

**Interactive Hotel Services Limited**

**Directors' report and consolidated  
financial statements**

Registered number 4033274

Year ended 31 March 2012

THURSDAY



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## Directors' report

The directors present their annual report and the audited financial statements for Interactive Hotel Services Limited ("the company") and its subsidiaries ("the Group") for the year ended 31 March 2012

### Principal activity

The principal activity of the Group 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, Europe and the United States of America. The systems deployed provide functionality in the areas of guest entertainment, hotel information and communications.

### Business review

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements and are discussed further in the business review below.

### Financial overview

The Group's trading operations are co-ordinated through a network of overseas subsidiaries and branches (as detailed in note 13). 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 performances of the business.

The Group's key financial performance indicators have been analysed as follows:

#### Operating loss

The Group made an operating loss of €7.3m (2011: €3.4m loss) and a loss for the year before taxation of €13.9m (2011: €10.6m loss). Before exceptional restructuring costs the operating loss was €4.8m (2011: €2.9m) and reflects the impact of the European recession on the hotel sector which has impacted system sales in the period.

#### Cash flow

Cash flow generated from the Group's operating activities remains strong and amounted to €23.7m (2011: €31.6m).

Investment in new business acquisitions amounted to €2.0m and in capital expenditure amounted to €14.2m (2011: €18.6m).

The Group generated a cash outflow after financing of €1.5m in the year compared to an inflow of €3.0m during 2011. These cash flows resulted after debt finance redemption of €34.7m and €5.0m respectively. The debt redemption in the year of €34.7m was primarily funded from the issue of new share capital in the period.

#### Turnover

During the year the Group had turnover of €87.7m (2011: €96.5m) a decrease of €8.8m (9%) on the previous year. The overall decrease in turnover was due to a reduction in the volume of television retail sales as the digital switchover which has driven television sales over the last 2 years was completed in most of Europe.

#### Gross profit

The gross profit of the Group decreased by €2.1m from €31.4m to €29.3m in the year ended 31 March 2012. However, the gross margin increased from 32.5% to 33.5% reflecting the impact of a lower mix of lower margin retail television sales.

## Directors' report (continued)

### Business Review (continued)

#### Net operating expenses

Net operating expenses increased by €1.8m (5%) from €34.8m to €36.6m in the year ended 31 March 2012, before exceptional costs net operating costs were flat at €34.2m (2011 €34.2m)

#### Restructuring

In March 2012 the Group embarked on a restructuring of the operational support and finance functions in Europe. This restructuring is expected to cost €2.4m and to be completed by the end of the calendar year. This has been provided for in the period's results, further detail can be found in note 6.

#### Strategy

The strategy adopted by the Group during the year has been to widen its product set and operating geographies in order to drive the future growth of the Group. This strategy has resulted in two acquisitions during the year. Smoovie TV Europe SAS was purchased on 11 July 2011, this provides the Group with a product that allows Quadriga to better address the needs of the 1\* to 3\* hotel and hospital markets. Nx Systems LLC was acquired on 25 August 2011 and provides the Group with access to the large North American market.

#### Financing

During the year the Group has looked to strengthen its balance sheet. This has been achieved through the repayment of €34.3m of the Eurobond and the extension of the maturity date of the remaining balance of €32.4m to 21 August 2015. The repayment of the Eurobond was primarily financed by the issuing of €33.8m of shares. Net assets at 31 March 2012 were €25.6m compared to €9.8m at 31 March 2011.

#### 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 digital systems are installed.

EBITDA for the year, before exceptional restructuring costs, declined by €4.4m from €30.9m to €26.5m. The reconciliation of the operating loss to EBITDA is shown below.

	2012 €'000	2011 €'000
<b>Operating loss</b>	<b>(7,260)</b>	<b>(3,417)</b>
<i>Cost of sales adjustment</i>		
Depreciation and other amounts written off of tangible rental fixed assets	26,422	29,407
Amortisation of goodwill and intangible fixed assets	3,241	2,372
<i>Net operating expenses adjustment</i>		
Depreciation and other amounts written off of tangible fixed assets	1,663	2,000
<b>EBITDA</b>	<b>24,066</b>	<b>30,362</b>
Exceptional restructuring costs	2,449	543
<b>EBITDA before exceptional restructuring costs</b>	<b>26,515</b>	<b>30,905</b>

The number of hotel rooms in which the Group's digital systems are installed remained relatively stable during the period.

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

### **Business Review (continued)**

#### *Future developments for the Group*

The Group continues to pursue a strategy of widening its product portfolio and geographies in which it operates in order to grow both the profitability and future cash flows of the Group. The Group has a significant rental asset base which means that the Group has a contracted revenue stream which generates operating cash flows sufficient to fund its capital expenditure requirements for the foreseeable future.

### **Dividends**

The directors do not recommend the payment of a dividend (2011 £nil)

### **Principal risks and uncertainties**

The management of the businesses of the Group and the nature of its strategy are subject to a number of risks. The directors have set out below the principal risks facing the Group. The directors are of the opinion that the Group has adopted a 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 and technological obsolescence*

The Group 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, revenues generated and developments in technology and the marketplace.

#### *Loss of key personnel*

The Group employed an average of 267 full time employees during the year ended 31 March 2012 (2011 253). Regular operational reviews ensure that knowledge and key customer and supplier relationships are retained by the directors and officers of the company so that the impact of the loss of any employee or agent would be reduced.

#### *Economic environment uncertainty*

The directors aim to mitigate the effects of uncertainty in the economic environment in its subsidiaries by seeking to

- regularly review the companies' exposure to customer payment default risk,
- amend the companies' credit assessment policies,
- minimise the companies' exposure to fluctuations in hotel occupancy by engaging in fixed fee contracts where appropriate

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

The principal financial assets of the Group are bank balances, trade and other receivables. Its principal financial liabilities are trade and other payables and interest bearing loans from related parties. The main risks arising from the financial instruments of the Group are credit risk, liquidity risk, interest rate and foreign exchange risk. The directors review and agree policies for managing each of these risks and they are summarised below.

#### *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 and maintain sufficient cash reserves and un-drawn committed borrowing facilities.

#### *Interest rate risk*

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

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

### **Financial risk management objectives and policies (continued)**

#### *Credit risk*

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

#### *Foreign exchange risk*

The majority of the Group's transactions originate in sterling and euro with a minimal exposure to foreign exchange fluctuations. The company seeks to further reduce this risk by, where possible, matching foreign currency receipts with payments and, for certain countries, to negotiate payments from customers and to suppliers in more stable currencies such as Sterling and euro

### **Directors**

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

D G E Naylor-Leyland

K Gozzett

R D Taylor

J Hull (appointed 13 April 2011)

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

### **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, training, development, compensation, and promotion without regard to race, gender, religion, ethnic origin, marital status and non job-related disabilities of its employees. The Group requires the highest standard of ethical, moral and legal behaviour at all times from its employees.

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 wherever appropriate.

The Group places great emphasis on effective employee communications and has established programs to facilitate this. Employee representatives are consulted on a wide variety of issues affecting their current and future interests.

### **Disclosure of information to the auditor**

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

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

**Political and charitable contributions**

The Group made no charitable contributions or political contributions during the year *(2011 €nil)*

**Auditor**

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

On behalf of the Board



**R Taylor**  
*Director*

24 July 2012

Forum 1  
Station Road  
Theale  
Berkshire  
RG7 4RA

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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





## KPMG Audit Plc

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

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

We have audited the financial statements of Interactive Hotel Services Limited for the year ended 31 March 2012 set out on pages 9 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.irc.org.uk/apb/scope/private.cfm](http://www.irc.org.uk/apb/scope/private.cfm).

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

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

**Independent auditor's report to the members of Interactive Hotel Services Limited**  
*(continued)*

**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



**NM Hughes** (Senior Statutory Auditor)

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

Chartered Accountants

26 July 2012

**Consolidated profit and loss account**  
*for the year ended 31 March 2012*

	<i>Note</i>	<b>2012</b> €'000	2011 €'000
<b>Turnover</b>			
Existing operations	2	85,489	96,512
Acquisitions	2	<u>2,163</u>	<u>-</u>
		<b>87,652</b>	<b>96,512</b>
 Cost of sales	 3	 <b>(58,305)</b>	 (65,142)
		<u>29,347</u>	<u>31,370</u>
<b>Gross profit</b>			
Net operating expenses	3,4,5,6	<b>(36,607)</b>	(34,787)
<b>Operating loss</b> (including €578,000 operating loss in respect of acquisitions)		<u><b>(7,260)</b></u>	<u>(3,417)</u>
 Interest receivable and similar income	 7	 37	 41
Interest payable and similar charges	8	<b>(6,694)</b>	(7,198)
<b>Loss on ordinary activities before taxation</b>		<u><b>(13,917)</b></u>	<u>(10,574)</u>
Tax on loss on ordinary activities	9	<b>(1,036)</b>	(740)
<b>Loss for the financial year</b>	<b>20</b>	<u><b>(14,953)</b></u>	<u>(11,314)</u>

All results relate to continuing operations

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

**Consolidated statement of total recognised gains and losses**  
*for the year ended 31 March 2012*

	<b>2012</b> €'000	2011 €'000
Loss for financial year	<b>(14,953)</b>	(11,314)
Net foreign exchange differences on retranslation of overseas net investments	<b>(3,093)</b>	(50)
<b>Total recognised losses relating to the financial year</b>	<u><b>(18,046)</b></u>	<u>(11,364)</u>

**Consolidated balance sheet**  
*at 31 March 2012*

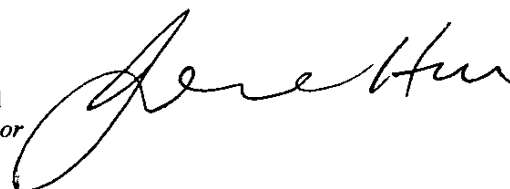
	<i>Note</i>	2012 €'000	2012 €'000	2011 €'000	2011 €'000
<b>Fixed assets</b>					
Goodwill	<i>10</i>	1,914		-	
Negative Goodwill	<i>10</i>	(407)		-	
Other Intangible assets	<i>10</i>	12,724		11,077	
Tangible assets	<i>11</i>	46,214		61,792	
			<u>60,445</u>		<u>72,869</u>
<b>Current assets</b>					
Stocks	<i>14</i>	4,979		5,094	
Debtors	<i>15</i>	21,382		24,610	
Cash at bank and in hand		8,036		9,642	
			<u>34,397</u>		<u>39,346</u>
<b>Creditors: amounts falling due within one year</b>	<i>16</i>	<b>(28,126)</b>		<b>(31,734)</b>	
<b>Net current assets</b>			<u>6,271</u>		<u>7,612</u>
<b>Total assets less current liabilities</b>			<u>66,716</u>		<u>80,481</u>
<b>Creditors: amounts falling due after more than one year</b>	<i>17</i>		<b>(34,580)</b>		<b>(66,368)</b>
<b>Provisions for liabilities</b>	<i>18</i>		<b>(6,530)</b>		<b>(4,275)</b>
<b>Net assets</b>			<u>25,606</u>		<u>9,838</u>
<b>Capital and reserves</b>					
Called up share capital	<i>19</i>		271,134		237,337
Share premium	<i>20</i>		1,120		1,120
Other reserve	<i>20</i>		205,370		205,370
Profit and loss account	<i>20</i>		(501,966)		(459,470)
Translation reserve	<i>20</i>		49,948		25,481
<b>Shareholders' funds</b>	<i>21</i>		<u>25,606</u>		<u>9,838</u>

These financial statements for Interactive Hotel Services Limited, registered number 4033274, were approved by the board of directors on 24 July 2012 and were signed on its behalf by

**R Taylor**  
Director



**J Hull**  
Director



**Company balance sheet**  
*at 31 March 2012*

	<i>Note</i>	<b>2012</b> <b>€'000</b>	<b>2012</b> <b>€'000</b>	2011 €'000	2011 €'000
<b>Fixed assets</b>					
Investments	<i>13</i>		40,991		6,826
<b>Current assets</b>					
Debtors	<i>15</i>	294		279	
		<u>294</u>		<u>279</u>	
<b>Creditors: amounts falling due within one year</b>	<i>16</i>	<b>(904)</b>		<b>(858)</b>	
<b>Net current liabilities</b>			<b>(610)</b>		<b>(579)</b>
<b>Net assets</b>			<b>40,381</b>		<b>6,247</b>
<b>Capital and reserves</b>					
Called up share capital	<i>19</i>		271,134		237,337
Share premium	<i>20</i>		1,120		1,120
Profit and loss account	<i>20</i>		(258,964)		(245,692)
Translation reserve	<i>20</i>		27,091		13,482
<b>Shareholders' funds</b>	<i>21</i>		<b>40,381</b>		<b>6,247</b>

These financial statements for Interactive Hotel Services Limited, registered number 4033274, were approved by the board of directors on 24 July 2012 and were signed on its behalf by

**R Taylor**  
 Director



**J Hull**  
 Director



**Consolidated cash flow statement**  
*for the year ended 31 March 2012*

	<i>Note</i>	<b>2012</b> €'000	2011 €'000
Cash flow from operating activities	24	23,708	31,593
Returns on investments and servicing of finance	25	(2,991)	(4,226)
Taxation	25	(568)	(714)
Capital expenditure and financial investment	25	(14,188)	(18,643)
Acquisitions and disposals	25	(1,763)	-
Cash inflow before management of liquid resources and financing		<u>4,198</u>	<u>8,010</u>
Financing -decrease in debt	25	(5,665)	(5,020)
<b>Increase/(decrease) in cash in the year</b>		<u>(1,467)</u>	<u>2,990</u>
<b>Being:</b>			
(Increase)/decrease in bank overdraft		139	(40)
Increase/(decrease) in cash at bank		(1,606)	3,030
<b>Increase/(decrease) in cash in the year</b>		<u>(1,467)</u>	<u>2,990</u>

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 31 March 2012*

	<i>Note</i>	<b>2012</b> €'000	2011 €'000
Increase/(decrease) in cash in the year		(1,467)	2,990
Cash used to decrease debt financing	26	5,648	9,248
Change in net debt resulting from cash flows		<u>4,181</u>	<u>12,238</u>
Non-cash movements	26	28,440	(6,696)
Translation	26	(2,313)	(1,153)
<b>Movement in net debt in the year</b>		<u>30,308</u>	<u>4,389</u>
<b>Net debt at the beginning of the year</b>		<u>(57,118)</u>	<u>(61,507)</u>
<b>Net debt at the end of the year</b>	26	<u>(26,810)</u>	<u>(57,118)</u>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### ***Basis of preparation***

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

The Company's functional currency is the Pound 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. The exchange rates used are noted below

#### ***Going concern***

The Group's debt financing comprises 10% loan notes issued by Interactive Hotel Services Holdings plc ("IHSH") on the CISX (Guernsey Stock Exchange) - €32.4m at 31 March 2012. The notes are held by the Quadriga group's ultimate parent Victorian Capital LP Inc ("VCL"). The maturity date of the notes is 21 August 2015. The directors are confident that the Group will be able to meet its obligations up until and beyond 21 August 2015 by repayment of the notes (through cash flow generated by the operations of the Quadriga group trading subsidiaries or by new facilities) and/or by agreeing a further extension to the maturity date of the notes. Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The company has net current liabilities of €0.6m at the end of the year. This is primarily due to intercompany balances with Interactive Hotel Services Holdings plc ("IHSH") and Quadriga Worldwide Limited ("QWW"). The company is not a trading entity, therefore it relies on the cash flows generated by the Group 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 continue to adopt the going concern basis of accounting in preparing the annual financial statements of the group and parent company.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings for the year ended 31 March 2012. The acquisition method of accounting has been adopted. Under this method, the results of any subsidiary undertakings acquired or disposed of in the 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 company's result for the year is disclosed in note 20.

#### ***Investments***

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

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

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

#### ***Research and development expenditure***

Research expenditure is charged to the profit and loss account as incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is clearly identifiable, the technical feasibility of the 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 exceeded by income from future revenue streams.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### **Goodwill**

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. Goodwill is amortised to nil by equal annual instalments over its estimated useful life. Negative goodwill is released to the profit and loss account in the periods in which the fair values of the non-monetary assets are recovered.

#### **Tangible fixed assets and depreciation**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Rental assets	-	3 to 7 years
Office equipment	-	5 years
Computer equipment	-	3 years
Fixtures and fittings	-	5 to 10 years

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

#### **Taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'.

#### **Turnover**

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

#### **Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### **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 the Pound 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.



## Notes (continued)

### 1 Accounting policies (continued)

#### Foreign currencies (continued)

##### (iii) presentational currency

The Pound Sterling consolidation is translated by the following method for presentational purposes. Income and expenses are translated at the average exchange rate for the year ended 31 March 2012 £1 €1 1589 (2011 £1 €1 1763). Assets and liabilities are translated at the closing exchange rate as at 31 March 2012 £1 €1 1988 (2011 £1 €1 1373). Share capital, share premium and related reserve accounts are translated at historic rate. Exchange differences arising from this presentational retranslation are recognised directly as a separate component of equity (the translation reserve).

#### 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:

- a) 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
- 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.

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.

#### Post retirement benefits

The Group operates a number of defined contribution pension schemes.

The assets of the defined contribution schemes are held separately from those of the Group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### Cash and liquid resources

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

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

**Notes** *(continued)*

**2 Segmental information**

Based on risks and returns, the directors consider the primary reporting format is by business segment

The directors consider that there is only one business segment 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 U S A

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

**Turnover by origin (excluding intercompany)**

	2012	2011
	€'000	€'000
UK	15,569	17,406
Rest of Europe	69,573	78,929
Rest of the World	2,510	177
	87,652	96,512
	87,652	96,512

**Group segment loss before interest and taxation**

	2012	2011
	€'000	€'000
UK	(1,710)	(3,762)
Rest of Europe	(4,580)	180
Rest of the World	(970)	165
	(7,260)	(3,417)
Interest receivable and similar income	37	41
Interest payable and similar charges	(6,694)	(7,198)
	(13,917)	(10,574)
	(13,917)	(10,574)

**Segment net assets excluding intercompany**

	2012	2011
	€'000	€'000
UK	18,742	34,157
Rest of Europe	38,377	40,426
Rest of the World	1,006	135
	58,125	74,718
Notes payable / Loans from ultimate parent (related party)	(32,368)	(64,403)
Interest accrued on Notes payable	(151)	(476)
	25,606	9,838
	25,606	9,838

**Notes (continued)**

**3 Cost of sales and other operating expenses**

	2012	2011
<b>Cost of sales</b>	<b>€'000</b>	<b>€'000</b>
Depreciation and other amounts written off rental assets	26,422	29,407
Amortisation of capitalised development costs	3,091	2,372
Amortisation of goodwill	150	-
Other cost of sales	28,642	33,363
	58,305	65,142

Included in cost of sales is €804,000 in respect of acquisitions

	2012	2011
<b>Net operating expenses</b>	<b>€'000</b>	<b>€'000</b>
Employee costs excluding redundancy costs (see note 5)	20,172	20,161
Exceptional restructuring costs (see note 6)	2,449	543
Depreciation and other amounts written off other tangible fixed assets	1,663	2,000
Rentals payable under operating leases	2,654	2,591
Other net operating expenses	9,669	9,492
	36,607	34,787

Included in net operating expenses is €898,000 (2011 €1,035,000) in respect of expenditure on research and development and €1,319,000 in respect of acquisitions

Included in other net operating expenses is remuneration to the auditor for audit and other services as follows

	2012	2011
	<b>€'000</b>	<b>€'000</b>
Audit of these financial statements	58	77
Amounts receivable by auditor and its associates in respect of		
Audit of financial statements of subsidiaries	431	401
Other services relating to taxation	50	113
Services relating to recruitment and remuneration	7	7
All other services	29	41
	575	639

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

**Notes (continued)**

**4 Remuneration of directors**

The remuneration of directors in respect of qualifying services for the Group was as follows

	2012	2011
	€'000	€'000
Directors' emoluments	600	899
Pension contribution	23	-
Compensation for loss of office	-	157
	623	1,056
	623	1,056

The aggregate of emoluments of the highest paid director was €291,000 (2011 €1,056,000) and company pension contributions of €11,000 (2011 €nil)

None of the directors of the company received any emoluments or other benefits in respect of services to the company, during either year

**5 Staff numbers and costs**

The average number of persons employed by the Group (including directors) during the year was as follows

	Number of employees	
	2012	2011
Sales	61	55
Operations and administration	201	193
Research and development	5	5
	267	253
	267	253

The aggregate payroll costs of these persons were as follows

	2012	2011
	€'000	€'000
Wages and salaries	16,413	16,550
Social security costs	2,957	2,826
Other pension costs	802	785
Redundancy costs	2,016	404
	22,188	20,565
	22,188	20,565

**6 Exceptional restructuring costs**

	2012	2011
	€'000	€'000
<i>Restructuring costs</i>		
Professional fees	127	-
Other restructuring costs	306	139
Redundancy costs – wages and salaries (note 5)	2,016	404
	2,449	543
	2,449	543

**Notes (continued)**

**7 Interest receivable and similar income**

	2012	2011
	€'000	€'000
Bank interest and investment income	37	41
	<u>37</u>	<u>41</u>

**8 Interest payable and similar charges**

	2012	2011
	€'000	€'000
Bank interest	72	53
Interest on related party loans	6,268	6,741
Finance charge payable in respect of finance leases	96	-
Net foreign exchange losses	258	404
	<u>6,694</u>	<u>7,198</u>

Interest payable on loans from related parties is payable principally on the loan notes

**9 Taxation**

	2012	2011
	€'000	€'000
<i>UK corporation tax</i>		
Current tax on result for the year	-	-
<i>Overseas tax</i>		
Current tax on result for the year	1,036	740
	<u>1,036</u>	<u>740</u>
Tax charge on loss on ordinary activities	<u>1,036</u>	<u>740</u>

**Notes (continued)**

**9 Taxation (continued)**

	2012	2011
	€'000	€'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(13,917)	(10,574)
	<hr/>	<hr/>
Current tax at 26% (2011 28%)	(3,618)	(2,961)
<i>Effects of</i>		
Income not taxable/expenses not deductible for tax purposes	248	25
Differences between capital allowances and depreciation and amortisation charges	253	385
Short term timing differences	269	283
Unutilised taxation losses	2,848	2,268
Overseas taxation	1,036	740
	<hr/>	<hr/>
Total current tax charge (see above)	1,036	740
	<hr/> <hr/>	<hr/> <hr/>

*Factors that may affect future tax charges*

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011. A further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. A reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012.

The Group has the following timing differences which may give rise to reduced tax charges in the future

*Unrecognised deferred tax assets*

No deferred tax assets have been recognised on the timing differences set out below as, in the opinion of the directors, the ability of the Group to obtain the tax benefit of these payments is dependent on suitable profits arising in the relevant statutory companies in the future, that are either not currently foreseen or cannot be estimated with sufficient certainty

	2012	2011
	€'000	€'000
Timing differences including unutilised tax losses	19,321	14,214
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**10 Intangible fixed assets**

	Goodwill	Negative Goodwill	Development costs	Total
	€'000	€'000	€'000	€'000
<b>Group</b>				
<i>Cost</i>				
At beginning of year	188,433	-	20,639	209,072
Additions	2,001	(393)	4,247	5,855
Transfers	-	-	1,248	1,248
Translation	10,259	(14)	1,306	11,551
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	200,693	(407)	27,440	227,726
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Amortisation and impairment</i>				
At beginning of year	188,433	-	9,562	197,995
Charge for year	150	-	3,091	3,241
Transfers	-	-	1,390	1,390
Translation	10,196	-	673	10,869
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	198,779	-	14,716	213,495
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>				
At 31 March 2012	1,914	(407)	12,724	14,231
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2011	-	-	11,077	11,077
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Goodwill and Negative goodwill – see notes 1 and 12

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 2012 (2011 € nil)

**Notes** *(continued)*

**11 Tangible fixed assets**

	<b>Rental assets</b>	<b>Other assets</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Group</b>			
<i>Cost</i>			
At beginning of year	196,275	19,157	215,432
Additions	9,293	646	9,939
Acquisition of business	1,082	148	1,230
Disposals	(28,048)	(2,075)	(30,123)
Transfers	-	(1,248)	(1,248)
Translation	2,503	1,048	3,551
At end of year	181,105	17,676	198,781
<i>Depreciation</i>			
At beginning of year	137,126	16,514	153,640
Charge for year	25,666	1,648	27,314
On disposals	(27,293)	(2,060)	(29,353)
Transfers	-	(1,390)	(1,390)
Translation	1,706	650	2,356
At end of year	137,205	15,362	152,567
<i>Net book value</i>			
<b>At 31 March 2012</b>	<b>43,900</b>	<b>2,314</b>	<b>46,214</b>
At 31 March 2011	59,149	2,643	61,792

Other assets include fixtures, equipment and vehicles

The net book value of rental assets includes €2,327,000 (2011 €1,742,000) of assets capitalised under finance lease arrangements. Depreciation charged to profit and loss account on these assets in the year amounted to €406,000 (2011 €237,000)



**Notes (continued)**

**12 Acquisitions**

On 11 July 2011, the group acquired all of the shares of Smoovie TV Europe SAS. The resulting goodwill was capitalised and will be amortised over 10 years.

	<b>Book Value</b>	<b>Revaluation</b>	<b>Fair value</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Fixed Assets</b>			
Tangible	3	-	3
<b>Current Assets</b>			
Stock	36	-	36
Debtors	48	-	48
Cash	102	-	102
<b>Total Assets</b>	<b>189</b>	-	<b>189</b>
<b>Liabilities</b>			
Creditors	138	-	138
Loans	21	-	21
<b>Total Liabilities</b>	<b>159</b>	-	<b>159</b>
<b>Net Assets</b>	<b>30</b>	-	<b>30</b>
<b>Goodwill</b>			<b>2,001</b>
Purchase consideration satisfied by			
<b>Cash</b>			<b>2,031</b>

The acquired undertaking made a loss of €16,000 from the beginning of its financial year to the date of the acquisition. In its previous financial year commencing on 1 January 2010 the loss was €24,000.

There were no provisions made for reorganisation and restructuring costs in the twelve months prior to acquisition.

**Notes** *(continued)*

**12 Acquisitions** *(continued)*

On 25 August 2011, the Group acquired the entire membership interest of Nx Systems LLC. The resulting negative goodwill of €407,000 was capitalised and will be released to the profit and loss account over the average life of the acquired rental assets.

	<b>Book Value</b>	<b>Revaluation</b>	<b>Fair value</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Fixed Assets</b>			
Tangible	1,660	(448)	1,212
<b>Current Assets</b>			
Stock	579	(392)	187
Debtors	658	-	658
Cash	196	-	196
<b>Total Assets</b>	<b>3,093</b>	<b>(840)</b>	<b>2,253</b>
<b>Liabilities</b>			
Creditors	946	-	946
Finance Leases	900	-	900
<b>Total Liabilities</b>	<b>1,846</b>	<b>-</b>	<b>1,846</b>
<b>Net Assets</b>	<b>1,247</b>	<b>(840)</b>	<b>407</b>
<b>Negative Goodwill</b>			<b>(407)</b>
Purchase consideration satisfied by			-
Issue of 'C' and 'D' ordinary shares by IHSH			-

The acquired undertaking made a loss of €1,745,000 from the beginning of its financial year to the date of acquisition. In its previous financial year commencing on 1 January 2010 the loss was €2,335,000.

Upon acquisition, a provision of €392,000 was made in respect of inventory and a further provision of €448,000 was made against the value of the rental assets following an impairment review of the assets at 31 March 2012. The fair value of net assets acquired are provisional.

**Notes (continued)**

**13 Fixed asset investments**

Company	
<i>Shares in subsidiary companies</i>	<b>€'000</b>
<b>Cost</b>	
At beginning of the year	251,982
Investment in the year	32,672
Translation	14,751
	299,405
	299,405
<b>Impairment</b>	
At beginning of the year	245,156
Translation	13,258
	258,414
	258,414
<b>Net book value</b>	
<b>At 31 March 2012</b>	<b>40,991</b>
	40,991
At 31 March 2011	6,826
	6,826

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

	Country of incorporation	Class and percentage of	shares held
Quadriga Worldwide Limited	England	Ordinary	100
Quadriga EMEA Limited	England	Ordinary	100
Quadriga Benelux BV	Netherlands	Ordinary	100
Quadriga Belgium NV	Belgium	Ordinary	100
Quadriga Denmark 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 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
Quadriga d o o	Croatia	Ordinary	100
Nx Systems LLC	U S A	Ordinary	100
UAB Quadriga Inroom Technologies	Lithuania	Ordinary	100
Quadriga Latvia SIA	Latvia	Ordinary	100

Quadriga Finland OY has an overseas branch operating in Estonia

Quadriga Suisse SA has an overseas branch in Austria

**Notes (continued)**

**13 Fixed asset investments (continued)**

Quadriga Worldwide Limited has an overseas branch in Portugal

Quadriga EMEA Limited has overseas branches in the Czech Republic, Malta, Turkey, Hungary and Bulgaria

The company has no direct interest in the above subsidiaries

The principal activity of the subsidiaries 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 and USA. The systems deployed provide functionality in the areas of guest entertainment, hotel information and communications.

In addition to the above subsidiaries the company has the undernoted subsidiaries which act as intermediate holding companies, unless otherwise indicated. An \* indicates that the company has a direct interest.

	Country of incorporation	Class and percentage of shares held	
Interactive Hotel Services Holdings plc*	England	Ordinary	100
		Preference	100
Interactive Hotel Services Investments Limited	England	Ordinary	100
		Preference	100
Quadriga Holdings Limited	England	Ordinary	100
		Preference	100
Quadriga Overseas Holdings Limited	England	Ordinary	100
Quadriga Holdings BV	Netherlands	Ordinary	100
Thorn France Holdings SAS	France	Ordinary	100
Quadriga USA Limited	England	Ordinary	100
Quadriga Technology Limited	England	Ordinary	100

Thorn France Holdings SAS acquired Smoovie TV Europe SaS during the year ended 31 March 2012

Interactive Hotel Services Holdings plc acquired Nx Systems LLC and transferred 100% holding to Quadriga USA Limited during the year ended 31 March 2012

Interactive Hotel Services Limited made an additional investment in the year ended 31 March 2012 in Interactive Hotel Services Holdings plc

**14 Stocks**

	Group	
	2012	2011
	€'000	€'000
Work in progress	1,816	1,820
Component stock	3,163	3,274
	<u>4,979</u>	<u>5,094</u>

The company held no stock

**Notes (continued)**

**15 Debtors**

	Group		Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
<i>Amounts falling due within one year</i>				
Trade debtors	14,923	18,221	-	-
Other debtors	4,368	4,984	-	-
Amounts owed by fellow group undertakings	-	-	290	275
Prepayments and accrued income	2,091	1,405	4	4
	<u>21,382</u>	<u>24,610</u>	<u>294</u>	<u>279</u>

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

	Group		Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Bank overdraft	-	139	-	-
Trade creditors	5,751	6,370	1	1
Customer deposits and rentals in advance	5,199	5,665	-	-
Finance lease	412	396	-	-
Corporate taxes	101	71	-	-
Other taxes and social security	919	588	-	-
Other creditors	3,814	4,875	12	11
Amounts owed to fellow group undertakings	-	-	726	690
Accruals and deferred income	11,930	13,630	165	156
	<u>28,126</u>	<u>31,734</u>	<u>904</u>	<u>858</u>

**17 Creditors: amounts falling due after more than one year**

	Group		Company	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Notes payable (related party)	32,368	64,403	-	-
Interest accrued on notes payable (related party)	151	476	-	-
Finance lease	1,915	1,346	-	-
Deferred tax liability	146	143	-	-
	<u>34,580</u>	<u>66,368</u>	<u>-</u>	<u>-</u>

**Notes (continued)**

**17 Creditors: amounts falling due after more than one year (continued)**

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

	2012	2011
	€'000	€'000
Finance lease which expire		
Within one year	789	462
In the second to fifth years inclusive	1,857	1,573
	2,646	2,035
Less future finance charges	(319)	(293)
	2,327	1,742

IHSH, a subsidiary of the Group, has issued notes, which are listed on the CISX (Guernsey Stock Exchange) The value of the notes at year end amounted to €32.4m (2011 €64.4m) and bear interest at 10% per annum

The initial repayment date of the notes was 21 August 2011. However, IHSH has negotiated an extension of the repayment date to 21 August 2015.

During the year share capital of €33.8m was issued to VCL and the consideration was used to repay a portion of the loan notes outstanding.

Interest accrues daily and any interest outstanding at 4 March is added to the principal.

At 31 March 2012 all of the Notes issued were held by the ultimate parent company, VCL.

**Financial instruments**

The Group's principal financial instruments, which exclude short-term debtors and creditors as permitted by FRS13 "Derivatives and other financial instruments disclosures", comprise loans and cash. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising on these financial instruments are set out in the Directors' report and are discussed further below.

*Interest rate risk*

**(a) Financial liabilities**

The Group has financial liabilities comprising fixed rate sterling denominated loans and Notes payable and finance leases, totalling €34.8m (2011 €66.4m) set out above.

The weighted average interest rate in both years was 10% on the Notes payable. The weighted average period, in both years, equals the length of the loan period as detailed above.

**(b) Financial assets**

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

**Notes** *(continued)*

**17 Creditors: amounts falling due after more than one year** *(continued)*

**Financial Instruments** *(continued)*

The cash profile of the financial assets was as follows

	<b>2012</b>	2011
	<b>€'000</b>	€'000
Sterling	<b>5,029</b>	6,670
Euro	<b>1,075</b>	1,645
Other	<b>1,932</b>	1,327
	<b>8,036</b>	9,642

*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.

	<b>2012</b>	2011
	<b>€'000</b>	€'000
Euro	<b>1,075</b>	1,645
Other	<b>1,932</b>	1,327
	<b>3,007</b>	2,972

*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 VCL and loan notes which, whilst publicly traded, are all held by VCL. Short-term flexibility is achieved by working capital facilities if required.

*Maturity of financial liabilities*

The maturity profile of the Groups' financial liabilities was as follows

	<b>2012</b>	2011
	<b>€'000</b>	€'000
In one year or less, or on demand	<b>412</b>	396
In more than one year but less than two years	-	64,879
In more than two years but not more than five years	<b>34,435</b>	1,346
	<b>34,847</b>	66,621

**Notes (continued)**

**17 Creditors: amounts falling due after more than one year (continued)**

*Borrowing facilities*

The Group has various undrawn committed borrowing facilities. The facilities available at each year end, in respect of which all conditions precedent had been met were as follows

	2012 €'000	2011 €'000
Expiring in one year or less	9,655	6,291
	9,655	6,291

*Fair value of financial assets and liabilities*

In view of the short maturity of cash, loans and Notes payable, the Group considers the carrying value of the financial assets and liabilities to be equal to their fair value at both year ends

**18 Provisions for liabilities**

	Taxation €'000	Other €'000	Total €'000
At beginning of year	885	3,390	4,275
Utilised during year	-	(366)	(366)
Charge to profit and loss in year	435	1,945	2,380
Translation	63	178	241
At end of year	1,383	5,147	6,530

The provision for taxation is in respect of potential overseas tax obligations. The provision will be utilised depending on the outcome of the discussions with the authorities in the relevant territories and will be subject to on-going reviews as the timing of the outflows are uncertain.

The other provisions principally relate to employee related costs which are presently the subject of ongoing negotiations. The provision will be utilised as and when the outcome of the discussions is established with reasonable certainty.



**Notes (continued)**

**19 Called up share capital**

	2012 €'000	2011 €'000
<i>Allotted, called up and fully paid</i>		
233,702,477 (2011 205,510,712) Ordinary shares of £1 each	254,988	221,191
1,000 B Ordinary shares of £1 each	1	1
15,000,000 Preference shares of £1 each	16,145	16,145
	271,134	237,337
	271,134	237,337

The company issued 28,191,765 ordinary shares during the year to VCL to raise funds to make a further investment in IHSH. The funds were ultimately utilised to repay €32.6m of loan notes payable to VCL.

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

**20 Reserves**

	Share premium	Profit and loss account	Other reserve	Translation reserve	Total
Group	€'000	€'000	€'000	€'000	€'000
At beginning of year	1,120	(459,470)	205,370	25,481	(227,499)
Loss for the financial year	-	(14,953)	-	-	(14,953)
Net exchange differences	-	(3,093)	-	-	(3,093)
Presentational translation	-	(24,450)	-	24,467	17
At end of year	1,120	(501,966)	205,370	49,948	(245,528)
	1,120	(501,966)	205,370	49,948	(245,528)

In March 2008, the Company and certain of its subsidiaries 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.

	Share premium	Profit and loss account	Translation reserve	Total
Company	€'000	€'000	€'000	€'000
At beginning of year	1,120	(245,692)	13,482	(231,090)
Loss for the financial year	-	-	-	-
Presentational translation	-	(13,272)	13,609	337
At end of year	1,120	(258,964)	27,091	(230,753)
	1,120	(258,964)	27,091	(230,753)

**Notes** *(continued)*

**21 Reconciliation of movements in shareholders' funds**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>€'000</b>	€'000	<b>€'000</b>	€'000
<b>Loss for the financial year</b>	<b>(14,953)</b>	(11,314)	-	(412)
Foreign exchange movements	<b>(3,093)</b>	(50)	-	-
Share capital issued	<b>33,797</b>	-	<b>33,797</b>	-
Presentational translation	<b>17</b>	682	<b>337</b>	113
<b>Net addition to / (reduction) in shareholders' funds</b>	<b>15,768</b>	(10,682)	<b>34,134</b>	(299)
Opening shareholders' funds	<b>9,838</b>	20,520	<b>6,247</b>	6,546
<b>Closing shareholders' funds</b>	<b>25,606</b>	9,838	<b>40,381</b>	6,247

**22 Commitments**

Annual commitments under non-cancellable operating leases are as follows

<b>Group</b>	<b>2012</b>		<b>2011</b>	
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Operating leases which expire				
Within one year	<b>165</b>	<b>244</b>	639	454
In the second to fifth years inclusive	<b>853</b>	<b>839</b>	751	955
Over five years	<b>6</b>	-	-	-
	<b>1,024</b>	<b>1,083</b>	1,390	1,409

The majority of leases of land and buildings are subject to rent reviews

The company had no operating lease commitments in either year

**23 Pension scheme**

The Group operates a defined contribution pension scheme, which covers employees in the United Kingdom, the Quadriga Worldwide Limited Pension Scheme ('the Scheme'). Staff engaged outside the United Kingdom are covered by local arrangements, which are largely defined contribution schemes

The charge to the profit and loss account in respect of the current year was €802,000 (2011 €786,000)

At 31 March 2012, contributions amounting to €20,000 were payable by the Group to the scheme (2011 €20,000)

**Notes (continued)**

<b>24</b>	<b>Reconciliation of operating loss to operating cash flows</b>	<b>2012</b>	<b>2011</b>
		<b>€'000</b>	<b>€'000</b>
	Operating loss	(7,260)	(3,417)
	Depreciation of tangible fixed assets	27,314	29,735
	Amortisation of intangible assets	3,241	2,372
	Loss on disposal of tangible fixed asset disposals	771	1,671
	(Increase)/decrease in stocks	338	(1,511)
	(Increase)/decrease in debtors	3,934	(654)
	Increase/(decrease) in creditors, excluding bank overdraft	(5,103)	1,797
	Increase/ (decrease) in provisions	1,569	1,454
	Translation differences	(1,096)	146
	<b>Net cash inflow from operating activities</b>	<b>23,708</b>	<b>31,593</b>
<b>25</b>	<b>Analysis of cash flows</b>	<b>2012</b>	<b>2011</b>
		<b>€'000</b>	<b>€'000</b>
	<b>Returns on investments and servicing of finance</b>		
	Interest received	37	41
	Interest paid on finance leases	16	(39)
	Other interest paid	(3,044)	(4,228)
		<b>(2,991)</b>	<b>(4,226)</b>
	<b>Corporate taxation</b>	<b>(568)</b>	<b>(714)</b>
	<b>Capital expenditure and financial investment</b>		
	Purchase of intangible fixed assets	(4,247)	(3,332)
	Purchase of tangible fixed assets	(9,941)	(15,311)
		<b>(14,188)</b>	<b>(18,643)</b>
	<b>Acquisitions and disposals</b>		
	Business acquisitions	(1,763)	-
	<b>Financing</b>		
	Repayment of loans from related parties	(5,313)	(6,375)
	Capital element of finance lease	(352)	1,355
		<b>(5,665)</b>	<b>(5,020)</b>

**Notes (continued)**

**26 Analysis of net funds**

	Cash at bank	Overdraft	Finance leases	Debt payable after more than one year	Total
	€'000	€'000	€'000	€'000	€'000
At beginning of year	9,642	(139)	(1,742)	(64,879)	(57,118)
Cash flow	(1,606)	139	335	5,313	4,181
Non-cash movement	-	-	(921)	29,361	28,440
Translation	-	-	-	(2,313)	(2,313)
At end of year	<u>8,036</u>	<u>-</u>	<u>(2,328)</u>	<u>(32,518)</u>	<u>(26,810)</u>

**27 Related party transactions**

Related party balances and transactions in respect of IHSH loan notes are set out below

	2012		2011	
	Principal	Accrued Interest	Principal	Accrued Interest
	€'000	€'000	€'000	€'000
Opening Balance	64,403	476	67,508	125
Interest Accrued	-	6,268	-	6,680
Interest added to principal	3,649	(3,649)	2,109	(2,109)
Redeemed / paid	(37,985)	(2,958)	(6,375)	(4,212)
Translation	2,301	14	1,161	(8)
Closing Balance	<u>32,368</u>	<u>151</u>	<u>64,403</u>	<u>476</u>

Further details on these Notes are contained in note 17

**28 Ultimate parent company and parent undertakings of larger Group**

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