

Registered number: 04004291

KVH MEDIA GROUP ENTERTAINMENT LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



KVH MEDIA GROUP ENTERTAINMENT LIMITED

COMPANY INFORMATION

Director	M Woodhead
Company secretary	F Feingold
Registered number	04004291
Registered office	2A Queen Street Leeds West Yorkshire LS1 2TW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Whitehall Riverside Leeds West Yorkshire LS1 4BN

KVH MEDIA GROUP ENTERTAINMENT LIMITED

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KVH MEDIA GROUP ENTERTAINMENT LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The director presents his report and the financial statements for the year ended 31 December 2018.

Principal activity

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

Results

The profit for the year, after taxation, amounted to £45,000 (2017: loss £434,000).

There were dividends of £577,496 paid in the year (2017: £Nil).

Director

The director who served during the year and since was:

M Woodhead

Director's Responsibilities Statement

The director is responsible for preparing 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 director has 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 director 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Disclosure of information to auditor

The director confirms that:

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

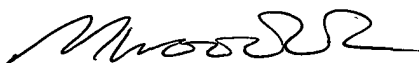
Auditor

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

Small companies note

In preparing this report, the director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on *15 August 2019* and signed on its behalf.



M Woodhead
Director



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

Opinion

We have audited the financial statements of KVH Media Group Entertainment Limited (the 'Company') for the year ended 31 December 2018, 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 2018 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 UK, including the FRC'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.

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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KVV MEDIA GROUP ENTERTAINMENT 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 Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under 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 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; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Director's report and from the requirement to prepare a strategic report.



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

Responsibilities of directors for the financial statements

As explained more fully in the Director's Responsibilities Statement on page 1, 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 intends 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.

Use of our report

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.

Grant Thornton UK LLP

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date: *20 August 2019*

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover		1,930	2,038
Cost of sales		(1,025)	(1,133)
Gross profit		<u>905</u>	<u>905</u>
Administrative expenses		(846)	(1,467)
Operating profit/(loss)		<u>59</u>	<u>(562)</u>
Income from fixed assets investments		-	22
Interest receivable and similar income		1	-
Profit/(loss) before tax		<u>60</u>	<u>(540)</u>
Tax on profit/(loss)		(15)	106
Profit/(loss) for the year		<u><u>45</u></u>	<u><u>(434)</u></u>

The notes on pages 9 to 22 form part of these financial statements.

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.

The notes on pages 9 to 21 form part of these financial statements.

KVH MEDIA GROUP ENTERTAINMENT LIMITED
REGISTERED NUMBER: 04004291

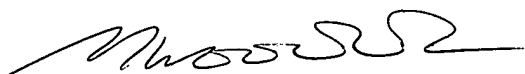
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	7	61	59
Tangible assets	8	47	43
		<u>108</u>	<u>102</u>
Current assets			
Stocks	9	10	10
Debtors: amounts falling due within one year	10	2,237	2,626
Cash at bank and in hand	11	391	146
		<u>2,638</u>	<u>2,782</u>
Creditors: amounts falling due within one year	12	(1,529)	(1,132)
Net current assets		<u>1,109</u>	<u>1,650</u>
Total assets less current liabilities		<u>1,217</u>	<u>1,752</u>
Net assets		<u><u>1,217</u></u>	<u><u>1,752</u></u>
Capital and reserves			
Called up share capital	14	1	1
Share premium account	15	929	929
Profit and loss account	15	287	822
		<u>1,217</u>	<u>1,752</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

15 August 2019



M Woodhead
Director

The notes on pages 9 to 22 form part of these financial statements.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2018	1	929	822	1,752
Comprehensive income for the year				
Profit for the year	-	-	45	45
Total comprehensive income for the year	-	-	45	45
Dividends: Equity capital	-	-	(577)	(577)
Capital contribution (note 6)	-	-	(3)	(3)
Total transactions with owners	-	-	(580)	(580)
At 31 December 2018	1	929	287	1,217

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

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2017	1	929	1,256	2,186
Comprehensive income for the year				
Loss for the year	-	-	(434)	(434)
Total comprehensive income for the year	-	-	(434)	(434)
Capital contribution (note 6)	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2017	1	929	822	1,752

The notes on pages 9 to 22 form part of these financial statements.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

KVH Media Group Entertainment Limited is a private company limited by shares and incorporated in England and Wales. Registered number 04004291.

The registered office of the company is 2A Queen Street, Leeds, West Yorkshire, LS1 2TW.

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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 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.

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 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 requirement of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of KVH Industries Inc 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 within 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 his 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.7 Intangible assets

Software is 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. Software is amortised over its useful economic life of 5 years.

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.

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

2.8 Tangible fixed assets

Tangible fixed assets under the cost model 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 the Statement of Comprehensive Income 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 principal annual rates used are:

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

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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 Stocks

Stocks are stated at the lower of cost or 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 out basis.

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.

2.13 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, 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 payables or receivables, 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 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, 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Financial instruments (continued)

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.

2.15 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 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

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.

2.18 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 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.20 Interest income

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

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.21 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.

2.22 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies 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 value 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 8 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 10 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 Statement of Comprehensive Income in that period.

4. Employees

The average monthly number of employees, including directors, during the year was 13 (2017: 21).

5. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	19	21

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. 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 12,000 options granted on 17 September 2013, and 2,331 options granted on 25 October 2017. No options were granted in the current year.

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, a further quarter after three years, and the remaining and final quarter can be exercised after four years.

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 and all options expire five years after the grant date. Each option granted was valued at the time of grant using the Black Scholes option pricing model and inputs summarised below:

Risk free rate:	1.45% - 2.06%
Dividend yield:	0%
Volatility:	36% - 49%
Life:	4.24 years
Market value:	\$11 - \$13
Exercise price:	\$11 - \$13
Fair value:	\$3.69 - \$5.47

A reconciliation of options outstanding during the year is summarised below:

	Number	Weighted average exercise price
Outstanding at 1 January 2018	14,331	\$13.08
Granted during the year	-	-
Exercised during the year	-	-
Expired during the year	(12,000)	-
Outstanding at 31 December 2018	2,331	\$11.45
Exercisable at 31 December 2018	2,331	\$11.45

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 £3,100 (2017: £Nil) incurred is recorded as a capital contribution directly in equity.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

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7. Intangible assets

	Software £000	Develop- ment £000	Total £000
Cost			
At 1 January 2018	5	190	195
Additions	-	33	33
At 31 December 2018	<u>5</u>	<u>223</u>	<u>228</u>
Amortisation			
At 1 January 2018	5	131	136
Charge for the year	-	31	31
At 31 December 2018	<u>5</u>	<u>162</u>	<u>167</u>
Net book value			
At 31 December 2018	<u>-</u>	<u>61</u>	<u>61</u>
<i>At 31 December 2017</i>	<u>-</u>	<u>59</u>	<u>59</u>

KVH MEDIA GROUP ENTERTAINMENT LIMITED

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8. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2018	112	201	313
Additions	26	-	26
At 31 December 2018	<u>138</u>	<u>201</u>	<u>339</u>
Depreciation			
At 1 January 2018	89	181	270
Charge for the year on owned assets	13	9	22
At 31 December 2018	<u>102</u>	<u>190</u>	<u>292</u>
Net book value			
At 31 December 2018	<u>36</u>	<u>11</u>	<u>47</u>
<i>At 31 December 2017</i>	<u>22</u>	<u>21</u>	<u>43</u>

9. Stocks

	2018 £000	2017 £000
Raw materials and consumables	<u>10</u>	<u>10</u>

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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10. Debtors

	2018	2017
	£000	£000
Trade debtors	287	459
Amounts owed by group undertakings	1,750	1,913
Other debtors	9	10
Prepayments and accrued income	181	232
Deferred taxation	10	12
	<u>2,237</u>	<u>2,626</u>

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

11. Cash and cash equivalents

	2018	2017
	£000	£000
Cash at bank and in hand	<u>391</u>	<u>146</u>

12. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	105	98
Amounts owed to group undertakings	829	272
Other taxation and social security	36	52
Accruals and deferred income	559	710
	<u>1,529</u>	<u>1,132</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
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13. Deferred taxation

	2018 £000
At beginning of year	12
Unknown movement	(1)
At end of year	11

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	11	12

14. Share capital

	2018 £000	2017 £000
Authorised		
1,000 (2017: 1,000) ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
930 (2017: 932) ordinary shares of £1 each	1	1

15. 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	59	59
Later than 1 year and not later than 5 years	3	64
	<u>62</u>	<u>123</u>

17. 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.

18. 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.