Acentic Limited

Annual report and financial statements

Registered number 1376766

Year ended 31 December 2014

Contents

Strategic report

Principal activities

The principal activity of the Company is the provision of in-room entertainment, high-speed Internet access and interactive guest communication systems and related products for the hospitality sector.

Business review

Turnover in the year increased to £16,883k *(2013: £16,514k)*. Retail sales of £3,605k *(2013: £2,548k)* were up by 41%. The Company's digital entertainment platforms were installed in 1,460 new rooms *(2013: 687)*.

The Company suffered a bad debt write off in the year of £1k *(2013: £5k)*.

The business continues to focus on certain key performance indicators, namely Earnings Before Interest (EBIT) and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

Risks to the business remain around hotel occupancy levels, guest usage patterns of pay services in the room (underwritten to a greater extent by the levels of contracted rental income) and the downward pressure on retail selling price for LCD screens. In terms of the risk from loss of key personnel, the Directors and Officers of the Company retain key customer and supplier relationships to reduce the potential impact of any employee. Liquidity remains a key risk and as a result management undertakes detailed cash flow forecasting to ensure continued liquidity. Payment terms for rental contracts tend to be annual and six monthly in advance, which provides hedging against customer debt and the Company uses the cash deposits (see below) and on-going operating cash flow to finance its operational needs. Surplus cash is utilised within the Group.

Financial instruments

The Company had cash of £558k *(2013: £1,457k)* at the balance sheet date.

The bulk of the Company's transactions are denominated in Sterling, although there are some Euro and US Dollar transactions mainly with the parent company.

For all trade creditors it is the policy of the Company to make payments within agreed terms.

Employees

The maintenance of a highly skilled and stable workforce is key to the future of the company. Employees are actively encouraged to identify with the Company and to seek continued operating efficiencies.

The Company gives full and fair consideration to employment applications received from disabled persons and to ensure that wherever possible continued employment is offered to employees who become temporarily or permanently disabled.

Environmental matters

Acentic recognises the importance of its environmental responsibilities. The Company aims to reduce any damage that might be caused by the Company's activities.

Richard Robinson
Company Secretary

The Limes, Office 1
12 Dunstable Street
Ampthill
Bedfordshire
MK45 2GJ

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31st December 2014.

Dividends

The Directors do not recommend the payment of a dividend *(2013: nil)*.

Directors

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

R Robinson
C West
E Recto
R Creager (retired 5 February 2014)
M Yulo

None of the Directors who held office as at the end of the financial year had any disclosable interest in the shares of the Company.

Political and charitable contributions

The Company made no political contributions during the year *(2013: nil)*. Donations to UK charities amounted to £3,146 *(2013: £3,193)*.

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 he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Richard Robinson
Company Secretary

The Limes, Office 1
12 Dunstable Street
Ampthill
Bedfordshire
MK45 2GJ

Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Acentic Limited

We have audited the financial statements of Acentic Limited for the year ended 31 December 2014 set out on pages 6 to 20. 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 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 31 December 2014 and of its 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 Acentic 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, 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.

B. J. Stapleton 8 May 2015

Benjamin Stapleton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

Profit and loss account
for the period ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	*1,2*	**16,883**	16,514
Cost of sales		**(9,890)**	(9,314)
Gross profit		**6,993**	7,200
Operating Costs		**(7,973)**	(8,991)
Operating loss		**(980)**	(1,791)
EBITDA		**1,916**	2,052
Depreciation		**(2,965)**	(3,609)
Impairment reversal/(losses)		**69**	(234)
Interest receivable	*6*	**191**	149
Interest payable	*7*	**(38)**	(43)
Loss on ordinary activities before taxation		**(827)**	(1,685)
Taxation on loss on ordinary activities	*8*	**137**	233
Loss for the financial year	*16,17*	**(690)**	(1,452)

A reconciliation of movements in shareholders' funds is given in note 17.

The notes on pages 8 to 20 form part of these financial statements.

There are no recognised gains and losses except for those shown above. Accordingly, no statement of total recognised gains and losses has been prepared.

A note of historical cost profit and losses has not been included as part of the financial statements since the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

Balance sheet
As at 31 December 2014

	Note	2014	2014	2013	2013
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	9		**5,922**		8,343
Investments	10		**3,415**		3,415
			9,337		11,758
Current assets					
Stocks	11	**1,246**		1,158	
Debtors	12	**9,156**		7,297	
Cash at bank and in hand		**558**		1,457	
		10,960		9,912	
Creditors: amounts falling due within one year	13	**(5,079)**		(5,807)	
Net current assets			**5,881**		4,105
Total assets less current liabilities			**15,218**		15,863
Creditors: amounts falling due after more than one year	14		**(197)**		(152)
Net assets			**15,021**		15,711
Capital and reserves					
Called up share capital	15		**16,008**		16,008
Share premium account	16		**253**		253
Profit and loss account	16		**(1,240)**		(550)
Shareholders' funds	17		**15,021**		15,711

The notes on pages 8 to 20 form part of these financial statements.

These financial statements were approved by the board of Directors on 7 May 2015 and were signed on its behalf by:

Colin West

Colin West
Director

Registered company number 1376766

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements except as noted below.

Basis of preparation

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

As the Company is a wholly owned subsidiary of Acentic GmbH, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Acentic GmbH, within which this Company is included, can be obtained from the address given in note 20.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 1.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

The Company's Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off assets over their estimated useful lives.

Equipment and service-centre improvements	-	On a straight line basis over 3 to 7 years
Motor vehicles	-	On a straight line basis over 3 years

Rental assets are stated at purchase price, less depreciation. Depreciation on Rental assets is provided from the date of commissioning to the end of the contract which is normally 5 to 7 years.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment of fixed assets and goodwill

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value-in-use.

Stocks

Stocks are stated at the lower of cost and net realisable value. Work in progress balances represent the cost of equipment and associated installation costs of rental assets until such time that the installation is complete. Once complete the assets are either transferred to tangible fixed assets at cost for rental contracts or retailed.

Taxation

The charge for taxation is based on the result for the period 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 without discounting 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.

Turnover

Turnover represents rental, content and retail income.

Rental and content income is recognised as revenue over the period of the contract. Where content is paid for on a usage basis, revenue is recognised on usage.

Retail revenue on televisions is recognised once installation has occurred and the risks and rewards of ownership have been transferred.

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rental payments are charged directly to the profit and loss account on an accruals basis.

2 Turnover

A geographic analysis of turnover, by location of customer, is as follows:

	2014	2013
	£000	£000
Turnover		
United Kingdom	**16,517**	15,647
Ireland	**186**	92
Germany	**14**	166
Other EC member states	**92**	280
Rest of the world	**74**	329
	16,883	16,514

Notes *(continued)*

3 Profit on ordinary activities before taxation

	2014 £000	2013 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration:		
Audit of these financial statements	**25**	25
Other services	**8**	3
Net exchange losses	**4**	53
Operating lease costs:		
Land and buildings	**44**	30
Other assets	**22**	21
Depreciation and other amounts written off tangible fixed assets:		
Depreciation – owned	**2,835**	3,556
Depreciation - leased	**130**	53
Impairment (reversal)/losses - owned	**(69)**	234

4 Remuneration of Directors

	2014 £000	2013 £000
Directors' emoluments	**325**	351
Pension contributions	**34**	36
	359	387

The aggregate of emoluments of the highest paid Director was £189,862 *(2013: £214,056)*, and Company pension contributions of £24,000 *(2013: £24,000)* were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to 2 Directors *(2013: 2)* under money purchase schemes.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year:

	Number of employees	
	2014	2013
Sales and admin	**51**	55
Total	**51**	55

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	**2,154**	2,210
Social security costs	**344**	249
Other pension costs	**123**	125
Other staff costs	**73**	195
Restructuring	**106**	24
	2,800	2,803

At 31 December 2014 there were nil *(2013: £15,083)* of unpaid pension contributions.

Notes *(continued)*

6 Interest receivable

	2014 £000	2013 £000
On amounts owed by group companies	**191**	149
	191	149

7 Interest payable

	2014 £000	2013 £000
Finance charges payable in respect of finance leases	**20**	15
On amounts owed to group companies	**18**	28
	38	43

Notes *(continued)*

8 Taxation

Analysis of charge in year

	2014 £000	2013 £000
UK Corporation tax on income for the year		
- tax losses set against prior year profits	-	(100)
- adjustment in respect of previous periods	(11)	72
	(11)	(28)
Deferred tax (see note 12)		
- origination/reversal of timing differences	(159)	(290)
- adjustment in respect of previous periods	3	35
- change in tax rate	30	50
	(126)	(205)
Tax credit on loss on ordinary activities	(137)	(233)

Factors affecting the tax charge for the current year

The current tax credit for the year is lower *(2013: lower)* than the standard rate of corporation tax in the UK: 21.50% *(2013: 23.25%)*. The differences are explained below.

	2014 £000	2013 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(827)	(1,685)
Current tax credit at 21.50% (2013: 23.25%)	(178)	(392)
Effects of:		
Expenses not deductible for tax purposes	16	6
Depreciation for year in excess of capital allowances	159	291
Tax losses utilised	3	(5)
Adjustments to tax charge in respect of previous periods	(11)	72
Total current tax credit (see above)	(11)	(28)

A reduction in the UK corporation tax rate from 21% to 20% effective from 1 April 2015 was substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

9 Tangible fixed assets

	Vehicles, computer software, equipment and fittings £000	Rentals assets £000	Total £000
Cost or valuation			
At beginning of year	1,383	24,612	25,995
Additions	40	438	478
Disposals	(10)	(549)	(559)
At end of year	1,413	24,501	25,914
Depreciation			
At beginning of year	1,024	16,628	17,652
Charge for year	109	2,856	2,965
Impairment reversal	-	(69)	(69)
On disposals	(10)	(546)	(556)
At end of year	1,123	18,869	19,992
Net book value			
At 31 December 2014	**290**	**5,632**	**5,922**
At 31 December 2013	359	7,984	8,343

The impairment provision has been created following an impairment review performed by the Directors, and has been determined from value in use calculations using cash flow projections based on ongoing contracts. The cash flows have been projected over the remaining lives of the contracts.

Included in the total net book value of Rental assets is £411,613 *(2013* £190,823) in respect of assets held under finance leases.

Notes *(continued)*

10 Fixed asset investments

	Shares in group undertakings £000
Cost or valuation	
At beginning of year	3,415
Additions	-
At end of year	3,415
Provisions	
At beginning of year	-
Provided in year	-
At end of year	-
Net book value	
At 31 December 2014	**3,415**
At 31 December 2013	3,415

The principal undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class of shares held	Percentage of shares held
Subsidiary undertakings				
RIEO Communications Limited	United Kingdom	Research, development and installation of data communications and connectivity for the hospitality industry	Ordinary	100%
Acentic Asia Limited	Hong Kong	Dormant	Ordinary	100%
Acentic Inc	United Stated of America	The provision of in-room entertainment, high-speed Internet access and interactive guest communication systems and related products for the hospitality sector	Ordinary	100%
Acentic Inc	Philippines	The provision of in-room entertainment, high-speed Internet access and interactive guest communication systems and related products for the hospitality sector	Ordinary	100%

Notes *(continued)*

11 Stocks

	2014 £000	2013 £000
Work in progress	**145**	88
Stocks for resale	**1,101**	1,070
	1,246	1,158

12 Debtors

	2014 £000	2013 £000
Trade debtors	**1,396**	1,209
Amounts owed by group undertakings	**6,653**	5,100
Other debtors	**87**	10
Deferred tax asset	**591**	464
Prepayments and accrued income	**429**	514
	9,156	7,297

The elements of deferred tax are as follows:

	2014 £000	2013 £000
Depreciation in excess of capital allowances	**551**	461
Other timing differences	**3**	3
Losses carried forward	**37**	-
	591	464

13 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**1,171**	1,482
Social security	**94**	100
Other creditors	**314**	457
Accruals	**303**	223
Corporation tax	**-**	14
Obligations under finance leases and hire purchase contracts	**194**	113
Deferred income	**1,874**	2,401
Amounts owed to group undertakings	**1,129**	1,017
	5,079	5,807

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Obligations under finance leases and hire purchase contracts	**197**	152
	197	152

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

	2014 £000	2013 £000
Within one year	**217**	123
In the second to fifth years	**211**	158
Over five years	**-**	-
	428	281
Less future finance charges	**(37)**	(16)
	391	265

15 Called up share capital

	2014 £000	2013 £000
Authorised		
33,350,000 *(31 December 2013: 33,350,000)* ordinary shares of £0.48 each	**16,008**	16,008
Allotted, called up and fully paid		
33,350,000 *(31 December 2013: 33,350,000)* ordinary shares of £0.48 each	**16,008**	16,008

16 Share premium and reserves

	Share Premium £000	Profit and loss Account £000	Total £000
At beginning of year	253	(550)	(297)
Loss for the financial year	-	(690)	(690)
At end of year	**253**	**(1,240)**	**(987)**

Notes *(continued)*

17 Reconciliation of movements in equity shareholders' funds

	2014 £000	2013 £000
Loss for the year	**(690)**	(1,452)
Net decrease in shareholders' funds	**(690)**	(1,452)
Opening shareholders' funds	**15,711**	17,163
Closing shareholders' funds	**15,021**	15,711

18 Capital commitments

The aggregate amount of capital expenditure not dealt with in these financial statements for contracts authorised but not placed is nil *(2013: £nil)*.

There were annual commitments under non-cancellable operating leases at 31 December 2014 as follows:

	2014 £000	2013 £000
Land and buildings		
Expiring within one year	**-**	-
Expiring in the second to fifth year	**-**	-
Expiring in over five years	**44**	44
	44	44
Other operating leases		
Within one year	**45**	3
Expiring in the second to fifth year	**32**	72
	77	75

Notes *(continued)*

19 Pension scheme

Defined contribution scheme

The Company operates a defined contribution pension scheme and also participates in a Group contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £123,000 (*2013:* £125,000*)*.

20 Ultimate parent company and controlling party

The Company is a subsidiary undertaking of Acentic GmbH which is the ultimate parent Company and controlling Company incorporated in Germany.

The largest and smallest group in which the results of the Company are consolidated is that headed by Acentic GmbH. Copies of the financial statements of Acentic GmbH are available to the public and may be obtained from Acentic GmbH, Venloer Straβe 151-153, D-50672, Cologne, Germany.

Since 14 December 2012 the ultimate controlling party of Acentic GmbH has been Host Union International Ltd incorporated in Hong Kong.