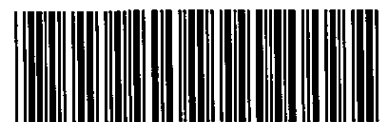


Registration number 02841021
(England and Wales)

HOSPEDIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 MARCH 2012

TUESDAY



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COMPANIES HOUSE



Directors

S A McMorran
S Johnson
R Warwick
T P Weil
C P Ralph

Company secretary

C P Ralph

Registered office

Landmark Place
1-5 Windsor Road
Slough
Berkshire
SL1 2EJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

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Directors' report

The Directors present their annual report and the audited financial statements of Hospedia Limited, company number 02841021, for the year ended 30 March 2012

Results and dividends

The Company made a loss after taxation of £0.4m for the year ended 30 March 2012 (2011 profit of £2.5m). The Directors do not recommend the payment of a dividend (2011 £nil).

Principal activities

The principal activity of the Company is the operation of bedside entertainment and communication units providing audio and visual content comprising television, radio, internet and telephony for hospital patients within the UK. The Company is expanding into the provision of services to hospitals using its unique network of systems across the NHS.

Trading performance

Key measures used to assess performance include revenue, EBITDA pre-exceptional items (earnings before interest, tax, depreciation, amortisation and exceptional items).

Years ended March	2012 £'000	2011 £'000	Change £'000	Change %
Revenue	23,133	22,207	926	4%
EBITDA pre-exceptional items	4,081	404	3,677	910%

EBITDA pre-exceptional items is considered by the Directors to be a useful measure of the underlying profitability of the business and a more relevant comparator than operating profit / loss. During the year the Company has increased EBITDA significantly as revenues have grown and increased level of automation have resulted in reduced overall costs.

There is no charge to taxation and the Company has tax losses brought forward and over £169m of unclaimed capital allowances available for use in future years.

Balance sheet

Non current assets increased by £6.2m to £17.2m reflecting the significant levels of capital expenditure in the year which exceeded the depreciation & amortisation charge for the year of £3.9m. Shareholders' funds at the end of the year were £2.7m, after debiting the loss for the year of £0.4m.

Principal risks and uncertainties

The Directors consider the key risks facing the Company to be:

Changes in the NHS and increasing use of mobile phones within NHS hospitals. The relaxation to mobile phone use in hospitals has impacted and continues to impact the Company's telephony revenues. These now account for only 17% of total revenues (2011 22%) and the Company is offsetting this impact by focusing on the quality and breadth of service provided to customers which means other sources of revenue (e.g. TV and internet packages) will grow, and development of new services for hospitals.

Directors' report *(continued)*

Reliability of terminals as the principle source of revenues, it is important that terminals are reliable, both to enable them to generate maximum revenues, and to ensure the patient experience is good. The Company has taken steps to increase the efficiency of its repair and maintenance process, supported by the programme of investment in new terminals.

Future prospects

In the last 12 months, substantial progress has been made in improving the financial performance of the Company and investing in new terminals to better serve patients in the hospitals where we operate as well as the hospitals themselves. The Directors expect to see further improvements in the coming year and the introduction of additional products and services.

Directors

The directors, who held office during the year and up to date of signing the financial statements, were as follows:

T P Weil
S A McMorran
S Johnson
R Warwick
C P Ralph

Payment of suppliers

The Company agrees terms and conditions with each of its suppliers and payment is made accordingly. The number of days purchases outstanding at the year end was 48 days (2011: 56 days) based on the average daily amount invoiced by suppliers to the Company during the year.

Research and development

The Company invests in research and development to continually update the Company's technology and systems, and to enhance its product range. The amount capitalised during the year was £0.7m (2011: £0.2m) which related primarily to development of operating software to support the latest range of at-bed terminals and other similar units.

The research costs expended in the year were £63k (2011: £60k).

Employees

Hospedia aims to be an equal opportunities employer with a commitment to help people develop their potential. In relation to disabled people or minority groups, Hospedia has a policy of giving them full and fair consideration. Employees who become disabled during employment will be retained wherever possible and retrained if necessary. To further develop its employees, the Company has an extensive national vocational training program (NVQ) and is engaged in a program to achieve Investors in People accreditation.

The Directors recognise that a key element in the success of Hospedia is the quality and the commitment of the employees. Hospedia places considerable importance on the contributions of its staff and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, company updates and the company intranet.

Directors' report *(continued)*

Directors' indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of information to auditors

In so far as the directors, individually, are aware

- There is no relevant audit information of which the Company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



C P Ralph

Director and Company Secretary
27 June 2012

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, have been followed, subject to any material departure disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Hospedia Limited

We have audited the financial statements of Hospedia Limited for the year ended 30 March 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 March 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

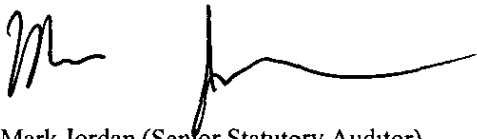
Opinion on other matter prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mark Jordan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place, London WC2N 6RH
27 June 2012

Income statement

for the year ended 30 March 2012

	Note	2012			2011		
		Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Revenue	1	23,133	-	23,133	22,207	-	22,207
Costs							
Staff costs, travel, subsistence and agency costs		(12,564)	(290)	(12,854)	(15,078)	-	(15,078)
Telecoms and other service related costs		(2,474)	-	(2,474)	(2,328)	-	(2,328)
Infrastructure support costs		(1,890)	-	(1,890)	(2,381)	-	(2,381)
Raw materials and consumables used		(418)	-	(418)	(575)	-	(575)
Other operating expenses		(1,706)	(52)	(1,758)	(1,441)	(695)	(2,136)
EBITDA*	2-5	4,081	(342)	3,739	404	(695)	(291)
Depreciation and amortisation		(3,900)	-	(3,900)	(4,255)	-	(4,255)
Operating loss		181	(342)	(161)	(3,851)	(695)	(4,546)
Finance (costs) / income	6	(276)	-	(276)	(170)	7,228	7,058
(Loss)/ profit before taxation		(95)	(342)	(437)	(4,021)	6,533	2,512
Taxation	7	-	-	-	-	-	-
Retained (loss) / profit for the year		(95)	(342)	(437)	(4,021)	6,533	2,512

Statement of comprehensive income

	2012	2,011
	£'000	£'000
(Loss) / profit per above income statement	(437)	2,512
Total comprehensive (loss) / profit for the year	(437)	2,512

* Earnings before interest, taxation, depreciation and amortisation

The notes on pages 11 to 26 are an integral part of these financial statements

Statement of Financial Position
as at 30 March 2012

	<i>Note</i>	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	8	16,318	10,625
Intangible assets	9	834	451
		<u>17,152</u>	<u>11,076</u>
Current assets			
Inventories	10	112	150
Trade and other receivables	11	1,948	1,846
Cash	12	1,778	1,391
		<u>3,838</u>	<u>3,387</u>
Total assets		<u>20,990</u>	<u>14,463</u>
Equity and Liabilities			
Current liabilities			
Trade and other payables	13	10,702	10,689
Obligations under finance leases	16	2,030	118
		<u>12,732</u>	<u>10,807</u>
Non-current liabilities			
Obligations under finance leases	16	5,326	287
Provisions for other liabilities and charges	15	235	235
		<u>5,561</u>	<u>522</u>
Total liabilities		<u>18,293</u>	<u>11,329</u>
Shareholders' funds			
Share capital	18	2,400	2,400
Share premium account		93	93
Retained earnings		204	641
Shareholders' funds		<u>2,697</u>	<u>3,134</u>
Total shareholders' funds and liabilities		<u>20,990</u>	<u>14,463</u>

The notes on pages 11 to 26 are an integral part of these financial statements

These financial statements on pages 8 to 26 were approved by the board of Directors and authorised for issue on 27 June 2012 and were signed on its behalf by



T P Weil
Director

Statement of Cash Flows
for the year ended 30 March 2012

	<i>Note</i>	2012 £'000	2011 £'000
Cash flows from operating activities			
(Loss) / profit for the year		(437)	2,512
<i>Adjustments for:</i>			
Depreciation & amortisation		3,900	4,255
Interest paid		(276)	(170)
<i>Working capital movements</i>			
Decrease / (increase) in receivables		(102)	(38)
(Increase) / decrease in inventories		38	20
Increase / (decrease) in payables		12	(66)
Increase / (decrease) in leasing		-	(109)
Finance costs		276	170
Net cash flows from operating activities		3,411	6,574
Cash flows from investing activities			
Purchase of property, plant and machinery	8	(1,253)	(5,028)
Purchase of intangible assets	9	(705)	(235)
Net cash flows (used in) investing activities		(1,958)	(5,263)
Cash flows from financing activities			
Capital element of finance lease repayments		(1,066)	(117)
Net cash flows (used in) financing activities		(1,066)	(117)
Net increase in cash, cash equivalents and bank overdrafts for the year		387	1,194
Cash and cash equivalents for the start of the year		1,391	197
Cash and cash equivalents at the end of the year	12	1,778	1,391

Statement of changes in shareholders' equity
for the year ended 30 March 2012

	Share capital (note 18)	Share premium	Retained earnings	Hedging reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 26 March 2010	2,400	93	(1,871)	90	712
Total comprehensive income / (loss) for the year	-	-	2,512	(90)	2,422
Balance at 25 March 2011	2,400	93	641	-	3,134
Total comprehensive loss for the year	-	-	(437)	-	(437)
Balance at 30 March 2012	2,400	93	204	-	2,697

Notes (forming part of the financial statements)

1 Accounting policies

Hospedia Limited (the "Company") is a limited company registered in the United Kingdom

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand unless otherwise indicated. They are prepared under the historical cost convention as modified by financial assets and liabilities (including derivative instruments) being shown at fair value and on a going concern basis.

The Company takes advantage of section 390 of the Companies Act 2006 and prepares financial statements to the last Friday of the financial year without changing its 31 March accounting reference date. The 2012 financial statements are drawn up to 30 March 2012 (2011: 25 March 2011).

The Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements.

Going concern

The financial statements to 30 March 2012 show that the Company generated a pre-exceptional loss of £95k and had net assets of £2.7m.

The Company is reliant on the continued support of its parent and its investors for financing its balance sheet, working capital requirements and its planned growth strategy and they have confirmed that it is their present intention to continue to provide such support for at least 12 months from the signing of the financial statements.

Principal accounting policies

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses during the reporting period. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from those estimates.

Significant accounting judgements, estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of property, plant and equipment

The Company determines whether property, plant and equipment are impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units (hospital site) to which the tangible fixed assets are allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Movement by 1% on the discount rate results in a movement of £50,000 in the present value but has little impact on impairment.

Notes (continued)

1. Accounting policies (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is more likely than not that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost, or at deemed cost, less accumulated depreciation and impairment losses (see impairment policy below). Cost comprises the purchase price and directly attributable costs, for example, initial delivery and handling costs. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets are depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in payables net of the finance charge allocated to the future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment to write off the cost less estimated residual value. Assets in the course of construction are not depreciated. The estimated useful lives are as follows:

Leasehold improvements	Over the term of the lease
Plant and machinery, including computer equipment	2 – 10 years
Fixtures and fittings	4 – 10 years
Motor vehicles	4 years

A proportion of one year's depreciation is charged in the year the asset comes into service or is sold. Residual values and useful lives are reviewed and adjusted if appropriate at least at each balance sheet date.

Notes (continued)

1. Accounting policies (continued)

Intangible assets - research and development

In accordance with IAS 38, research costs are recognised as expenses when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use,
- management intends to complete the intangible asset and use or sell it,
- there is an ability to use or sell the intangible asset,
- it can be demonstrated how the intangible asset will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available, and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs for internally generated intangible assets are capitalised at cost, provided the products created as a result of the development are likely to bring the Company economic benefits. If the criteria for recognition as assets are not met, the expenses are recognised in the income statement in the year which they are incurred. The expenditure capitalised includes the cost of materials, direct labour and separately identifiable overheads. The costs are amortised using the straight line method over the expected useful life of the product developed – generally between 1 and 5 years. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets.

The estimated useful lives are as follows:

Internally generated intangible assets	1-5 years
--	-----------

Residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of assets in the unit on a pro rata basis.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently measured at amortised cost less provision for impairment

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payables

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method (if material), less provision for impairment.

Financial assets and liabilities

Financial assets and liabilities held for trading are held at fair value in the balance sheet with fluctuations in value taken to the income statement.

All other financial assets and liabilities are held at amortised cost and fluctuations in value are taken to the income statement.

Revenue

Revenue, which excludes value added tax and similar sales based taxes, represents sales to external customers of services and is recognised as follows:

- Prepaid card revenue is recognised as it is utilised by the customer.
- Incoming call revenue is recognised as utilised by the customer net of the telecom provider's costs.
- Revenues derived from providing services such as advertising are recognised over the period the service is provided.
- Deferred income is released to the income statement on a percentage complete basis according to contract length or performance criteria.

Notes (continued)

1 Accounting policies (continued)

Foreign currency transactions

Transactions in foreign currencies are translated 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 pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of a historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to pounds sterling at foreign exchange rates ruling at the dates the fair value was determined.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement over the life of the lease as an integral part of the total lease expense.

Pensions

The Company made contributions to a defined contribution pension scheme for one of the directors. For all other employees the Company operates an approved Stakeholder Pension Scheme to which the Company does not contribute.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested. In calculating the effective interest rate, finance costs associated with the issue of debt are deducted from the proceeds of the issue and charged to the income statement over the term of the debt on a level yield to maturity basis.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Exceptional items

Exceptional items comprise those that are by their nature large, unusual and non recurring items (see note 5 for more detail).

Notes (continued)

1 Accounting policies (continued)

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

New IFRS accounting standards and interpretations adopted

During the period ended 30 March 2012, the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) or amendments, and interpretations by the IFRS Interpretations Committee (IFRIC) were applicable to the Company for the first time. None of the pronouncements had a material impact on the results, assets or liabilities of the Company.

- IAS 24R Related party disclosures (effective 1 January 2011)
- Amendment to IFRIC 14 on prepayments of a minimum funding requirement (effective 1 January 2011)
- Amendment to IFRS 1 on comparative IFRS 7 disclosures (effective 1 July 2010)
- Annual improvements 2010 (effective 1 January 2011)

New IFRS accounting standards and interpretations not yet adopted

The standards and interpretations listed below were not effective for the period ended 30 March 2012. None of these standards and interpretations listed below are expected to have a material impact on the results, assets or liabilities of the Company.

- IFRS 9 on financial instruments (effective 1 January 2015)
- Amendment to IFRS 7 on disclosures for transfer of financial assets (effective 1 July 2011)
- Amendment to IAS 12 on deferred tax on recovery of underlying assets (effective 1 January 2013)
- IFRS 10 on consolidated financial statements (effective 1 January 2013)
- IFRS 11 on joint arrangements (effective 1 January 2013)
- IFRS 12 on disclosures of interests in other entities (effective 1 January 2013)
- IFRS 13 on fair value measurements (effective 1 January 2013)
- IAS 27 on separate financial statements (effective 1 January 2013)
- IAS 28 on investment in associates and joint ventures (effective 1 January 2013)
- Annual improvements 2011 (effective 1 January 2013)

Notes (continued)

2 Operating loss

	2012	2011
	£'000	£'000
This is stated after charging:		
Fees payable to the Company's auditor for the statutory audit	35	20
Depreciation and amortisation		
- Property, plant and equipment	3,577	4,033
- Development costs	322	222
Operating lease rentals		
- Hire of plant and machinery	20	38
- Other operating leases	486	382
	<u> </u>	<u> </u>

3 Directors' emoluments

	2012	2011
	£'000	£'000
Salary	438	619
Pension contributions	23	23
Compensation for loss of office	-	30
	<u> </u>	<u> </u>
	461	672
	<u> </u>	<u> </u>

The aggregate of emoluments of the highest paid director was £280k (2011 £411k) The number of directors receiving retirement benefits was 1 (2011 1)

4 Staff costs

	2012	2011
	£'000	£'000
Aggregate payroll costs		
Wages and salaries	11,209	13,566
Social security costs	882	1,000
Pension contributions	23	23
	<u> </u>	<u> </u>
	12,114	14,589
	<u> </u>	<u> </u>

Average number of persons employed by the Company (including directors) during the year	Number	Number
Customer facing staff	446	774
Support/administration staff	168	159
	<u> </u>	<u> </u>
	614	933
	<u> </u>	<u> </u>

Notes (continued)

5 Exceptional items

	2012 £'000	2011 £'000
Operating		
Redundancy costs	290	445
Refurbishment costs	52	-
Restructuring costs	-	250
	<u>342</u>	<u>695</u>
Financing		
Debt to Hospedia Group Limited waived	-	7,228
	<u>-</u>	<u>7,228</u>

Redundancy

A charge of £290k (2011 £445k) was recognised for a major structural reorganisation

Refurbishment costs

A charge of £52k was recognised in respect of the dilapidations on cessation of the tenancy for part of the area occupied by the call centre

6 Finance costs

	2012 £'000	2011 £'000
Bank charges	40	125
Bank interest received	(40)	-
Finance lease interest	276	45
	<u>276</u>	<u>170</u>
	<u>276</u>	<u>170</u>

Notes (continued)

7 Taxation

	2012 £'000	2011 £'000
Taxation expense for the financial year		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Tax reconciliation	2012 £'000	2011 £'000
(Loss)/ Profit before taxation	(437)	2,512
Tax calculated at 26% (2011 28%) rate standard UK corporation tax rate	(114)	703
(Income) / expenses not (taxable) / deductible for tax purposes	1	(1,952)
Accelerated capital allowances	930	1,129
Other timing differences	7	120
Utilisation of losses brought forward	(824)	-
	<u>-</u>	<u>-</u>
Total taxation expense	-	-

The Company has unrecognised deferred tax assets in respect of trading losses of approximately £2.3m (2011 £3.4m). In addition the Company has unrecognised deferred tax assets in respect of capital allowances of approximately £37.0m (2011 £40.5m). Forecasts indicate that with the utilisation of these losses and the utilisation of the capital allowances pool, the Company will not be paying tax for the medium term.

The current UK tax regime permits trading losses to be carried forward for utilisation against future profits of the same trade. No time limit is set for such utilisation.

From 1 April 2011, the UK Corporation tax rate reduced from 28% to 26%. In addition to this, a resolution passed by Parliament on 26 March 2012 further reduced the main rate of Corporation tax to 24% from 1 April 2012. A number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is expected to be included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 22% from 1 April 2014. As the company has no deferred tax assets or liabilities, the changes to tax rates announced in the 2012 budget do not impact the financial statements.

Notes (continued)

8 Property, plant and equipment

	Motor Vehicles £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 26 March 2010	131	-	142,553	408	143,092
Additions	-	439	4,616	90	5,145
Retirements	-	-	(4,662)	(17)	(4,679)
At 25 March 2011	131	439	142,507	481	143,558
Additions	229	-	9,034	7	9,270
At 30 March 2012	360	439	151,541	488	152,828
Depreciation					
At 26 March 2010	32	-	133,145	402	133,579
Provided for in the year	44	79	3,887	23	4,033
Retirements	-	-	(4,662)	(17)	(4,679)
At 25 March 2011	76	79	132,370	408	132,933
Provided for in the year	108	89	3,354	26	3,577
At 30 March 2012	184	168	135,724	434	136,510
Net book value					
At 30 March 2012	176	271	15,817	54	16,318
At 25 March 2011	55	360	10,137	73	10,625
At 26 March 2010	99	-	9,408	6	9,513

The net book value of the plant and machinery held under finance leases includes

	2012 £'000	2011 £'000
Bedside terminals and telecommunications equipment	7,750	376
Motor vehicles (commercial vans)	176	56
	7,926	432

Notes (continued)

9 Intangible assets

Intangible assets are comprised of internally generated capitalised development expenditure

	2012 £'000	2011 £'000
<i>Cost</i>		
Opening balance	6,920	6,685
Additions	705	235
	<u>7,625</u>	<u>6,920</u>
<i>Accumulated amortisation</i>		
Opening balance	6,469	6,247
Charged	322	222
	<u>6,791</u>	<u>6,469</u>
<i>Net book value</i>	<u>834</u>	<u>451</u>

These internally generated assets arising from the capitalisation of qualifying development expenditure have a finite expected useful life of 3 years from the date the asset came into use. Capitalised development expenditure is amortised on a straight line basis.

Notes (continued)

10 Inventories

	2012 £'000	2011 £'000
Finished goods	112	150

The value of finished goods charged to the income statement in the year was £288k (2011 £440k)

11 Trade and other receivables

	2012 £'000	2011 £'000
Current		
Trade receivables	503	737
Non-trade receivables	252	11
Prepayments and accrued income	1,193	1,098
	<u>1,948</u>	<u>1,846</u>

12 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	1,778	1,391

13 Trade and other payables - current

	2012 £'000	2011 £'000
Trade payables	2,007	2,100
Amounts owed to parent company	6,280	4,917
Non-trade payables	268	653
Accruals and deferred income	2,147	3,019
	<u>10,702</u>	<u>10,689</u>

Amounts owed to parent company are non interest bearing, non secured and payable on demand

Notes (continued)

14 Financial instruments

Liquidity risk

Cash flow forecasting is regularly performed to monitor the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom

Credit Risk

Credit risk is assessed as low for the Company given its revenue flows are generated from cash sales from multiple customers and a fully licensed telecoms operator. Due to the nature of the Company's activities a significant proportion of services provided are paid for in advance, and payments for incoming calls are settled to an agreed terms by the service provider. At 30 March 2012 the level of receivables classified as past due was insignificant

Fair values

The fair value of financial assets and liabilities at 30 March 2012 approximated to their book value

Interest rate risk

At 30 March 2012 the Group's indebtedness consisted of finance leases which are subject to fixed interest rates

Foreign currency risk

The Company's functional and presentational currencies are GBP (pound sterling). The Company is exposed to foreign exchange risk because some of its purchases are denominated in currencies other than GBP. It is therefore exposed to the risk that movements in exchange rates will affect both its net income and financial position, as expressed in GBP

Hospedia's foreign currency exposure arises from

- Highly probable forecast purchase transactions denominated in foreign currencies
- Firm commitments denominated in foreign currencies, and
- Monetary items (mainly trade payables and bank account) denominated in foreign currencies

Hospedia Limited is exposed to GBP/USD risk

Of the total cash outflows, 22% was denominated in USD, nearly all of which related to capital equipment and the Directors do not currently intend to hedge this exposure

Notes (continued)

15 Provisions for other liabilities and charges

	Total £'000
At 25 March 2011	235
At 30 March 2012	<u>235</u>

The provision relates to dilapidations on the head office premises that were capitalised at the start of the lease in June 2010. The provision is due for settlement in June 2015.

16 Finance lease liabilities

	2012 £'000	2011 £'000
Gross leased liabilities		
Within one year	2,610	163
Between two and five years	5,978	362
Future interest	(1,232)	(120)
	<u>7,356</u>	<u>405</u>
Present value of finance lease liabilities		
Within one year	2,030	118
Between two and five years	5,326	287
	<u>7,356</u>	<u>405</u>

A comprehensive all monies debenture has been provided to the finance lessor which includes fixed and floating charges over substantially all of the assets and revenues of the Company.

Notes (continued)

17 Called up share capital

	2012 £'000	2011 £'000
<i>Authorised</i>		
2,400,000 ordinary £1 shares	2,400	2,400
<i>Allotted and fully paid</i>		
2,400,000 ordinary £1 shares	2,400	2,400

18 Capital commitments

At the year end commitments for property, plant and equipment expenditure for which no provision has been made in the financial statements amount to £Nil (2011 £0.5m)

19 Operating leases

The future aggregate minimum lease payments under non-cancellable operating lease rentals are payable as follows

	2012 £'000	2011 £'000
Less than one year	339	399
Between one and five years	508	825
	847	1,224

Lease commitments disclosed above reflect actual amounts payable under operating lease agreements

Notes (continued)

20 Related party transactions

The Company charged to its income statement £28k (2011 £14k) in respect of the management services and expenses provided by its ultimate parent company. The amount of £6,280k (2011 £4,917k) was owed to Hospedia Holdings Limited the Company's immediate parent at the year end.

During the year key management personnel (including executive directors), received the following compensation

	2012 £'000	2011 £'000
Short-term employee benefits	1,107	1,289
Post-employment benefits	22	22
Termination benefits	30	30
	<u>1,159</u>	<u>1,341</u>

The Company purchased services from an entity, which was for part of the year, related to two members of key management personnel (who each held 1/3rd of that company's share capital), on commercial arms length terms. In December 2010 they disposed of these shareholdings and the entity is deemed to be related until December 2011. Purchases from the related entity in the period to 31 December 2011 were as follows

	2012 £'000	2011 £'000
Repair of arms and terminals	104	340
In housing of repairs and set up of warehouse	40	-
Installation of terminals	335	247
Rental of short leasehold property	94	92
Provision and distribution of marketing materials	72	99
	<u>645</u>	<u>778</u>

21 Ultimate parent company

The Directors consider Hospedia Holdings Limited to be the intermediate parent company with Marlin Hospedia Holdings LLC being the ultimate parent company (domiciled in USA).

Hospedia Holdings Limited's and Hospedia Limited's head office is at Landmark Place, Slough, Berkshire, SL1 2EJ.