Interactive Hotel Services Limited

Directors' report and financial statements

Registered number 4033274

31 March 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements of Interactive Hotel Services Limited ("the company") for the year ended 31 March 2007

Principal activity

The company operates as a holding company for the Quadriga group of companies that supply of equipment and software enabling the provision of in-room technology based services to hotels and similar services to other markets in the United Kingdom and Europe The systems deployed provide functionality in the areas of guest entertainment, hotel information, and communications Its interest in these companies is managed through its wholly owned subsidiary company, Interactive Hotel Services Holdings plc ("IHSH") At 31 March 2007, the company was part of Carmelite Capital Limited ("CCL") group

Business review

Financial overview

The company made a loss before taxation for the year of £15,008,000 *(2006 loss of £195,518,000)* The loss in both years is primarily attributable to the impairment of the company's investment in IHSH Further details are shown in the profit and loss account and accompanying notes

Financial restructuring

On 6 September 2006, 28 September 2006, 31 October 2006, 1 December 2006 and 21 December 2006 respectively the company created and CCL subscribed for 3,000,000 preference shares of £1 each (a total of 15,000,000 shares) and, on the same dates, the company utilised the issue proceeds to subscribe for five tranches of 3,000,000 £1 B preference shares in its direct subsidiary IHSH who in turn subscribed for five tranches of 3,000,000 £1 preference shares in its direct subsidiary Interactive Hotel Services Investments Limited ("IHSI") ISHI subscribed for five tranches of 3,000,000 £1 preference shares in its own direct subsidiary Quadriga Holdings Limited ("QHL") who invested the proceeds of all five share issues amounting to £15,000,000 in the operating subsidiaries of the Quadriga group in order to support the continued growth and development of the Quadriga businesses

Further changes to the company's capital are detailed in post balance sheet events

Strategy

The strategy adopted by the company during the year has been to maximise the value of the portfolio of investments that it holds in the operating subsidiaries of the Quadriga Group and provide finance to these operating companies where applicable

Financial risk management objectives and policies

The company's assets consist of investments in subsidiary undertakings within the Quadriga Group and cash The company's liabilities consist of interest bearing loans from related parties

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 arrange funding ahead of business requirements and maintain sufficient un-drawn committed borrowing facilities

Interest rate risk
The exposure of the company to interest rate fluctuations is managed by obtaining certainty in its commitments by borrowing under fixed rates

Dividends

The directors do not recommend the payment of a dividend *(2006 £nil)*

Directors' report *(continued)*

Post balance sheet events

Share issues

On 16 April and 12 June 2007 respectively, CCL subscribed for 2,000,000 ordinary shares of £1 each and on 22 June 2007 CCL subscribed for a further 1,000,000 ordinary shares of £1 each (a total of 5,000,000 shares) in the company The company utilised the issue proceeds to subscribe for 2,000,000 £1 A preference shares on 16 April 2007 and on the other two dates to subscribe for a total 300,000,000 ordinary shares of 1p each in its direct subsidiary IHSH, the total of these subscriptions being £5,000,000 IHSH in turn subscribed for 5,000,000 £1 preference shares in its direct subsidiary IHSI, who in turn subscribed for 2,000,000 £1 preference shares and 3,000,000 £1 ordinary shares in its own direct subsidiary QHL, who invested the proceeds of the three share issues amounting to £5,000,000 in the operating businesses of the Quadriga group

On 6 March 2008 the company passed an ordinary resolution which increased its authorised share capital from £226,510,711 to £226,511,711 by the creation of a new class of 1,000 B ordinary shares of £1 each

On the same day the company issued 1,000 B ordinary shares of £1 each to Co-Investment Acquisition No 10 LP Inc ("CIA 10"), a Guernsey incorporated limited partnership, pursuant to a share exchange agreement under which it acquired 129,856,204 B ordinary shares of 1p each in IHSH in return The company also acquired a further 36,905,476 ordinary shares of 1p each in IHSH from CIA 10 for a payment of £1,000

Change in ownership

On 27 May 2007, Terra Firma Investments (GP) Limited, a wholly owned subsidiary of TFCP Holdings Limited, the ultimate controlling party of the company, agreed to dispose of its entire interest in CCL, the company's parent undertaking, to Co-Investment Acquisition No 2 LP Inc, a Guernsey incorporated limited partnership, and to dispose of its entire interest in the 11% revolving loan notes issued by the company to TFCPI to Co-Investment Acquisition No 4 LP Inc, a Guernsey incorporated limited partnership These disposals subsequently completed on 19 July 2007

On 23 August 2007 CCL sold its entire holding of shares in the company to CIA 10 The directors now regard CIA 10, as the ultimate parent company and ultimate controlling party On the same date Co-Investment Acquisition No 4 LP Inc sold its entire interest in the 11% revolving loan notes issued by the company to CIA 10

Guarantees

On 19 July 2007 Caversham Finance Limited, a fellow subsidiary undertaking of the CCL Group, repaid its credit facility provided by National Westminster Bank and the CCL Group was released from its guarantee and security obligations with respect to this debt, for which the company was a guarantor

Loan notes

On 8 April 2008 the company entered into a deed under which it agreed, on request by IHSH, to subscribe for £77,240,349 10% unsecured loan notes to be issued by IHSH on 5 March 2009 with a repayment date of 4 March 2010 The purpose of the subscription is to facilitate the repayment by IHSH of all amounts then outstanding in respect of the £69,890,915 10% unsecured loan notes issued to CIA 10 due for repayment no later than 5 March 2009 The loan notes to be acquired by the company under this arrangement will have substantially the same terms as the 10% unsecured loan notes issued to CIA 10 by IHSH

On the same date the company entered into a deed with CIA 10 under which CIA 10 agreed, on request by the company, to subscribe for £77,240,349 10% unsecured loan notes to be issued by the company on 5 March 2009 with a repayment date of 4 March 2010 The purpose of the issue is to facilitate the subscription by the company for £77,240,349 10% unsecured loan notes to be issued by IHSH on the same date The loan notes to be issued by the company under this arrangement will have substantially the same terms as the 10% unsecured loan notes due 5 March 2009 issued to CIA 10 by IHSH

Directors' report *(continued)*

Directors

The directors of the company who held office during the year and subsequently were as follows

C P T O'Haire	(resigned 19 July 2007)
Q R Stewart	(resigned 19 July 2007)
D N Leyland	(appointed 27 September 2007)
I D Crabb	(appointed 27 September 2007)
K Gozzett	(appointed 19 July 2007)
W H A Murphy	(appointed 19 July 2007)

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 386 of the Companies Act 1985, elective resolutions are in place to dispense with the obligation to appoint auditors annually and KPMG Audit Plc will therefore remain in office

On behalf of the board

I Crabb
Director

Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

28 April 2008

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 (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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
Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

Independent auditors' report to the members of Interactive Hotel Services Limited

We have audited the financial statements of Interactive Hotel Services Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Deficit and the related notes These financial statements have been prepared under the accounting policies set out therein

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent auditors' report to the members of Interactive Hotel Services Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc   28 April 2008

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account

for the year ended 31 March 2007

	Note	2007 £000	2006 £000
Operating expenses		**2**	-
Impairment of investments	7	**(15,000)**	(195,510)
Operating loss		**(14,998)**	(195,510)
Interest payable and similar charges	5	**(10)**	(8)
Loss on ordinary activities before taxation		**(15,008)**	(195,518)
Tax on loss on ordinary activities	6	**-**	-
Loss for the financial year		**(15,008)**	(195,518)

All results relate to continuing operations

There are no recognised gains and losses for the financial period other than as stated above

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

Balance sheet
at 31 March 2007

	Note	**2007** **£000**	2006 £000
Fixed assets			
Investments	*7*	-	-
Current assets			
Cash at bank and in hand		**4**	2
Total assets less current liabilities		**4**	2
Creditors: amounts falling due after more than one year	*8*	**(90)**	(80)
Net liabilities		**(86)**	(78)
Capital and reserves			
Called up share capital	*9*	**215,511**	200,511
Profit and loss account	*10*	**(215,597)**	(200,589)
Shareholder's deficit		**(86)**	(78)

These financial statements were approved by the board of directors on 28 April 2008 and were signed on its behalf by

I Crabb
Director

Reconciliation of movements in shareholders' deficit
for the year ended 31 March 2007

	2007 £000	2006 £000
Loss for the financial year	**(15,008)**	(195,518)
New shares issued	**15,000**	195,510
Net addition to shareholders' deficit	**(8)**	(8)
Opening shareholders' deficit	**(78)**	(70)
Closing shareholders' deficit	**(86)**	(78)

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

In these financial statements FRS 20 'Share based payments' has been adopted for the first time

The adoption of this standard has had no material effect on the current year results or restatement of the corresponding amounts in these 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 FRS 1 'Cash flow statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds that Carmelite Capital Limited ("CCL"), a parent undertaking, includes the company in its own published consolidated financial statements

As the company was a wholly owned subsidiary of CCL 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 CCL group (or investees of the group qualifying as related parties) The consolidated financial statements of CCL, within which this company is included, can be obtained from the address given in note 14

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment calculated as the lower of the sale value of the investment less costs and the value in use

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

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'

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

Following the adoption of FRS 25 'Financial Instruments Disclosure and Presentation', financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company 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, and

b) 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

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

2 Auditors remuneration

The fees for the audit of these financial statements were £5,300 *(2006 £5,438)* These were borne by a subsidiary undertaking, Quadriga Worldwide Limited

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, CCL

3 Remuneration of directors

No director received any remuneration during the year in respect of qualifying services to the company *(2006 £nil)*

4 Staff numbers and costs

The company has no employees and therefore incurs no wages or salary costs *(2006 £nil)* Administration services are provided by Quadriga Worldwide Limited

Notes *(continued)*

5 Interest payable and similar charges

	2007	2006
	£000	£000
On loans from related parties	**10**	8

Interest payable was accrued in each year on the 11% revolving loan notes issued to Terra Firma Capital Partners I ("TFCPI") (see note 8)

6 Taxation

	2007	2006
	£000	£000
UK corporation tax		
Current tax on loss on ordinary activities	**-**	-

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2006 higher)* than the standard rate of corporation tax in the United Kingdom of 30% (*2006 30%*) The differences are explained below

	2007	2006
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(15,008)**	(195,518)
Current tax credit at 30% (*2006 30%*)	**(4,502)**	(58,655)
Effects of		
Disallow impairment of investments	**4,500**	58,653
Surrender of losses for nil consideration	**2**	-
Unutilised tax losses	**-**	2
Total current tax charge (see above)	**-**	-

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

Tax losses carried forward as at 31 March 2007 amounted to £30,298 (£9,089 tax value) *(2006 £30,298, £9,089 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

It was announced in the 2007 Budget that the corporation tax rate will be cut from 30% to 28% from April 2008

Notes *(continued)*

7 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning of year	200,560
Additions	15,000
At end of year	215,560
Impairment	
At beginning of year	200,560
Provided in year	15,000
At end of year	215,560
Net book value	
At 31 March 2007	-
At 31 March 2006	-

On 6 September 2006, 28 September 2006, 31 October 2006, 1 December 2006 and 5 January 2007 respectively the company increased its investment in its direct subsidiary undertaking Interactive Hotel Services Holdings plc ("IHSH") by 3,000,000 preference shares of £1 each The total of these subscriptions for preference shares was £15,000,000

As required by FRS 11 'Impairment of fixed assets and goodwill', an impairment review was conducted and based on the net liability position of IHSH and the value in use of the underlying Quadriga business the directors concluded that the investment should be impaired by £15,000,000 in the year ended 31 March 2007

The principal operating undertakings in which the company has an interest at the year end are as follows

Subsidiary undertaking	Overseas branches	Country of incorporation	Class and percentage of shares held	
Quadriga Worldwide Limited	Portugal	England	Ordinary	100
Quadriga EMEA Limited	Czech Republic, Malta, Turkey, Hungary, Bulgaria	England	Ordinary	100
Quadriga Interactive Systems Limited	Czech Republic, Poland, Hungary	England	Ordinary	100
Quadriga Benelux BV		Netherlands	Ordinary	100
Quadriga Belgium NV		Belgium	Ordinary	100
Quadriga Danmark AS		Denmark	Ordinary	100
Quadriga Norge AS		Norway	Ordinary	100
Quadriga Finland OY	Estonia	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 Business Espana SA		Spain	Ordinary	100
Quadriga Italia SPA		Italy	Ordinary	100
Quadriga Deutschland GmbH		Germany	Ordinary	100
Quadriga EMEA Romania SRL		Romania	Ordinary	100

Notes *(continued)*

7 Fixed asset investments *(continued)*

The company has no direct interest in the subsidiary undertakings set out above The principal activity of the subsidiary undertakings is the supply of equipment and software enabling the provision of in-room technology based services to hotels and similar services to other markets in the United Kingdom and Europe The systems deployed provide functionality in the areas of guest entertainment, hotel information, and communications

The non operating subsidiaries of the company are (* denotes direct interest at 31 March 2007)

Subsidiary undertaking	Principal activity	Country of incorporation	Class and percentage of shares held	
Interactive Hotel Services Holdings plc*	Holding company	England	Ordinary	100
			Preference	100
Interactive Hotel Services Investments Limited	Holding company	England	Ordinary	100
			Preference	100
Quadriga Holdings Limited	Holding company	England	Ordinary	100
			Preference	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

8 Creditors: amounts falling due after more than one year

	2007	2006
	£000	£000
Loans from related parties	**90**	80

Loans from related parties comprise 11% revolving loan notes issued to TFCPI, acting through its general partner Terra Firma Investments (GP) Limited, plus accrued interest The balance at the year end represented loan notes with a principal value of £50,000 *(2006 £50,000)* plus accrued interest of £39,995 *(2006 £30,363)* and a repayment date of 6 September 2010

On 19 July 2007 the loan notes were acquired by Co-Investment Acquisition No 4 LP Inc and were subsequently purchased by Co-Investment Acquisition No 10 LP Inc ("CIA 10"), a Guernsey incorporated limited partnership, on 23 August 2007 (see note 12)

Notes *(continued)*

9 Called up share capital

	2007 £000	2006 £000
Authorised		
211,510,711 Ordinary shares of £1 each	**211,511**	211,511
15,000,000 'B' Preference shares of £1 each	**15,000**	-
	226,511	211,511
Allotted, called up and fully paid		
200,510,711 Ordinary shares of £1 each	**200,511**	200,511
15,000,000 'B' Preference shares of £1 each	**15,000**	-
	215,511	200,511

On 6 September 2006, 28 September 2006, 31 October 2006, 1 December 2006 and 5 January 2007 respectively CCL subscribed for 3,000,000 B preference shares of £1 each The total value of the B preference shares created and issued was £15,000,000

On 6 September 2006 a shareholders' written resolution was passed which amended the company's Articles of Association amending the rights of the B preference shareholders In particular the preference shares are no longer redeemable or cumulative As a result the B preference shares have been reclassified as equity as required by FRS 25

On a winding up, B preference shares rank above the ordinary shares in issue and the preference shareholders would be entitled to all arrears and accruals of preference dividends and a return of capital before any return to the ordinary shareholders There are no voting rights attaching to the preference shares The voting rights attaching to the ordinary shares are one vote per share

Further changes to the authorised and issued share capital after the balance sheet are detailed in note 12

10 Reserves

	Profit and loss account £000
At beginning of year	(200,589)
Loss for the financial year	(15,008)
At end of year	**(215,597)**

Notes *(continued)*

11 Contingent liabilities

Cross guarantees

On 19 July 2007 Caversham Finance Limited, a fellow subsidiary undertaking of the CCL Group, repaid its credit facility provided by National Westminster Bank and the CCL Group was released from its guarantee and security obligations with respect to this debt, for which the company was a guarantor

At the date of these financial statements, the company is party to a cross guarantee in favour of CIA 10

Further, on 8 April 2008 the company entered into a deed with IHSH which committed it to subscribe for £77,240,349 loan notes to be issued, at the option of IHSH, on 5 March 2009 in order to allow IHSH to repay £69,890,915 of loan notes due on the same date The repayment date for the loan notes is 4 March 2010

On the same date the company entered into a deed with CIA 10 under which CIA 10 agreed, on request by the company, to subscribe for £77,240,349 loan notes to be issued by the company on 5 March 2009 with a repayment date of 4 March 2010

12 Post balance events

Share issues

On 16 April and 12 June 2007 respectively, CCL subscribed for 2,000,000 ordinary shares of £1 each and on 22 June 2007 CCL subscribed for a further 1,000,000 ordinary shares of £1 each (a total of 5,000,000 shares) in the company The company utilised the issue proceeds to subscribe for 2,000,000 £1 A preference shares on 16 April 2007 and on the other two dates to subscribe for a total 300,000,000 ordinary shares of 1p each in its direct subsidiary IHSH, the total of these subscriptions being £5,000,000 IHSH in turn subscribed for 5,000,000 £1 preference shares in its direct subsidiary IHSI, who in turn subscribed for 2,000,000 £1 preference shares and 3,000,000 £1 ordinary shares in its own direct subsidiary Quadriga Holdings Limited ("QHL"), who invested the proceeds of the three share issues amounting to £5,000,000 in the operating business of the Quadriga group

On 6 March 2008 the company passed an ordinary resolution which increased its authorised share capital from £226,510,711 to £226,511,711 by the creation of a new class of 1,000 B ordinary shares of £1 each

On the same day the company issued 1,000 B ordinary shares of £1 each to CIA 10 pursuant to a share exchange agreement under which it acquired 129,856,204 B ordinary shares of 1p each in IHSH in return The company also acquired a further 36,905,476 ordinary shares of 1p each in IHSH from CIA 10 for a payment of £1,000

Change in ownership

On 27 May 2007, Terra Firma Investments (GP) Limited, a wholly owned subsidiary of TFCP Holdings Limited, the ultimate controlling party of the company, agreed to dispose of its entire interest in CCL, the company's parent undertaking, to Co-Investment Acquisition No 2 LP Inc, a Guernsey incorporated limited partnership, and to dispose of its entire interest in the 11% revolving loan notes issued by the company to TFCPI to Co-Investment Acquisition No 4 LP Inc, a Guernsey incorporated limited partnership These disposals subsequently completed on 19 July 2007

On 23 August 2007 CCL sold its entire holding of shares in the company to Co-Investment Acquisition No 10 LP Inc ("CIA 10"), a Guernsey incorporated limited partnership The directors now regard CIA 10, as the ultimate parent company and ultimate controlling party On the same date Co-Investment Acquisition No 4 LP Inc sold its entire interest in the 11% revolving loan notes issued by the company to CIA 10

Notes *(continued)*

13 Related party transactions

As at 31 March 2007 TFCPI an English Limited Partnership, acting through its general partner Terra Firma Investments (GP) Limited, a company incorporated in Guernsey, held 100% of the issued share capital of CCL, the largest group of which the company is a member and for which group financial statements are prepared The directors therefore considered TFCPI to be a related party for the year ended 31 March 2007

The company had the following transactions during the year and balances with TFCPI at 31 March 2007

The company has issued 11% revolving loan notes to TFCPI The balance at 31 March 2007 represented loan notes with a principal value of £50,000 *(2006 £50,000)* plus accrued interest of £39,995 *(2006 £30,363)* and a repayment date of 6 September 2010 (see note 8)

Interest payable of £9,632 *(2006 £7,900)* was accrued on the 11% revolving loan notes issued to TFCPI (see note 5)

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

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

Carmelite Capital Limited is the largest and smallest group of which the company was a member at 31 March 2007 and for which group financial statements are prepared Copies of the financial statements are available to the public and may be obtained from Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX