

KVH Media Group Entertainment Limited
(formerly Headland Entertainment Limited)

**Directors' report and financial
statements**

Registered number 04004291
Year ended 31 December 2013

FRIDAY



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Company information

Company number: 04004291

Directors

M Woodhead
PA Rendall

Secretary

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

Registered office

2A Queen Street
Leeds
West Yorkshire
LS1 2TW

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 activity, review of business and future developments

The principal activity of the company is that of the production and sale of radio programming for commercial and leisure outlets.

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 year.

Change of name

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

Results and dividends

The operating profit was £216,000 (2012: £305,000) and profit for the financial year was £213,000 (2012: £271,000). The directors do not recommend payment of a dividend (2012: nil).

Directors

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

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

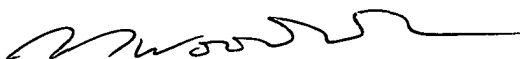
Disclosure of information to auditor

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

2A Queen Street
Leeds
LS1 2TW

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 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 Entertainment Limited (formerly Headland Entertainment Limited)

We have audited the financial statements of KVH Media Group Entertainment Limited (formerly Headland Entertainment 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

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
Entertainment Limited (formerly Headland Entertainment Limited)**
(continued)

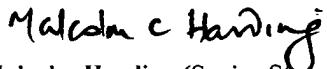
Opinion on other matter prescribed by the Companies Act 2006

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 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>	2013 £000	2012 £000
Turnover	2	1,351	1,327
Cost of sales		(596)	(498)
Gross profit		755	829
Administrative expenses		(539)	(524)
Operating profit and profit on ordinary activities before taxation	3-4	216	305
Tax on profit on ordinary activities	5	(3)	(34)
Profit for the financial year	13	213	271

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.

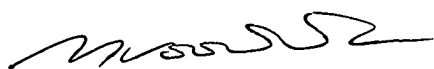
The notes on pages 9 to 16 form part of the financial statements.

Balance sheet
 at 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Fixed assets			
Intangible assets	6	14	32
Tangible assets	7	105	116
Investments	8	15	15
		<hr/>	<hr/>
		134	163
		<hr/>	<hr/>
Current assets			
Stock	9	13	8
Debtors	10	1,876	1,482
Cash at bank and in hand		32	33
		<hr/>	<hr/>
		1,921	1,523
		<hr/>	<hr/>
Creditors: amounts falling due within one year	11	(641)	(485)
		<hr/>	<hr/>
Net current assets		1,280	1,038
		<hr/>	<hr/>
Net assets		1,414	1,201
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	1	1
Share premium account	13	929	929
Profit and loss account	13	484	271
		<hr/>	<hr/>
Shareholders' funds		1,414	1,201
		<hr/>	<hr/>

The notes on pages 9 to 16 form part of the 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

	2013 £000	2012 £000
Profit for the year	213	271
Net addition to shareholders' funds	213	271
Opening shareholders' funds	1,201	930
Closing shareholders' funds	1,414	1,201

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 of 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, which excludes value added tax, 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.

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:

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

Stocks

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

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

The parent company, Headland Media Limited, operates a defined contribution pension scheme in which the employees of the company participate. The pension cost under this scheme is the amount of contributions payable in respect of the accounting period. Headland Media Limited or the company provide no other post-retirement benefits to employees.

2 Segmental analysis

The company operated in one area of activity, the production and sale of in-store radio content. Turnover is analysed below by destination:

	2013 £000	2012 £000
United Kingdom	1,321	1,301
Europe (excluding United Kingdom)	10	10
North America	3	3
Rest of World	17	13
	<hr/> 1,351 <hr/>	<hr/> 1,327 <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	56	51
Auditor's remuneration – audit of the financial statements of the company	6	5
Auditor's remuneration – taxation compliance services	2	-
Depreciation of tangible fixed assets – owned	37	38
Amortisation of intangible assets	18	22
	<u>119</u>	<u>126</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	12	12
	<u>12</u>	<u>12</u>

	2013 £000	2012 £000
<i>The aggregate payroll costs of these persons were as follows:</i>		
Wages and salaries	367	348
Social security costs	36	34
Other pension costs (see below)	10	9
	<u>413</u>	<u>391</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 £10,000 (2012: £9,000).

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	24	24
	<u>24</u>	<u>24</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	-	6
Adjustments in respect of prior periods	-	30
	<hr/>	<hr/>
Total current tax	-	36
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	2	(2)
Effect of tax rate change on opening balance	1	-
	<hr/>	<hr/>
Total deferred tax	3	(2)
	<hr/>	<hr/>
Tax on profit on ordinary activities	3	34
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the year 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	216	305
	<hr/>	<hr/>
Current tax at 23.25% (2012: 24.5%)	50	75
	<hr/>	<hr/>
<i>Effects of:</i>		
Fixed asset timing differences	(1)	2
Adjustment in respect of prior periods	-	30
Group relief claimed at nil cost	(49)	(71)
	<hr/>	<hr/>
Total current tax charge (see above)	-	36
	<hr/>	<hr/>

Notes (continued)

5 Taxation (continued)

Deferred tax

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	6	9
Deferred tax asset	6	9
	<u>6</u>	<u>9</u>
	2013 £000	2012 £000
At beginning of year	9	11
Charged to the profit and loss account	(3)	(2)
At the end of the year	<u>6</u>	<u>9</u>

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
Cost	
At beginning of year	231
Disposals	(20)
At end of year	<u>211</u>
Depreciation	
At beginning of year	199
Charge for year	18
On disposals	(20)
At end of year	<u>197</u>
Net book value at 31 December 2013	<u>14</u>
Net book value at 31 December 2012	<u>32</u>

Notes (continued)

7 Tangible fixed assets

	Fixtures and fittings £000	Plant and equipment £000	Total £000
<i>Cost</i>			
At beginning of year	169	194	363
Additions	2	24	26
	<hr/>	<hr/>	<hr/>
At end of year	171	218	389
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	91	156	247
Charge for year	20	17	37
	<hr/>	<hr/>	<hr/>
At end of year	111	173	284
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2013	60	45	105
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2012	78	38	116
	<hr/>	<hr/>	<hr/>

8 Investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
At 1 January 2013 and 31 December 2013	15
	<hr/>

The above investment relates to the company's holding in the entire ordinary share capital of Rigstream B.V. a company registered in Holland.

9 Stock

	2013 £000	2012 £000
Receiver equipment for installation	13	8
	<hr/>	<hr/>

Notes (continued)

10 Debtors

	2013 £000	2012 £000
Trade debtors	311	167
Amounts owed by group undertakings	448	300
Amounts owed by parent undertaking	1,052	937
Prepayments and accrued income	59	69
Deferred Tax (see note 5)	6	9
	<u>1,876</u>	<u>1,482</u>

11 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	155	54
Amounts owed to fellow subsidiary	248	231
Accruals and deferred income	238	194
Corporation tax	-	6
	<u>641</u>	<u>485</u>

12 Share capital

	2013 £000	2012 £000
<i>Authorised</i>		
1,000 ordinary shares of £1 each (2012: 1,000)	<u>1</u>	<u>1</u>
<i>Allotted, called up and fully paid</i>		
932 ordinary shares of £1 each (2012: 932)	<u>1</u>	<u>1</u>

13 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	929	271
Profit for year	-	213
	<u>929</u>	<u>484</u>

Notes (continued)

14 Operating lease commitments

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

	Land and buildings 2013 £000	Land and Buildings 2012 £000
Expiring:		
Over five years	-	51
Less than five years	56	-
	<hr/>	<hr/>

15 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.

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.