases	**604**	1,681
	35,471	34,082

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 in note 17 above The finance leases have finance lease charges of 6% to 8 1%

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	2014 €000	2013 €000
Sterling	**1,094**	331
Euro	**3,265**	3,056
Other	**2,943**	3,019
	7,302	6,406

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

continued

20 FINANCIAL INSTRUMENTS - continued

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

Group	2014 €000	2013 €000
Within one year, or on demand	413	876
In more than two years, but not more than five years	35,058	33,206
	35,471	34,082

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

The group's undrawn committed borrowing facilities, in respect of which all conditions precedent had been met, were

	2014 €000	2013 €000
Expiring in one year or less	6,332	1,518

During the year the group arranged an overdraft facility in the maximum gross amount of £7 million with a net borrowing limit of £4 million with Lloyds TSB Bank plc A debenture was executed by Interactive Hotel Services Limited, Interactive Hotel Services Holdings plc, Quadriga Holdings Limited, Quadriga Worldwide Limited and Quadriga EMEA Limited in favour of Lloyds

21 PROVISIONS FOR LIABILITIES

Group	Overseas tax liabilities €000	Other €000	Total €000
At the beginning of the financial year	1 169	4,167	5 336
Utilised	(219)	(566)	(785)
Credited to the profit and loss account	(577)	(302)	(879)
Translation	7	65	72
At the end of the financial year	380	3,364	3,744

22 CALLED UP SHARE CAPITAL

Group and Company

Allotted, issued and fully paid

Number	Class	Nominal value	2014 €'000	2013 €'000
233,702,477	Ordinary	£1	254,988	254,988
1,000	B Ordinary	£1	1	1
15,000,000	Preference	£1	16,145	16,145
			271,134	271,134

continued

23 RESERVES

Group

	Profit and loss account €'000	Share premium €'000	Other reserves €'000	Translation reserve €'000	Totals €'000
At 1 April 2013	(510,099)	1,120	205,370	46,895	(256,714)
Deficit for the year	(7,235)	-	-	-	(7,235)
Foreign exchange movement	559	-	-	-	559
Translation	(9,686)	-	-	8,589	(1,097)
At 31 March 2014	(526,461)	1,120	205,370	55,484	(264,487)

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

	Profit and loss account €'000	Share premium €'000	Translation reserve €'000	Totals €'000
At 1 April 2013	(256,181)	1,120	24,043	(231,018)
Deficit for the year	(36,122)	-	-	(36,122)
Translation	(5,847)	-	5,894	47
At 31 March 2014	(298,150)	1,120	29,937	(267,093)

24 CAPITAL COMMITMENTS

There were no capital commitments at the end of the financial year (2013 €nil)

continued

25 RELATED PARTY DISCLOSURES

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

	2014		2013	
Group	**Principal €000**	**Interest €000**	Principal €000	Interest €000
At the beginning of the financial year	**32,038**	**363**	32,368	151
Interest charged	**-**	**3,278**	-	3 314
Interest added to principal	**1,616**	**(1,616)**	-	-
Paid	**(391)**	**(1,018)**	-	(3,093)
Translation	**639**	**(42)**	(330)	(9)
At the end of the financial year	**33,902**	**965**	32,038	363

26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2014 €'000	2013 €'000
Loss for the financial year	**(7,235)**	(12,358)
Other recognised gains and losses relating to the year (net)	**559**	522
Translation	**(1,097)**	650
Net reduction of shareholders' funds	**(7,773)**	(11,186)
Opening shareholders' funds	**14,420**	25,606
Closing shareholders' funds	**6,647**	14,420

Company

	2014 €'000	2013 €'000
(Loss)/profit for the financial year	**(36,122)**	152
Translation	**47**	(417)
Net reduction of shareholders' funds	**(36,075)**	(265)
Opening shareholders' funds	**40,116**	40,381
Closing shareholders' funds	**4,041**	40,116

continued

27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Group	2014 €000	2013 €000
Increase/(decrease) in cash for the financial year	895	(1,629)
Payment of debt financing, including finance leases	1,032	684
Decrease/(increase) in net debt resulting from cash flow	1,927	(945)
Non-cash movements	(1,869)	(221)
Translation	(552)	301
(Increase)/decrease in net debt in the financial year	(494)	(865)
Net debt at the beginning of the financial year	(27,675)	(26,810)
Net debt at the end of the financial year	(28,169)	(27,675)

28 ANALYSIS OF NET DEBT

	Cash €000	Finance leases €000	Debt payable after more than one year €000	Total €000
At the beginning of the financial year	6,407	(1,681)	(32,401)	(27,675)
Cash flow	895	1,032	-	1,927
Non-cash movement	-	-	(1,869)	(1,869)
Translation	-	45	(597)	(552)
At the end of the financial year	7,302	(604)	(34,867)	(28,169)

29 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