

**KVH Media Group Communication Limited**  
**(formerly Headland Communication Limited)**

**Directors' report and financial  
statements**

Registered number 01905935

Year ended 31 December 2013

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## **Company information**

Company number: 01905935

### **Directors**

PA Rendall  
M Woodhead

### **Secretary**

F Feingold (appointed 11 May 2013)  
A Galvin (resigned 11 May 2013)

### **Registered office**

Suite 1, 4<sup>th</sup> Floor  
1 Derby Square  
Liverpool  
L2 9XX

### **Auditor**

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

### Principal activities, review of business and future developments

The principal activity of the company continued to be that of the maintenance and development of an international news and electronic mail service.

On 11 May 2013 the Company's parent undertaking, KVH Media Group Limited (formerly Headland Media Limited) was acquired by KVH Industries UK Limited, a wholly-owned subsidiary of KVH Industries Inc.

The directors plan to continue with the management policies that have led to the satisfactory result achieved in the period.

### Change of name

The company changed its name to KVH Media Group Communication Limited on 31 January 2014.

### Results and dividends

The operating profit for the year was £836,000 (2012: £934,000). The company recorded a profit for the financial year of £704,000 (2012: £776,000). The directors have declared an interim dividend in respect of the current year of £2m (2012: £nil).

### Directors

The directors who served during the year and to the date of this report were as follows:

PA Rendall	(appointed 11 May 2013)
M Woodhead	
D Till	(resigned 11 May 2013)
A Galvin	(resigned 11 May 2013)

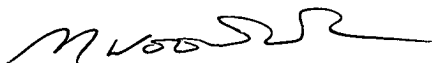
### Disclosure of information to auditor

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.

### Auditor

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



**M Woodhead**  
Director

Suite 1, 4<sup>th</sup> Floor  
1 Derby Square  
Liverpool  
L2 9XX

17 September 2014

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 parent 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.



**KPMG LLP**

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

**Independent auditor's report to the members of KVH Media Group Communication Limited (formerly Headland Communication Limited)**

We have audited the financial statements of KVH Media Group Communication Limited (formerly Headland Communication Limited) for the year ended 31 December 2013 set out on pages 6 to 16. 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 website at [www.frc.org.uk/auditscopeukprivate](http://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 2013 and of its profit 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.

**Independent auditor's report to the members of KVH Media Group  
Communication Limited (formerly Headland Communication Limited)**  
*(continued)*

**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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

*Malcolm C Harding*

**Malcolm Harding (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

17 September 2014

**Profit and loss account**  
*for the year ended 31 December 2013*

	<i>Note</i>	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>3,185</b>	<b>3,108</b>
Cost of sales		(387)	(320)
<b>Gross profit</b>		<b>2,798</b>	<b>2,788</b>
Administrative expenses		(1,922)	(1,854)
<b>Operating profit</b>		<b>876</b>	<b>934</b>
Interest receivable		-	1
Interest payable – in relation to group borrowings		(40)	-
<b>Profit on ordinary activities before taxation</b>	<b>3-4</b>	<b>836</b>	<b>935</b>
Tax on profit on ordinary activities	<b>5</b>	(132)	(159)
<b>Profit for the financial year</b>	<b>12</b>	<b>704</b>	<b>776</b>

The company had no recognised gains and losses other than those stated in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before and after taxation stated above and their historical cost equivalents.

All of the trading during the current and prior year related to continuing operations.

The notes on pages 9 to 16 form part of these financial statements.

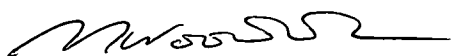


**Balance sheet**  
*at 31 December 2013*

	<i>Note</i>	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Fixed assets</b>			
Intangible assets	6	70	66
Tangible assets	7	71	18
Investments	8	-	-
		<hr/>	<hr/>
		<b>141</b>	<b>84</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	9	6,544	4,486
Cash		353	424
		<hr/>	<hr/>
		<b>6,897</b>	<b>4,910</b>
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	10	<b>(4,629)</b>	<b>(1,289)</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>2,268</b>	<b>3,621</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>2,409</b>	<b>3,705</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	11	6	6
Share premium account	12	87	87
Profit and loss account	12	2,316	3,612
		<hr/>	<hr/>
<b>Shareholders' funds</b>		<b>2,409</b>	<b>3,705</b>
		<hr/>	<hr/>

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved by the board of directors on 17 September 2014 and were signed on its behalf by:



**M Woodhead**  
 Director

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2013*

	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
<b>Profit for the financial year</b>	<b>704</b>	<b>776</b>
Dividends on shares classified in shareholders' funds – interim dividend in respect of the current year	(2,000)	-
<b>Net (reduction in)/addition to shareholders' funds</b>	<b>(1,296)</b>	<b>776</b>
Opening shareholders' funds	3,705	2,929
Closing shareholders' funds	<u>2,409</u>	<u>3,705</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 company's financial statements.

#### *Basis of preparation*

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

#### *Going concern*

The company's business activities, together with any significant factors likely to affect its future development and position, are set out in the Directors' Report. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in centralised treasury arrangements with KVH Media Group Limited and so shares banking arrangements with its immediate parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the company's immediate parent, KVH Media Group Limited, and its ultimate beneficial owner, KVH Industries Inc, to their enquiries, believe that at both levels those companies have the ability to continue as a going concern and have the ability to continue with their current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made by the directors of KVH Media Group Limited and KVH Industries Inc, the company's directors have a reasonable expectation that the company will be able 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.

#### *Cash flow statement*

In accordance with Financial Reporting Standard Number 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### *Consolidated financial statements*

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent, KVH Industries Inc. These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### *Turnover*

Turnover represents the invoiced value of services supplied to customers.

#### *Intangible assets*

Software development costs are capitalised where they relate to separately identifiable projects of ongoing commercial value to the company and are amortised over their useful economic life of 3 to 5 years.

#### *Fixed asset investments*

Fixed asset investments are included at cost less any required provision for impairment.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets*

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Plant and equipment	-	20-33%
Fixtures and fittings	-	10%

#### *Operating leases*

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### *Taxation*

The charge for taxation is based on the profit/loss 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, 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.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the 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 using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Pension costs*

Headland Media Limited, the immediate parent undertaking, operates a defined contribution pension scheme in which the employees of Headland Communication Limited participate. The pension cost under this scheme is the amount of contributions payable in respect of the accounting period. Headland Communication Limited provides no other post retirement benefits to its employees.

### 2 Segmental analysis

The company operates in one area of activity, the provision of an international news and electronic mail service. Turnover is analysed below by destination:

	2013 £000	2012 £000
United Kingdom	732	700
Europe (excluding United Kingdom)	1,106	1,209
North America	548	500
Rest of World	799	699
	<hr/>	<hr/>
	3,185	3,108
	<hr/>	<hr/>

## Notes (continued)

### 3 Notes to the profit and loss account

	2013 £000	2012 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Hire of other assets – operating leases	49	40
Auditor's remuneration – audit of the financial statements of the company	6	6
Auditor's remuneration – taxation compliance services	3	-
Depreciation of tangible fixed assets - owned	21	21
Amortisation of intangible assets	49	52
Foreign exchange losses	4	1
	<u>          </u>	<u>          </u>

### 4 Directors and employees

The average monthly number of employees, including directors, during the year was made up as follows:

	2013 No	2012 No
Management and administration	41	39
	<u>          </u>	<u>          </u>

	2013 £000	2012 £000
<i>The aggregate payroll costs of these persons were as follows:</i>		
Wages and salaries	1,161	1,081
Social security costs	112	104
Other pension costs (see below)	35	36
	<u>          </u>	<u>          </u>
	1,308	1,221
	<u>          </u>	<u>          </u>

The parent company, KVH Media Group Limited (formerly Headland Media Limited), operates a defined contribution pension scheme in which the employees of the company participate. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £35,000 (2012: £36,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

#### Remuneration of directors

	2013 £000	2012 £000
Directors' emoluments	113	113
	<u>          </u>	<u>          </u>

The directors of the Company are also directors of the parent company, KVH Media Group Limited (formerly Headland Media Limited), and of fellow subsidiary undertakings. Directors' emoluments are paid by the parent company and the amount disclosed above reflects amounts attributable to services provided to the Company.

## Notes (continued)

### 5 Taxation

<i>Analysis of charge in period</i>	2013 £000	2012 £000
<i>UK Corporation tax</i>		
Current tax on income for the year	121	188
Adjustments in respect of prior periods	-	(26)
<b>Total current tax</b>	<b>121</b>	<b>162</b>
<i>Deferred tax (see note 9)</i>		
Origination and reversal of timing differences	8	(3)
Adjustments in respect of prior periods	2	-
Effect of tax rate change on opening balance	1	-
<b>Total deferred tax</b>	<b>11</b>	<b>(3)</b>
<b>Tax on profit on ordinary activities</b>	<b>132</b>	<b>159</b>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2012: lower) than the standard rate of corporation tax in the UK (23.25%, 2012: 24.5%). The differences are explained below:

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	836	935
<b>Current tax at 23.25 % (2012: 24.5%)</b>	<b>194</b>	<b>229</b>
<i>Effects of:</i>		
Capital allowances in excess of depreciation	(9)	-
Fixed asset timing differences	1	4
Group relief claimed before payment	(65)	(45)
Adjustment in respect of prior periods	-	(26)
<b>Total current tax charge (see above)</b>	<b>121</b>	<b>162</b>

## Notes (continued)

### 5 Taxation (continued)

At 31 December 2013 there were fixed asset timing differences of approximately £17,000 (2012: £57,000). A deferred tax asset of £4,000 (2012: £15,000) has been recognised in relation to these using a tax rate of 20% (2012: 23%)

	2013 £000	2012 £000
At beginning of year	15	18
(Charge)/credit to the profit and loss account	(11)	3
At end of year	4	15

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012, and further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

### 6 Intangible fixed assets

	Development costs £000
<b>Cost</b>	
At beginning of year	364
Additions	53
At end of year	417
<b>Depreciation</b>	
At beginning of year	298
Charge for year	49
At end of year	347
<b>Net book value at 31 December 2013</b>	<b>70</b>
Net book value at 31 December 2012	66

## Notes (continued)

### 7 Tangible fixed assets

	Fixtures and fittings £000	Plant and equipment £000	Total £000
<i>Cost</i>			
At beginning of year	67	211	278
Additions	44	30	74
	<hr/>	<hr/>	<hr/>
At end of year	111	241	352
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	63	197	260
Charge for period	6	15	21
	<hr/>	<hr/>	<hr/>
At end of year	69	212	281
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 December 2013</b>	<b>42</b>	<b>29</b>	<b>71</b>
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2012	4	14	18
	<hr/>	<hr/>	<hr/>

### 8 Fixed assets investments

	Shares in group undertakings £000
<i>Cost</i>	
At beginning and end of year	445
	<hr/>
<i>Impairment</i>	
At beginning and end of year	445
	<hr/>
<i>Net book value</i>	
At 31 December 2013 and 31 December 2012	-
	<hr/>

The above cost relates to the company's holding in the entire ordinary share capital of Headland Communication Inc. a company registered in the United States of America. The company's voting rights in respect of the subsidiary are held in the same proportion as the company's share of the ordinary share capital of the subsidiary. The purpose of this subsidiary is the maintenance and development of an international news and electronic mail service.



## Notes (continued)

### 9 Debtors

	2013 £000	2012 £000
Trade debtors	389	16
Amounts owed by parent undertaking	5,775	4,062
Amounts owed by group undertakings	322	332
Prepayments and accrued income	54	61
Deferred tax asset (see below)	4	15
	<u>6,544</u>	<u>4,486</u>

#### Deferred tax asset

The elements of deferred taxation at 20% (2012: 23%) are as follows:

	2013 £000	2012 £000
Difference between accumulated depreciation and amortisation and capital allowances	4	15
Deferred tax asset	<u>4</u>	<u>15</u>

The \$1k movement in deferred tax has been charged to the profit and loss account (see note 5). There were no unrecognised amounts in respect of deferred tax timing differences at the year end (2012: £Nil).

### 10 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	178	69
Amounts owed to group undertakings	3,807	607
Accrued expenses and deferred income	586	511
Corporation tax	58	102
	<u>4,629</u>	<u>1,289</u>

### 11 Share capital

	2013 £000	2012 £000
<i>Authorised</i>		
100,000 ordinary shares of £1 each (2012: 100,000)	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
5,711 ordinary shares of £1 each (2012: 5,711)	<u>6</u>	<u>6</u>

## Notes (continued)

### 12 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	87	3,612
Profit for the financial year	-	794
Dividends on shares classified in shareholders' funds	-	(2,000)
<b>At end of year</b>	<b>87</b>	<b>2,316</b>

### 13 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2013 Land and Buildings £000	2012 Land and buildings £000
Expiring:		
Less than one year	-	40
More than 5 years	46	-

### 14 Related party transactions

As the company is a wholly owned subsidiary of KVH Media Group Limited (formerly Headland Media Limited), which in turn is wholly owned subsidiary of KVH Industries UK Limited, which is turn is a wholly owned subsidiary of KVH Industries Inc., the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the KVH Industries Inc. group.

### 15 Financial instruments

The Company hedges currency risk using forward currency contracts used for currency exposures on a portion of next year's expected sales and purchases.

At 31 December 2013, the Company held forward currency contracts to sell €480,000 and \$1,800,000 at average contract rates of €1.164/£ and \$1.57/£ respectively, covering a period through to December 2014.

### 16 Guarantees

Until the date of the acquisition on 11 May 2013, the company had entered into a cross guarantee with fellow group companies in favour of its bankers for its parent company's bank loans. At 31 December 2013, these borrowings amounted to £nil (2012: £2,442k).

### 17 Ultimate parent undertaking

Until the acquisition on 11 May 2013, the Company's ultimate parent undertaking was Oakley Capital Private Equity LP, a limited liability partnership registered in Bermuda.

Post acquisition, the Company is a subsidiary undertaking of KVH Industries Inc., which is the ultimate parent company incorporated in the USA.

The largest group in which the results of the company are consolidated is that headed by KVH Industries Inc. The consolidated accounts of KVH Industries Inc are available to the public and can be obtained from KVH Industries Inc., 50 Enterprise Center, Middletown, Rhode Island, USA or alternatively from the web-site at [www.kvh.com/investors](http://www.kvh.com/investors).