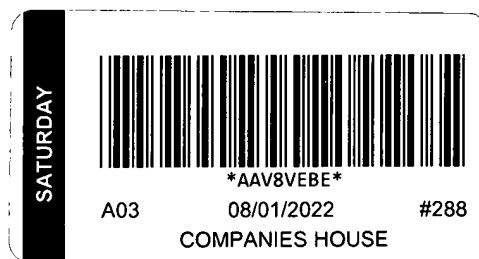


Registered number: 04004291

KVH MEDIA GROUP ENTERTAINMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



KVH MEDIA GROUP ENTERTAINMENT LIMITED

COMPANY INFORMATION

Directors	M Woodhead (resigned 1 May 2021) A F Pike (appointed 1 May 2021)
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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents his report and the financial statements for the year ended 31 December 2020.

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 loss for the year, after taxation, amounted to £30,000 (2019: £58,000).

There were dividends of £Nil paid in the year (2019: £Nil).

Director

The directors who served during the year and since were:

M Woodhead (resigned 1 May 2021)
A F Pike (appointed 1 May 2021)

Director's Responsibilities Statement

The director is responsible for preparing the Directors' 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 them 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 results achieved in the period.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 directors, 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 their assessment of the Company's financial position and the enquiries made of the directors of 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.

Disclosure of information to auditor

The director confirms that:

- so far as each director 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 directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 14/12/2021

and signed on its behalf.



A F Pike
Director



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

Opinion

We have audited the financial statements of KVV Media Group Entertainment Limited (the 'Company') for the year, 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 2020 and of its loss 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 are responsible for concluding on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of director for the financial statements' section of this report.

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.



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

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 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 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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are 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 directors determine 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 directors are 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 directors 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.



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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006) and the relevant tax regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet
 - potential management bias in determining accounting estimates
 - transactions with related parties
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the entity/regulator entity including:
 - the provisions of the applicable legislation
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - the applicable statutory provisions
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation.



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

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the applicable statutory provisions
 - the entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements, the authority of, and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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: 14/12/2021

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover		1,758	1,823
Cost of sales		(1,050)	(1,006)
Gross profit		708	817
Administrative expenses		(816)	(889)
Other operating income	4	52	-
Operating loss	4	(56)	(72)
Tax on loss	8	7	14
Loss for the year		(49)	(58)

There were no recognised gains and losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

The notes on pages 11 to 24 form part of these financial statements.

KVH MEDIA GROUP ENTERTAINMENT LIMITED
REGISTERED NUMBER:04004291

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	9	13	37
Tangible assets	10	46	60
		<u>59</u>	<u>97</u>
Current assets			
Stocks	11	22	15
Debtors: amounts falling due within one year	12	1,495	2,597
Cash at bank and in hand	13	52	110
		<u>1,569</u>	<u>2,722</u>
Creditors: amounts falling due within one year	14	(503)	(1,664)
Net current assets		<u>1,066</u>	<u>1,058</u>
Total assets less current liabilities		<u>1,125</u>	<u>1,155</u>
Net assets		<u><u>1,125</u></u>	<u><u>1,155</u></u>
Capital and reserves			
Called up share capital	16	1	1
Share premium account	17	929	929
Profit and loss account	17	195	225
		<u>1,125</u>	<u>1,155</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 14/12/2021



A F Pike
 Director

The notes on pages 11 to 24 form part of these financial statements.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2020	1	929	225	1,155
Comprehensive income for the year				
Loss for the year	-	-	(49)	(49)
Total comprehensive loss for the year	-	-	(49)	(49)
Capital contribution (note 7)	-	-	19	19
Total transactions with owners	-	-	19	19
At 31 December 2020	1	929	195	1,125

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2019	1	929	287	1,217
Comprehensive income for the year				
Loss for the year	-	-	(58)	(58)
Total comprehensive income for the year	-	-	(58)	(58)
Capital contribution (note 7)	-	-	(4)	(4)
Total transactions with owners	-	-	(4)	(4)
At 31 December 2019	1	929	225	1,155

The notes on pages 11 to 24 form part of these financial statements.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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 directors, 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 their assessment of the Company's financial position and the enquiries made of the directors of 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.3 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. Revenue in KVH Media Group Entertainment Limited relates to subscription streaming services. Revenue is the on a straight line basis over the period of the subscription in line with the transfer of risks and rewards to the customer. 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.

2.4 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.

2.5 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

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.

2.6 Operating leases

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

2.7 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.

2.8 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.

2.9 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.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.10 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.

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.

2.11 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.

2.12 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

KVH MEDIA GROUP ENTERTAINMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.13 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.

2.14 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.

2.15 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.

2.16 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 2020**

2. Accounting policies (continued)

2.17 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.

2.18 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss 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 profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss 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 2020**

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 10 for the carrying amount of the property, plant and equipment and note 2.5 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 12 for the net carrying amount of the debtors and associated impairment provision.

4. Operating loss

The operating loss is stated after charging:

	2020 £000	2019 £000
Depreciation	20	25
Amortisation	24	27
Other operating lease rentals	65	74
Other operating income	52	-
	<u>52</u>	<u>-</u>

Other operating income of £52,000 relates to receipts for Coronavirus Job Retention Scheme.

5. Employees

	2020 £000	2019 £000
Wages and salaries	524	487
Social security costs	34	47
Cost of defined contribution scheme	14	19
	<u>572</u>	<u>553</u>

The average monthly number of employees, including directors, during the year was 11 (2019: 12).

KVH MEDIA GROUP ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6. Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	20	18

7. Share based payments

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

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 2020	3,856	11.45
Granted during the year	17,800	11.45
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December 2020	21,656	11.45
Exercisable at 31 December 2020	21,656	11.45

There were 12,000 options granted on 17 September 2013, and 2,331 options granted on 25 October 2017. No options were granted in 2018. In 2019, 381 options were granted on 15 January and 1,144 options were granted on 08 April. In 2020, 17,800 options were granted on 02 August 2020.

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8. Taxation

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	(7)	(19)
Adjustments in respect of previous periods	-	(1)
	<u>(7)</u>	<u>(20)</u>
Total current tax	<u>(7)</u>	<u>(20)</u>
Deferred tax		
P&L Charge	-	6
Total deferred tax	<u>-</u>	<u>6</u>
Taxation on loss on ordinary activities	<u>(7)</u>	<u>(14)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: the same as) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£000	£000
Loss on ordinary activities before tax	<u>(56)</u>	<u>(72)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(11)	(14)
Effects of:		
Expenses not deductible	4	-
Total tax credit for the year	<u>(7)</u>	<u>(14)</u>

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FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Taxation (continued)

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

9. Intangible assets

	Software £000	Development £000	Total £000
Cost			
At 1 January 2020	8	223	231
At 31 December 2020	8	223	231
Amortisation			
At 1 January 2020	5	189	194
Amortisation	-	24	24
At 31 December 2020	5	213	218
Net book value			
At 31 December 2020	3	10	13
At 31 December 2019	3	34	37

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NOTES TO THE FINANCIAL STATEMENTS
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10. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2020	174	203	377
Additions	6	-	6
At 31 December 2020	180	203	383
Depreciation			
At 1 January 2020	118	199	317
Depreciation	17	3	20
At 31 December 2020	135	202	337
Net book value			
At 31 December 2020	45	1	46
At 31 December 2019	56	4	60

11. Stocks

	2020 £000	2019 £000
Raw materials and consumables	22	15

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**NOTES TO THE FINANCIAL STATEMENTS
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12. Debtors

	2020	2019
	£000	£000
Trade debtors	289	358
Amounts owed by group undertakings	1,120	2,015
Other debtors	1	38
Prepayments and accrued income	81	182
Deferred taxation	4	4
	1,495	2,597

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

13. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	52	110

14. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	115	135
Amounts owed to group undertakings	-	1,032
Other taxation and social security	57	55
Accruals and deferred income	331	442
	503	1,664

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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15. Deferred taxation

	2020 £000	2019 £000
At beginning of year	4	11
Charge to P&L	-	(7)
At end of year	4	4

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	4	4

16. Share capital

	2020 £000	2019 £000
Authorised		
1,000 (2019: 1,000) ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
930 (2019: 930) ordinary shares of £1 each	1	1

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

17. 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
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18. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £14,339 (2019: £18,800). Contributions totalling £Nil (2019: £Nil) were payable to the fund at the reporting date and are included in creditors.

19. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£000	£000
Not later than 1 year	118	118
Later than 1 year and not later than 5 years	361	474
Later than 5 years	-	5
	479	597

20. 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.

21. 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.