Registered number: 01905935

KVH MEDIA GROUP COMMUNICATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

KVH MEDIA GROUP COMMUNICATION LIMITED

COMPANY INFORMATION

Director	M Woodhead
Company secretary	F Feingold
Registered number	01905935
Registered office	Suite 1, 4th Floor 1 Derby Square Liverpool L2 9XX
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Whitehall Riverside Whitehall Road Leeds West Yorkshire LS1 4BN

KVH MEDIA GROUP COMMUNICATION LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The director presents his strategic report and financial statement for the year ended 31 December 2017.

Business review

The results for the year show gross profit of £3,276k *(2016: £3,194k)* and a pre-tax profit of £727k *(2016: £213k)*. The directors are satisfied with the results for the year in view of what is a continuingly challenging global economy.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to foreign currency exchange rate fluctuation and competition. It is exposed to the usual credit risk due to selling on credit and manages this through appropriate credit control procedures.

Financial key performance indicators

The key performance indicators which the business uses to ensure an understanding of the developments, performance or position of the business are sales growth (2017: 15%, *2016: 9%*) and net profit margin percentage (2017: 14%, *2016: 5%*).

This report was approved by the board on 28 June 2018 and signed on its behalf.

M Woodhead
Director

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The director presents his report and the financial statements for the year ended 31 December 2017.

Principal activity

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

Results

The profit for the year, after taxation, amounted to £569,000 *(2016: £181,000)*.

Director

The director who served during the year and since was:

M Woodhead

Director's Responsibilities Statement

The director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

The director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Future developments

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

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Disclosure of information to auditor

The director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 June 2018 and signed on its behalf.

M Woodhead
Director

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KVH MEDIA GROUP COMMUNICATION LIMITED

Opinion

We have audited the financial statements of KVH Media Group Communication Limited for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

GrantThornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KVH MEDIA GROUP COMMUNICATION LIMITED (CONTINUED)

Other information

The director is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Director's report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Director's report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KVH MEDIA GROUP COMMUNICATION LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Director's responsibilities statement on page 2, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Grant Thornton UK LLP

Mark Overfield BSc FCA (Senior statutory auditor)
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date: 28 June 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	*2016* *£000*
Turnover	4	**3,588**	*3,574*
Cost of sales		**(312)**	*(380)*
Gross profit		**3,276**	*3,194*
Administrative expenses		**(2,448)**	*(2,861)*
Operating profit	5	**828**	*333*
Interest receivable and similar income	10	**1**	*-*
Interest payable and expenses	11	**(102)**	*(120)*
Profit before tax		**727**	*213*
Tax on profit	12	**(158)**	*(32)*
Profit for the year		**569**	*181*

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income.

The notes on pages 10 to 27 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note		2017 £000		*2016 £000*
Fixed assets					
Intangible assets	13		**83**		*91*
Tangible assets	14		**34**		*44*
Investments	15		**1**		*1*
			118		*136*
Current assets					
Stocks	16	**6**		*-*	
Debtors: amounts falling due within one year	17	**7,576**		*5,927*	
Cash at bank and in hand	18	**2,403**		*3,836*	
		9,985		*9,763*	
Creditors: amounts falling due within one year	19	**(6,319)**		*(6,684)*	
Net current assets			**3,666**		*3,079*
Total assets less current liabilities			**3,784**		*3,215*
Net assets			**3,784**		*3,215*
Capital and reserves					
Called up share capital	21		**6**		*6*
Share premium account	22		**87**		*87*
Profit and loss account	22		**3,691**		*3,122*
			3,784		*3,215*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
28 June 2018

M Woodhead
Director

The notes on pages 10 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	6	87	3,122	3,215
Comprehensive income for the year				
Profit for the year	-	-	569	569
Total comprehensive income for the year	-	-	569	569
Capital contribution (note 9)	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2017	6	87	3,691	3,784

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	6	87	2,929	3,022
Comprehensive income for the year				
Profit for the year	-	-	181	181
Total comprehensive income for the year	-	-	181	181
Capital contribution (note 9)	-	-	12	12
Total transactions with owners	-	-	12	12
At 31 December 2016	6	87	3,122	3,215

The notes on pages 10 to 27 form part of these financial statements.

1. General information

KVH Media group Communication Limited is a private Company limited by shares and incorporated in England and Wales. Registered number 01905935.

The registered office of the Company is Suite 1, 4th Floor, 1 Derby Square, Liverpool, L2 9XX.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Consolidated financial statements

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary, 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.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of KVH Industries Inc as at 31/12/2017 and these financial statements may be obtained from 50 Enterprise Center, Middletown, Rhode Island, USA or alternatively from the website at www.kvh.com/investors.

2. Accounting policies (continued)

2.4 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 Director's 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 its parent and fellow subsidiaries to share banking arrangements. Details of these arrangements are set out in the 10k filing of its ultimate parent KVH Industries Inc available at www.kvh.com/investors.

The director, having assessed the responses of the directors of the Company's parent, KVH Industries Inc, to their enquiries, believe that the Company has the ability to continue as a going concern and has the ability to continue with the current banking arrangements. KVH Industries Inc has agreed to provide such financial support as is necessary to enable the Company to meet its ongoing financial obligations as and when they fall due for the foreseeable future and in any event for a period of no less than 12 months from the date of approval of the financial statements.

On the basis of their assessment of the Company's financial position and the enquiries made of the directors of KVH Industries Inc, the Company's director has a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Fixed asset investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software costs are initially recognised at cost and is amortised over its useful life of 5 years.

Development costs are capitalised when they relate to separately identifiable projects of on-going commercial value to the Company and are amortised over their useful life of 3-5 years.

2.8 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight-line basis.

The estimated useful lives range as follows:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

2.9 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2. Accounting policies (continued)

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first outbasis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.16 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Pensions

The parent Company, KVH Media Group Limited, operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income. when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Accounting policies (continued)

2.21 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

3. Critical accounting judgements and key sources of estimation uncertainty

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.See Note 14 for the carrying amount of the property, plant and equipment and Note 2.8 for the useful economic lives for each class of assets.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.

Impairment of investments

The Company considers the current and expected financial performance and position of each subsidiary undertaking and compares this to the value of the investment held. Where the value of the investment is in excess of expected future returns an impairment is recognised in the profit and loss in that period.

4. Analysis of turnover

Analysis of turnover is not disclosed as it would be prejudicial to the interests of the Company.

5. Operating profit

The operating profit is stated after charging:

	2017 £000	*2016 £000*
Depreciation of tangible fixed assets	**39**	*23*
Amortisation of intangible assets, including goodwill	**60**	*61*
Exchange differences	**20**	*483*

6. Employees

	2017 £000	*2016 £000*
Wages and salaries	**1,372**	*1,401*
Social security costs	**134**	*144*
Cost of defined contribution scheme	**47**	*50*
	1,553	*1,595*

The average monthly number of employees, including the director, during the year was as follows:

	2017 No.	*2016 No.*
	74	*69*

7. Auditor's remuneration

	2017 £000	*2016 £000*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**20**	*26*
Fees payable to the Company's auditor and its associates in respect of:		
Corporation tax compliance	**3**	*2*
Other services relating to taxation	**5**	*-*
Other non audit services	**1**	*1*

8. Director's remuneration

The director of the Company is also director of the parent Company, KVH Media Group Limited, and of fellow subsidiary undertakings. Director's emoluments are paid by the parent Company and relate to services across the group headed by KVH Industries Inc., it is impractical to split the remuneration, including share options exercised, between the entities.

9. Share based payments

The ultimate parent Company has issued equity-settled share options to four employees in respect of services to the Company.

There were 25,000 options granted on 17 September 2013. All were outstanding at the year end.

One quarter of each employee's total options can be exercised after a period of one year; a further quarter of each employee's total options can be exercised after two years and also after three years. The final quarter can be exercised after four years and once vested all options expire five years after the grant date.

The options are exercisable at the market price established when the options were granted. There are no other specific performance conditions attached to the options.

The main inputs into the Black Scholes option pricing model are summarised below:

Risk free rate:	1.45%
Dividend yield:	0%
Volatility:	49%
Life:	4.24 years

Class of share	**Market Price at issue and exercise price**	**Fair Value at date of issue**	**Options issued and remaining as at 31 December 2017**
Ordinary $1	$13.41	$5.47	25,000

As the options relate to shares in the ultimate parent Company, and that Company receives no payment in return, an amount equal to the charge of £nil *(2016: £12,000)* incurred is recorded as a capital contribution directly in equity.

10. Interest receivable

	2017 **£000**	*2016* *£000*
Other interest receivable	**1**	-

11. Interest payable and similar charges

	2017 **£000**	*2016* *£000*
Bank interest payable	**102**	*120*
	102	*120*

12. Taxation

	2017 **£000**	*2016* *£000*
Corporation tax		
Current tax on profits for the year	**132**	*32*
Adjustments in respect of previous periods	**26**	*-*
	158	*32*
Total current tax	**158**	*32*
Deferred tax		
Total deferred tax	**-**	*-*
Taxation on profit on ordinary activities	**158**	*32*

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2016: lower than)* the standard rate of corporation tax in the UK of 19.5% *(2016:20.1%)*. The differences are explained below:

	2017 £000	*2016 £000*
Profit on ordinary activities before tax	727	*213*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20.1%)	142	*43*
Effects of:		
Effect of expenses not deductible for tax purposes	14	*5*
Capital allowances for year in excess of depreciation	(24)	*(10)*
Deferred tax adjustment	-	*(6)*
Adjustments in respect of prior periods	26	-
Total tax charge for the year	**158**	*32*

13. Intangible assets

	Software Costs £000	Development Costs £000	Total £000
Cost			
At 1 January 2017	17	417	434
Additions - internal	-	52	52
At 31 December 2017	17	469	486
Amortisation			
At 1 January 2017	17	326	343
Charge for the year	-	60	60
At 31 December 2017	17	386	403
Net book value			
At 31 December 2017	-	83	83
At 31 December 2016	*-*	*91*	*91*

14. Tangible fixed assets

	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2017	75	42	117
Additions	26	3	29
At 31 December 2017	101	45	146
Depreciation			
At 1 January 2017	57	16	73
Charge for the year on owned assets	32	7	39
At 31 December 2017	89	23	112
Net book value			
At 31 December 2017	12	22	34
At 31 December 2016	*18*	*26*	*44*

15. Fixed asset investments

	Shares in group undertakings £000
Cost	
At 1 January 2017	**446**
At 31 December 2017	**446**
Impairment	
At 1 January 2017	**445**
At 31 December 2017	**445**
Net book value	
At 31 December 2017	**1**
At 31 December 2016	*1*

The above cost brought forward includes the Company's holding in the entire ordinary share capital of KVH Media Group 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.

The above cost brought forward includes the Company's holding in 99% of the ordinary share capital in KVH Media Group India Private Limited, a Company registered in India. 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 Company was incorporated on 2 November 2016 and the principal activity of this subsidiary is media services.

The Company also has an indirect holding in KVH Media Group Inc, registered in the US. The principle activity of the Company is the delivery of media services.

16. Stocks

	2017 £000	*2016 £000*
Raw materials and consumables	**6**	*-*

17. Debtors

	2017 £000	2016 £000
Trade debtors	438	627
Amounts owed by group undertakings	6,973	5,146
Other debtors	69	29
Prepayments and accrued income	83	112
Deferred taxation	13	13
	7,576	5,927

The amounts owed by group undertakings are interest free and repayable on demand.

18. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	2,403	3,836
Less: bank overdrafts	-	(45)
	2,403	3,791

19. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	-	45
Trade creditors	149	81
Amounts owed to group undertakings	5,481	5,669
Corporation tax	49	-
Other taxation and social security	-	15
Accruals and deferred income	640	874
	6,319	6,684

The amounts owed to group undertakings are interest free and repayable on demand.

20. Deferred taxation

	2017 £000
At beginning of year	13
Credited to the profit or loss	-
At end of year	**13**

The deferred tax asset is made up as follows:

	2017 £000	*2016 £000*
Fixed asset timing differences	12	*3*
Short term timing differences	1	*10*
	13	*13*

21. Share capital

	2017 £000	*2016 £000*
Authorised		
100,000 ordinary shares of £1 each	100	*100*
Allotted, called up and fully paid		
5,539 ordinary shares of £1 each	6	*6*

22. Reserves

Share premium account

This account records the premium received on share capital already in issue.

Profit and loss account

Includes all current and prior period retained profits and losses.

23. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases ending as follows:

	2017 £000	*2016 £000*
Amount due within 1 year	**38**	*38*
Amount due within 1 - 5 years	**152**	*152*
After more than 5 years	**19**	*57*
	209	*247*

24. Related party transactions

As the Company is a wholly owned subsidiary of KVH Media Group Limited, which in turn is a wholly owned subsidiary of KVH Industries UK Limited, which in turn is a wholly owned subsidiary of KVH Industries Inc the Company has taken advantage of the exemption available in section 33.1a of FRS 102 to not disclose transactions or balances with wholly owned subsidiaries which form part of the KVH Industries Inc group.

25. Controlling party

The Company is a subsidiary undertaking of KVH Industries Inc, which is the ultimate parent Company incorporated in the USA. The immediate parent Company is KVH Media Group Limited, a Company registered in England & Wales.

The largest and smallest group in to 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 website at www.kvh.com/investors.

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary, 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.