Registered Company No 06391386

KH Holdco Limited

Report and Financial Statements

31 July 2013

Directors
M Packe
K Lindsay
R Gould
C Easteal
S Hughes
M Taylor
B Wade
P Watson

Secretary
C Easteal

Auditors
Ernst & Young LLP
400 Capability Green
Luton
Beds LU1 3LU

Bankers
HSBC BANK PLC UK
70 Pall Mall
London
SW1Y 5EZ

The Royal Bank of Scotland
Southern Corporate Office
PO Box 391
40 Islington High Street
London N1 8JX

Registered Office
KH Holdco Limited
Voltage, Mollison Avenue
Enfield, EN3 7XQ

Chairman's statement for the year ended 31 July 2013

Kelvin Hughes (the "Group") is a world leader in the design and supply of navigation and surveillance systems We have been at the forefront of this sector for more than 250 years, supplying advanced navigation and surveillance solutions and services around the globe From instrumentation to digital charts, integrated bridge display systems to solid state surveillance radars, Kelvin Hughes has a long tradition of innovation and engineering excellence and is a trusted and reliable partner to the world's navies, merchant shipping and pleasure craft operators That expertise is increasingly applied to the land domain where products designed and built by the Group safeguard borders, coastlines and civil infrastructure in many parts of the world

The Group sets the international standard in its field Technology "firsts" include the first commercial radar in 1947, the first paper chart tracing service in 1971, the first colour radar in 1988 with the naval CTD (Colour Tactical Display) radar display, SharpEye™ the world's first commercial solid state radar, and recently, the SharpEye™ SCV (Small Craft Variant) the world's first small watercraft situational awareness radar Kelvin Hughes is dedicated to providing mariners, yachtsmen, soldiers, and security personnel with the most advanced radar centric surveillance, navigation and situational awareness solutions and services available Employing over 350 people, the Group operates as three distinct divisions (Surveillance Systems, Marine Systems and KH Charts) and is headquartered in Enfield, North London, UK We operate a worldwide support network with 12 offices in eight countries that meet customer requirements 24/7 With an eye to the future, we have embarked on a programme of continuous innovation to place it among the fastest-growing companies in the industry

Kelvin Hughes prides itself on delivering customer-focussed technological excellence, reliability and affordability

Surveillance Systems

Kelvin Hughes Surveillance Systems is a global radar system solution provider meeting the surveillance, safety and security needs of the world's navies, coastal and land border operators, and military/quasi-military security agencies and organisations We provide surveillance and navigation systems to 30 of the world's navies and are continuously growing our market strengths with international ports, coastal and land border protection agencies and civil infrastructure operators Our solutions span both land and sea, from border security and civil infrastructure integrated surveillance systems to naval integrated bridge systems, solid state surveillance radar and radomes for small fast boats

Among our key offerings are coherent SharpEye™ and non-coherent radar technologies capable of detecting the smallest of targets and lowest velocities in clutter SharpEye™ radars incorporate its patented solid state technology providing an unrivalled package of low mass but exceptional all-weather detection performance and outstanding reliability A series of long range multi domain and lightweight variants are available All our SharpEye™ radars are 'range unambiguous' and utilise coherent receivers, pulse compression and Doppler processing techniques to provide sub-clutter visibility of targets, minimising the impact of adverse climatic conditions

Key products

- Land security surveillance solutions
- Naval integrated bridge systems
- Vessel Traffic Service (VTS) radar
- Coastal Surveillance radar
- SharpEye™ solid state radar sensors
- MantaDigital™ display & tracker technology
- Flat panel phased array radar
- Integrated surveillance management display software
- Naval tactical radar displays
- Advanced radome radars

Chairman's statement for the year ended 31 July 2013 (continued)

Marine Systems

Kelvin Hughes Marine Systems is a global designer, manufacturer and supplier of state of the art bridge equipment for cargo ships, oil tankers, LNG (Liquefied Natural Gas) ships, cruise liners, and other specialist sea vessels including fishing boats Our multifunction navigation stations provide radar, Electronic Chart Display (ECDIS and ECDISPLUS) and conning functions and capability Utilising the MantaDigital™ wide screen display, ECDIS, SharpEye™ solid state radar or enhanced magnetron radar, voyage data recorders we can supply individual work stations and sensors through to complete integrated bridge systems

Key features enabling the packaging of arguably the best commercial radar system available on the market is SharpEye™ solid state radar for small target detection in cluttered environments and Enhanced Target Detection (ETD) software making our radar extremely useful for navigation in busy sea lanes and ports and for ice navigation

We operate a global 24/7 service and support network

KH Charts

KH Charts is a global brand for the supply of paper charts, electronic charts, chart updates, outfit management, data delivery services and nautical instruments and products Alongside our own market leading products and services, we also represent all major hydrographic organisations, and other compliance and data delivery providers We are the largest global supplier of British Admiralty charts, issuing over 750,000 charts per year, with almost 6,000 ChartCo maritime data delivery subscribers and over 3,000 Outfit Management Service subscribers Through our high capacity chart correction service we supply in excess of 10,000 chart corrections per year to thousands of ships worldwide

KH Charts major brands include ChartCo, PassageManager™, KH Charts SuperYacht, Bookharbour, Reg4Ships, Admiralty, Primar, IC-ENC and Imray ensuring that we can provide a comprehensive service to enable ship operators to be knowledgeable in and comply with legal and technical requirements to ensure safety at sea according to local and international legislation and laws including SOLAS, MARPOL and EC Directives

We continue to invest in KH Charts' in-house software development team to ensure the PassageManager™ product remains best in class in terms of functionality and breadth of services

Review of the Year

Following the challenging year in 2011/12 I am pleased to report an improved EBITDA for the Group in 2012/13 As expected we did not see the general underlying economies within which the Group operates improve but we did see improvement within our core business areas

The 2012/13 financial year saw sizeable contract wins within Surveillance Systems and within niche areas of Marine Systems strengthening our order book for 2013/14 and beyond Of particular importance is the growth in the Surveillance Systems order book as we enter the new financial year Against the backdrop of a subdued global commercial marine market KH Charts has continued to increase its customer base to record levels

Chairman's statement for the year ended 31 July 2013 (continued)

Review of the year (continued)

Financial Highlights

£m	2013	2012
Turnover	**63 1**	63 1
Gross Profit	**27 0**	25 9
Gross Profit %	**42.8%**	41 0%
EBITDA*	**7 1**	3 5
EBITDA%	**11.3%**	5 5%
Operating (loss)	**(1.4)**	(2 2)
Net cash (outflow) before financing	**(0.3)**	(1 0)
Net cash (outflow) after financing	**(1.7)**	(2 7)

* As defined in the Directors Report on page 6

Group turnover of £63 1m was just ahead of the prior year but with an improved mix of business and savings following a programme which increased business efficiency and reduced overheads The Group has consequently seen a doubling of EBITDA in the year to £7 1m (2012 £3 5m) The Group's reported operating result has been impacted by a number of one-off exceptional costs totalling £4 3m but we are pleased by this improvement in underlying profitability

In July 2013 the Group completed a £33 4m external refinancing with H I G Capital International Advisors LLP and HSBC Bank PLC This refinancing better compliments the changed business structure that we are now operating for the future

The relocation of the Group's global HQ from Hainault, Essex to a new purpose built site in Enfield, North London successfully took place at the start of the financial year in August 2012 This strategically important relocation allows the Group to further improve the profitability and cost effectiveness of the Group by obtaining the benefits from production and other operating facilities that will come from a more efficient, modern property providing greater departmental proximity

We continue to invest in the development of new products with specific focus currently on SharpEye™ SCV, SharpEye™ SxV and BOXER Ground Surveillance Radar

The SharpEye™ SCV small boat radar incorporates many of the elements of the SharpEye™ system used on naval platforms The all-weather radome X-Band radar will, for the first time, bring professional radar performance to the smaller vessel and significantly increase the capability of police and patrol boats The limitations of leisure radars for small, fast craft are overcome with SCV which continues to work at high speeds and in tight turns while also bringing the advantages of small target detection at greater ranges or in adverse weather conditions The technology is applicable to a range of craft such as RHIBs (rigid-hulled inflatable boats), insertion craft, combat boats, USVs (unmanned surface vehicles), SAR (search & rescue) craft and hovercraft

SharpEye™ SxV is a lightweight, low cost, low power, environmentally sealed X-band surveillance and tracking system designed to bridge the gap between high end phased array battlefield ground surveillance radars and less capable FMCW and motion activated sensor solutions Greatly reduced radar mass and reduced physical footprint of the SharpEye™ transceiver enables the SharpEye™ SxV to overcome the inherent performance limitations of other radars in cluttered environments day or night and in all weather conditions It presents operators with a high quality radar picture via a chosen display option, detecting and tracking

Chairman's statement for the year ended 31 July 2013 (continued)

Review of the year (continued)

personnel, vehicle and airborne targets from approximately 30m to 15km SharpEye™ SxV offers low cost, low power consumption, lightweight, ultra-high reliability and superior performance Doppler processing enables the detection of extremely small and slow targets in inclement weather and difficult terrain

BOXER Ground Surveillance Radar is the new standard in surveillance capability The BOXER family of lightweight coherent radars utilising the core SharpEye™ technology is being designed to meet the various requirements of security, defence and quasi-military users A modular, scalable and unique processing architecture packages our solid state technology for a wide range of portable, deployable and fixed applications

In the year to 31 July 2013, the interest and finance costs charged to the Group Profit and Loss account of KH Holdco Limited amounted to £8 2m (2012 £6 6m) of which £2 0m was payable during the year (2012 £2 3m) and of which £4 4m (2012 £3 3m) relates to Loan Notes not payable until either the exit of the Group's principle investors or otherwise until the finances of the Group are such that payment of this interest is appropriate

Excluding the £4 3m impact of the Group's exceptional costs detailed above, the Group's net cash inflow pre-financing was £4 0m

People

The Board recognises that the success of the business is built on the hard work and commitment of our employees both in the UK and in our overseas operations I would like to thank all of our colleagues throughout Kelvin Hughes for the substantial efforts made by everyone to deliver these results this year

Outlook

These challenging economic times require companies to innovate to stay ahead We firmly believe that we are a Group that is able to do so and our strategy is the right one We will continue to focus on growing the Surveillance Systems business whilst ensuring that the recurring revenue streams within KH Charts and Marine Systems are maximised whilst maintaining our market leadership We will also ensure that the KH Charts business has the investment required to capitalise on opportunities as the market moves from paper to digital products, assisted by the mandated carriage of electronic charts which commenced in 2012 We have achieved sizeable contract wins within Surveillance Systems and success within niche areas of Marine Systems Of particular importance is the growth in the Surveillance Systems order book as we enter the new financial year with new products available to address profitable and growing markets

Kelvin Hughes has proved to be a resilient business with talented people and the resources to continue to develop within a clear strategic framework Our state of the art products and interest expressed in them by our existing and the increasing number of potential new customers gives us great confidence as we head into the 2013/14 financial year

Packe

M G Packe
Chairman
4TH October 2013

Directors' report for the year ended 31 July 2013

The Directors present their Annual Report and Financial Statements for the year ended 31 July 2013

Results and dividends

The profit and loss account is set out on page 13 and shows the result for the year

The directors have not approved any dividends for the year

Principal activities

KH Holdco Limited is the parent Company of the Kelvin Hughes Group of Companies, a global provider of marine equipment, navigational solutions and surface surveillance radar systems It operates as three divisions as detailed in the Chairman's Statement on pages 2 to 5 These activities are carried out by subsidiary undertakings which are listed in note 10 on page 25 to the financial statements The holding company did not separately trade during the year

The directors are satisfied with the results for the year given the challenging environment and the level of exceptional costs incurred in the year

Enhanced business review

The fair review of the business and details on the performance of the Group are given in the Chairman's Statement on pages 2 to 5

Key performance indicators

The Directors measure the performance of the Group principally by the yardstick of an adjusted EBITDA, in line with the definition within the Investment base case model In the year ended 31 July 2013 EBITDA of £7 1 million was achieved (2012 £3 5 million) EBITDA is arrived at by adjusting operating profit as follows

	2013	*2012*
	£000	*£000*
Operating (loss)	(1,432)	(2,176)
Amortisation of goodwill	2,031	2,031
Amortisation of research and development	1,298	1,212
Depreciation	684	536
One-off costs (relocation, refinancing, business change)	4,325	1,713
Banking and debt issue charges	66	54
Stewardship costs	136	142
EBITDA	7,108	3,512

Future developments

The Group's business plan is for future growth through organic means and to develop the recognised products and services by way of focused sales and marketing activities

Directors' report for the year ended 31 July 2013 (continued)

Research and development

The Group spent £3 2 million on research and development during the year, of which £1 5 million related to development projects which have been capitalised, whilst £1 3 million of previously capitalised research and development was amortised during the year The Group carries out research and development programmes to suit its particular market and product needs

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks The key business risks and uncertainties affecting the Group are

Actions of competitors

The Group operates in highly competitive markets Product innovations or technical advances by competitors could adversely affect the Group The diversity of operations reduces the possible effect of action by any single competitor The Group spends approximately 5% of revenues on research and development in order to sustain competitive advantage and works continually to ensure that the cost base is competitive

Exposure to liquidity risk and debt service risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities The Group aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets throughout the Group The Group also manages liquidity risk via a revolving credit facility and long term debt

Investment in new products, projects and technologies

Kelvin Hughes develops new technologies and introduces new products, in some cases contracting to supply the products to the customer before the design is established or proven All new technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk and potential customer claims Such risks may have a material impact on the Group

Credit risk

Kelvin Hughes is exposed to credit risk in relation to customers, banks and insurers Credit control practice takes into account the perceived risk from the customer base, which is relatively diverse The Group invests considerable time in maintaining an informed relationship with its bankers and monitors the stability of its insurers

People risk

The risk of losing, or not being able to attract, good people is key We pride ourselves in having some of the best professional and skilled people in the industry

Directors' report for the year ended 31 July 2013 (continued)

Employees

The maintenance of a highly skilled workforce is key to the future of the Group Health and safety matters are regularly reviewed by the Directors and it is the Group's policy to ensure that

- full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities,
- when existing employees become disabled (whether from illness or accident) every reasonable effort is made to continue to provide suitable employment either in the same job, or by training, in an alternative job,
- disabled persons are given equal consideration for training, career development and opportunities for promotion within the Group

- Employees are regularly provided with a wide range of information concerning the performance and prospects of the business by means of communications meetings, employee briefings and other consultative bodies which provide for the views and opinions of personnel to be taken into account

Supplier policy

The Group's current policy for the payment of suppliers is as follows

- payment terms are agreed at the start of the relationship with the supplier and are only changed by agreement,
- standard payment terms to suppliers of goods and services are between 30 and 90 days from receipt of a correct invoice for satisfactory goods or services which have been ordered and received unless other terms are agreed in a contract,
- payment is made in accordance with the agreed terms or in accordance with the law if no agreement has been made,
- suppliers are advised when an invoice is contested without delay and disputes will be settled as quickly as possible, and
- actual suppliers days were 54 (2012 53 days) from receipt of correct invoice

Directors

The Directors who held office during the year and to the date of this report were as follows

M Packe
K Lindsay
R Gould
C Easteal
S Hughes
M Taylor
B Wade
P Watson

Charitable and political contributions

The Group has not made any charitable or political contributions during the year (2012 £nil)

Directors' report for the year ended 31 July 2013 (continued)

Directors' assessment of going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and Directors report

In determining the appropriate basis of preparation of the Annual Report and Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, that is for at least 12 months from the date of signing this Report

The loss for the year is stated after charging goodwill amortisation of £2 0m (2012 £2 0m) and rolled up interest on shareholder loan notes of £6 1m (2012 £4 3m) which are non-cash items The Group also had one-off charges of £4 3m in the year The net liabilities of the Group at 31 July 2013 were £21 1m (2012 £11 1m), largely reflecting the impact of the above charges The bulk of the annual interest charge relates to rolled up interest on fixed rate unsecured shareholder loan notes which carry a rolled up interest coupon These loan notes and rolled up interest are treated as debt instruments but do not represent a cash flow strain on the company

In July 2013 the Group completed a refinancing of its banking facilities The new facilities will require adherence to a number of financial and other covenants in the usual way but are considerably less onerous than under the previous banking arrangements The Group's forecasts and projections confirm that the Group expects to be able to operate comfortably within these new facilities

The Group had external borrowing facilities at the year end totalling £75 3m (2012 £67 4m), had cash balances of £2 8m and is expected to deliver a profit at an operating level and positive cashflow in 2013/14

In light of the above, and after making other enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for a period not less than twelve months from the date of signature of the accounts Accordingly, they continue to adopt the going concern basis of accounting in preparing this Annual Report and Financial Statements

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Approved by the Board and signed on its behalf by

C Easteal
Director
4TH October 2013

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 Group and of the profit or loss of the Group for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 Group and Company will continue in business

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of KH Holdco Limited

We have audited the Financial Statements of KH Holdco Limited for the year ended 31 July 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement, and the related notes 1 to 27 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 July 2013 and of the loss of the Group 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

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

Independent auditors' report

to the members of KH Holdco Limited

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

Ernst + Young LLP

Kevin Harkin (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Luton

Date 7 October 2013

Group profit and loss account

for the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Turnover	2	63,123	63,059
Cost of sales		(36,156)	(37,143)
Gross profit		26,967	25,916
Total administrative expenses		(28,399)	(28,092)
Operating profit before administrative expenses disclosed below		6,222	2,780
Amortisation of intangibles		(3,329)	(3,243)
Exceptional items	3	(4,325)	(1,713)
		(7,654)	(4,956)
Operating (loss)	3	(1,432)	(2,176)
Interest receivable and similar income		8	55
Interest payable and similar charges	6	(8,211)	(6,627)
(Loss) on ordinary activities before taxation		(9,635)	(8,748)
Tax on (loss) on ordinary activities	7	56	475
(Loss) for the financial year	19	(9,579)	(8,273)

All amounts relate to continuing activities

Group statement of total recognised gains and losses

for the year ended 31 July 2013

	2013 £000	2012 £000
(Loss) for the financial year attributable to the members of the company	(9,579)	(8,273)
Exchange difference on retranslation of net assets of subsidiary undertakings	369	(128)
Total recognised gains & losses relating to the year	(9,210)	(8,401)

Group balance sheet

at 31 July 2013

Company No. 06391386

	Notes	2013 £000	2012 £000
Fixed assets			
Intangible assets	8	31,673	33,507
Tangible assets	9	4,120	4,346
		35,793	37,853
Current assets			
Stocks	11	10,904	11,521
Debtors	12	12,015	12,581
Cash in bank and in hand		2,797	4,489
		25,716	28,591
Creditors amounts falling due within one year	13	(12,760)	(44,432)
Net current assets / (liabilities)		12,956	(15,841)
Total assets less current liabilities		48,749	22,012
Creditors amounts falling due after more than one year	14	(67,307)	(30,862)
Provisions for liabilities	16	(1,710)	(2,208)
Net liabilities		(20,268)	(11,058)
Capital and reserves			
Called up share capital	18	25	25
Share premium account	19	1,980	1,980
EBT share reserve	19	(33)	(33)
Profit and loss account	19	(22,240)	(13,030)
Shareholders' deficit	19	(20,268)	(11,058)

The financial statements were approved by the Board on 4TH October 2013 and signed on its behalf by

R Gould
Director

C Easteal
Director

Parent company balance sheet

at 31 July 2013

Company No. 06391386

	Notes	2013 £000	2012 £000
Fixed assets			
Investments	10	2,000	2,000
Debtors	12	5	5
Creditors amounts falling due within one year	13	(33)	(33)
Net current liabilities		(28)	(28)
Net assets		1,972	1,972
Capital and reserves			
Called up share capital	18	25	25
Share premium accounts	19	1,980	1,980
EBT share reserve	19	(33)	(33)
Shareholders' funds	19	1,972	1,972

The financial statements were approved by the Board on 4TH October 2013 and signed on its behalf by

R Gould
Director

C Easteal
Director

Group statement of cash flows

for the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	20(a)	3,997	6,394
Returns on investments and servicing of finance	20(b)	(1,866)	(2,209)
Taxation			
Corporation tax paid		(440)	(222)
Capital expenditure and financial investments	20(b)	(1,988)	(4,924)
Net cash (outflow) pre-financing	20(c)	(297)	(961)
Financing	20(b)	(1,395)	(1,775)
(Decrease) in cash	20(c)	(1,692)	(2,736)

Reconciliation of net cash flow to movement in net debt

	Notes	2013 £000	2012 £000
Net debt at 31 July 2013			
(Decrease) in cash	20(c)	(1,692)	(2,736)
(Increase) in debt	20(c)	(4,942)	(2,580)
Movement in net debt		(6,634)	(5,316)
Opening net debt		(57,876)	(52,560)
Closing net debt		(64,510)	(57,876)

Notes to the financial statements

for the year ended 31 July 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards

Group financial statements

The Group financial statements consolidate the financial statements of KH Holdco Limited and all its subsidiary undertakings drawn up to 31 July each year No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006

Estimation techniques

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

- Service guarantee and product liability – an estimate of the probable costs to be incurred is made by reference to historic percentages of warranty cost against product revenue

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax and trade discounts

Specialist equipment assets acquired for rental to customers are capitalised in the balance sheet and depreciated according to the standard depreciation policy Rental income from those assets is invoiced to customers and credited to the Profit and Loss account on a straight line basis over the life of the contract

The Company had no profit or loss for the year ended 31 July 2013

Long term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the period end, by recording turnover and related costs as contract activity progresses

Revenues derived from variations on contracts are recognised only when they have been accepted by the customer Full provision is made for losses on all contracts in the period in which they are first foreseen

Goodwill and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities It is amortised to the profit and loss account over its estimated economic life, which is considered to be 20 years

Goodwill is reviewed for impairment at the end of the first full financial period following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Notes to the financial statements

for the year ended 31 July 2013

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant, machinery, fixtures, fittings and equipment	–	over 3-5 years
Motor vehicles	–	over 4 years
Leasehold Improvements	–	over 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

Net realisable value is based on the estimated selling price less future costs expected to be incurred to completion and disposal

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for diminution in value

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

for the year ended 31 July 2013

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date All differences are taken to the profit and loss account

The results of overseas operations are translated into sterling at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date

Derivative instruments

The Group uses interest rate swaps to fix interest rate exposures

The Group enters into derivative contracts for hedging purposes, but it is not accounting policy to use hedge accounting treatment

Interest rate swaps

The Group's criteria for interest rate swaps are

- the instrument must be related to an asset or a liability, and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Interest differentials are recognised by accruing with net interest payable Interest rate swaps are not shown on the Group balance sheet at the period end If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument

Research and development

Expenditure on research and development is charged to the profit and loss account in the period in which it is incurred with the exception of expenditure on the development of the new product projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility Such expenditure is capitalised and amortised over the period of anticipated sales, commencing in the year sales of the product are first made

Pensions

The Group contributes to employees' individual personal pension plans The pension plans are administered by the pension companies independently of the Group's finances The contributions made by the Group are charged against the profits on a payment basis The level of contribution is decided by the Directors

Employee Benefit Trust

The balance sheets include the assets and liabilities of the Employee Benefit Trust Amounts paid and received by the trust for transactions in the Company's own shares are reported directly in shareholders' funds

Notes to the financial statements

for the year ended 31 July 2013

2. Turnover

An analysıs of turnover by dıvısıon ıs gıven below

	2013	*2012*
	£000	*£000*
Equıpment	26,397	23,128
Chart Servıces	36,726	39,931
	63,123	63,059

Some turnover ıs derıved from outsıde the UK However, the Dırector's do not monıtor revenue by country No further segmental ınformatıon has been provıded on the basıs that the Dırectors belıeve ıt to be prejudıcıal

3. Operating profit

Thıs ıs stated after chargıng/(credıtıng)

	2013	*2012*
	£000	*£000*
Operatıng lease rental ıncome	(484)	(735)
Deprecıatıon of owned fıxed assets	684	536
Amortısatıon of capıtalısed development costs	1,298	1,212
Amortısatıon of goodwıll	2,031	2,031
Audıtors' remuneratıon – audıt	169	191
– tax servıces (complıance)	57	61
– tax servıces (advısory)	40	-
– other servıces	50	67
Operatıng lease rentals – land and buıldıngs	652	676
– plant and machınery	161	136
Research and development	1,708	2,160
Foreıgn exchange (gaıns)/losses	(25)	270
Exceptıonal ıtems	4,325	1,713

£51,000 (2012 £111,000) of the deprecıatıon charge relates to assets leased out under operatıng leases

The audıt fee ın respect of the Parent Company fınancıal statements amounted to £7,500 (2012 £5,000), whıch ıs borne by Kelvın Hughes Lımıted

Exceptıonal ıtems ıncurred ın the year relate to relocatıon costs, refınancıng costs and busıness change costs

Notes to the financial statements

for the year ended 31 July 2013

4. Directors' remuneration

	2013 £000	2012 £000
Aggregate remuneration in respect of qualifying services		
Payable to directors	759	861
Payable to third parties	40	39
Company contributions payable to stakeholder pension schemes	7	24
	806	924

The remuneration of the highest paid Director was £181,000 (2012 £218,000) and company pension contributions of £2,200 (2012 £6,600) were made to a defined contribution scheme on their behalf

The number of Directors accruing benefits under the defined contribution scheme is 5 (2012 5)

5. Staff costs

	2013 £000	2012 £000
Wages and salaries	11,867	12,967
Social security costs	1,307	1,400
Other pension costs	585	623
	13,759	14,990

The average monthly number of employees during the year was made up as follows

	No	No
Production and operations	168	176
Engineering	76	74
Sales and marketing	48	49
Administration	59	80
	351	379

6. Interest payable and similar charges

	2013 £000	2012 £000
On bank loans and overdrafts	1,700	1,705
On other loans	6,235	4,633
Translation loss on loans	276	289
	8,211	6,627

Notes to the financial statements

for the year ended 31 July 2013

7. Tax

(a) Tax on (loss) on ordinary activities

The tax charge is made up as follows

	2013 £000	2012 £000
Current tax		
UK corporation tax on (loss) for the year	-	(686)
Adjustments in respect of prior years	-	114
Total current UK tax	-	(572)
Foreign tax		
Current year	1	(157)
Adjustments in respect of prior years	(3)	-
Total current tax (note 7(b))	(2)	(729)
Deferred tax		
Origination and reversal of timing differences (note 17)	(52)	256
Effect of changes in tax rates on opening liability	(2)	(2)
Total deferred tax	(54)	254
Tax on (loss) on ordinary activities	(56)	(475)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23 7% (2012 25 3%) The differences are explained below

	2013 £000	2012 £000
(Loss) on ordinary activities before tax	(9,635)	(8,748)
(Loss) on ordinary activities multiplied by standard rate of corporation tax of 23 7% (2012 25 3%)	(2,283)	(2,215)
Effects of		
Expenses not deductible for tax purposes	1,847	947
Capital allowances	134	34
Other timing differences	(56)	(22)
Adjustments in respect of prior years	(3)	113
Excess foreign tax on overseas income	-	69
Unrelieved tax losses	359	368
Differences in taxation rates	-	(50)
Other	-	27
Current tax for the year (note 7(a))	(2)	(729)

Notes to the financial statements

for the year ended 31 July 2013

7. **Tax** (continued)

(c) Factors that may affect the future tax charges

At 31 July 2013 the Group has recognised a deferred tax asset of £221,000 (2012 £167,000) arising from decelerated capital allowances and other timing differences (note 17)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date

In Budget 2012 on 21 March 2012, the Chancellor of the Exchequer announced a reduction in the UK rate of corporation tax to 24% from 1 April 2012 and a 1% rate reduction to 23% was also announced effective from 1 April 2013 This was enacted in Finance Act 2012

In his Budget of 20 March 2013, the Chancellor of the Exchequer announced further changes to the UK Corporation Tax rate This included a reduction in the UK corporation tax rate from 23% to 21% effective from 1 April 2014 and a further reduction to 20% effective from 1 April 2015

Finance Act 2013, which includes these further reductions in the UK corporate tax rate to 21% from April 2014, was substantively enacted in July 2013 and so UK deferred tax assets and liabilities have been calculated accordingly at 20%

8. **Intangible fixed assets**

Group

	Capitalised development *£000*	*Goodwill* *£000*	*Total* *£000*
Cost			
At 1 August 2012	6,341	40,119	46,460
Additions	1,495	-	1,495
At 31 July 2013	7,836	40,119	47,955
Amortisation			
At 1 August 2012	(3,324)	(9,629)	(12,953)
Provided during the year	(1,298)	(2,031)	(3,329)
At 31 July 2013	(4,622)	(11,660)	(16,282)
Net book value			
At 31 July 2013	3,214	28,459	31,673
At 1 August 2012	3,017	30,490	33,507

Goodwill arising on the acquisition of the Kelvin Hughes companies by KH Finance Ltd on 8 November 2007 is being amortised evenly over its presumed useful life of 20 years

Development costs have been capitalised in accordance with SSAP 13 *Accounting for research and development* Development costs relating to PassageManager™, SharpEye™ SCV, SharpEye™ SxV and Boxer are being capitalised and are being amortised over 5 years in line with Group policy

Notes to the financial statements

for the year ended 31 July 2013

9. Tangible fixed assets

Group

	Leasehold Improvements	*Plant, machinery, fixtures, fittings and equipment*	*Motor Vehicles*	*Total*
	£000	*£000*	*£000*	*£000*
Cost or valuation				
At 1 August 2012	2,692	3,680	91	6,463
Additions	97	400	-	497
Disposals	-	(1,886)	-	(1,886)
At 31 July 2013	2,789	2,194	91	5,074
Depreciation				
At 1 August 2012	-	(2,117)	-	(2,117)
Charge for the period	(185)	(497)	(2)	(684)
Disposals	-	1,847	-	1,847
At 31 July 2013	(185)	(767)	(2)	(954)
Net book value				
At 31 July 2013	2,604	1,427	89	4,120
At 1 August 2012	2,692	1,563	91	4,346

The figures above include assets held for rental with a cost of £1,403,000 (2012 – £1,519,000) and accumulated depreciation of £1,381,000 (2012 – £1,452,000)

Notes to the financial statements

for the year ended 31 July 2013

10. Investments

Company

	Investment in subsidiaries
	£000
Cost and net book value	
At 1 August 2012 and 31 July 2013	2,000

Subsidiary undertakings

Name	**Country of incorporation or registration**	**Nature of Business**
Subsidiary undertaking (100% owned)		
KH Finance No 2 Limited	England	Provision of finance
Indirectly held (all 100% owned)		
KH Finance Limited	England	Provision of finance
Kelvin Hughes Ltd	England	Design, manufacture, supply and service of navigation and surveillance systems
ChartCo Ltd	England	Distributor of charts, navigational data and marine technical publications
Kelvin Hughes (Nederland) BV	Netherlands	Supply and service of navigation and surveillance systems
ChartCo (Nederland) BV	Netherlands	Distributor of charts, navigational data and marine technical publications
Kelvin Hughes (Singapore) Pte Ltd	Singapore	Supply and service of navigation and surveillance systems
ChartCo (Singapore) Pte ltd	Singapore	Distributor of charts, navigational data and marine technical publications
A/S Kelvin Hughes	Denmark	Supply and service of navigation and surveillance systems
Kelvin Hughes AS	Norway	Supply and service of navigation and surveillance systems
Kelvin Hughes LLC	United States	Supply and service of navigation and surveillance systems

All subsidiary companies have been included in the consolidated financial statements of the Group The Group incorporated one new company in the year, KH Finance No 2 Limited, as part of the refinancing on 26 July 2013 KH Finance No 2 Limited purchased the loan book of KH Finance Limited at book value, being the directors' assessment of market value, in exchange for an inter-company loan

Notes to the financial statements

for the year ended 31 July 2013

11. Stocks

Group

	2013 £000	2012 £000
Raw materials and consumables	4,829	4,355
Work in progress	640	518
Finished goods and goods for resale	5,435	6,648
	10,904	11,521

12. Debtors

Group

	2013 £000	2012 £000
Amounts due within one year		
Trade debtors	10,494	9,930
VAT receivable	304	394
Prepayments and accrued income	538	374
Other debtors	397	1,716
Corporation tax	61	-
Deferred tax	221	167
	12,015	12,581

Company

	2013 £000	2012 £000
Intercompany	4	5

13. Creditors: amounts falling due within one year

Group

	2013 £000	2012 £000
Bank loan (note 15)	-	(31,503)
Trade creditors	(6,743)	(6,383)
Corporation tax	-	(397)
Other taxes and social security costs	(274)	(595)
Other creditors	(444)	(865)
Accruals	(2,178)	(1,457)
Deferred income	(3,121)	(3,232)
	(12,760)	(44,432)

Notes to the financial statements

for the year ended 31 July 2013

13. Creditors: amounts falling due within one year (continued)

Company

	2013	*2012*
	£000	*£000*
Intercompany	(33)	(33)

14. Creditors: amounts falling due after more than one year

Group

	2013	*2012*
	£000	*£000*
Bank loans and other borrowings (note 15)	(67,288)	(28,329)
Accrued interest on loans payable after more than one year	(19)	(2,533)
	(67,307)	(30,862)

Long term loans and facilities are shown net of finance costs of £1,945,000 (2012 £nil), which have been capitalised in accordance with Financial Reporting Standard 4 During the year £1,945,000 of finance costs were capitalised and a charge of £nil (2012 £nil) for amortisation was made

15. Bank loans and other borrowings

Group

	2013	*2012*
	£000	*£000*
Bank loans and other borrowings comprising		
Bank loan	(26,693)	-
Loan notes	(40,614)	(30,862)
Senior bank loan	-	(18,240)
Mezzanine loan	-	(13,263)
At 31 July 2013	(67,307)	(62,365)

Repayments

	2013	*2012*
	£000	*£000*
Amounts repayable		
Due	-	(31,503)
More than five years	(67,307)	(30,862)
At 31 July 2013	(67,307)	(62,365)

Notes to the financial statements

for the year ended 31 July 2013

15. Bank loans and other borrowings (continued)

The Group is funded by a mixture of bank loans and loan notes On 26 July 2013 the Group completed a £33 4m external refinancing of the Group with H I G Capital International Advisors LLP and HSBC Bank PLC The facilities constituted a £28 4m six year unitranche term loan plus a £6 0m multi-currency revolving credit facility (5 5 year term), replacing both the senior and mezzanine loans in their entirety The bank loan accrues interest at LIBOR plus margin of 5 00% cash paid, with interest payable quarterly, plus 4 50% PIK with compounds every six months The bank loan was provided as a single Sterling tranche with part being redenominated into US Dollars as follows

Tranche	*Balance at 31 July 2013*	*Currency*	*Ultimate maturity*	*Interest basis*
A1	29,081,397	US Dollars	26 July 2019	LIBOR +5 00%
A2	9,500,000	Pound Sterling	26 July 2019	LIBOR +5 00%

The funding balance of £5m was provided by the majority shareholder by way of a loan note The balance on the original loan notes at 31 July 2013 was £35,272,000 (2012 £30,862,000) and was held by three parties ECI Venture Nominees Limited, on behalf of ECI8 LP, (93 4%), Sankaty Luxco Sarl (3 8%) and Her Majesty's Revenue & Customs (2 7%) The original loan notes are due for full repayment on 2 November 2018 Interest is currently charged at 15% p a on the loan notes, but will increase to 18% from November 2013 and then to 20% from November 2014 in line with the terms of the loan note instrument dated 8 November 2007 Interest compounds on 7 November annually These loan notes were delisted from the Channel Island Stock Exchange in July 2013

As part of the refinancing on 26 July 2013 a new loan note was issued to the majority shareholder for £5 0m As at 31 July 2013, the balance on this loan note was £5,010,000 Interest is charged at 15% p a and compounds annually each 26 July There is no interest rate ratchet for these loan notes On the same date an additional £330k loan note was issued to the majority shareholder representing the fee for a £2 5m bank guarantee which was in place to 26 July 2013 Interest on this loan note is charged at 20% p a and compounds annually on 26 July

16. Provisions for liabilities

Group

	Service guarantee & product liability £000	*Lease incentive £000*	*Total £000*
At 1 August 2012	(545)	(1,663)	(2,208)
Arising during the year	(37)	-	(37)
Utilised	158	377	535
At 31 July 2013	(424)	(1,286)	(1,710)

Notes to the financial statements

for the year ended 31 July 2013

16. Provisions for liabilities (continued)

The Group provides for the estimated cost of product warranties at the time revenue is recognised on the product The Group's warranty provision is based upon best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within three years of the balance sheet date

17. Deferred taxation

The Group has deferred tax assets which have been recognised in the financial statements, as follows

	2013	*2012*
	£000	*£000*
At 1 August	167	470
Credited to the profit and loss account during the year (note 7(a))	173	(254)
Adjustments in respect of prior years	(119)	(49)
At 31 July	221	167

The Group deferred tax asset balance is made up as follows

	2013	*2012*
	£000	*£000*
Decelerated/(accelerated) capital allowances	218	135
Other timing differences	3	32
At 31 July (see note 12)	221	167

A deferred tax asset has been recognised in the period as it is sufficiently probable that this will be utilised by the Group's trading entities in the future

Deferred tax assets not recognised in the financial statements are as follows

	2013	*2012*
	£000	*£000*
Tax losses	358	465
Other timing differences	485	127

The Group has tax losses arising in the UK of that are available indefinitely for offset against future taxable profits of those companies in which the losses arose Deferred tax assets have not been recognised in respect of those losses as they may not be used to offset taxable profits in the Group and they have arisen in subsidiaries that have been loss making for some time

Notes to the financial statements

for the year ended 31 July 2013

18. Issued share capital

Group and Company

Allotted, called up and fully paid	*No*	*2013 £000*	*No*	*2012 £000*
Ordinary 'A' shares of £0 01 each	1,594,000	16	1,594,000	16
Ordinary 'B' shares of £0 01 each	406,000	4	406,000	4
Ordinary 'C' shares of £0 01 each	467,730	5	467,730	5
	2,467,730	25	2,467,730	25

19. Reconciliation of shareholders' funds and movement on reserves

Group

	Share capital £000	*Share premium £000*	*EBT Share reserve £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 August 2011	20	1,980	(33)	(4,629)	(2,662)
Loss for the year	-	-	-	(8,273)	(8,273)
Share Issue	5	-	-	-	5
Exchange differences on retranslation of net assets of subsidiaries	-	-	-	(128)	(128)
At 1 August 2012	25	1,980	(33)	(13,030)	(11,058)
Loss for the year	-	-	-	(9,579)	(9,579)
Exchange differences on retranslation of net assets of subsidiaries	-	-	-	369	369
At 31 July 2013	25	1,980	(33)	(22,240)	(20,268)

Company

	Share capital £000	*EBT share reserve £000*	*Share premium account £000*	*Total share-holders' funds £000*
At 1 August 2012 and at 31 July 2013	25	(33)	1,980	1,972

Notes to the financial statements

for the year ended 31 July 2013

20. Notes to the statement of cash flows

(a) Reconciliation of operating (loss) to net cash inflow from operating activities

	2013	*2012*
	£000	*£000*
Group operating (loss)	(1,432)	(2,176)
Amortisation of goodwill	2,031	2,031
Amortisation of intangible fixed assets	1,298	1,212
Depreciation of tangible fixed assets	684	536
Loss / (profit) on sale of fixed assets	35	(24)
Decrease / (increase) in stocks	617	(832)
Decrease in debtors	681	3,536
Increase in creditors	581	938
(Decrease) / increase in provisions	(498)	1,173
Net cash inflow from operating activities	3,997	6,394

(b) Analysis of cash inflow/(outflow) headings netted in the statement of cash flows

	2013	*2012*
	£000	*£000*
Returns on investments and servicing of finance		
Interest received	8	55
Interest paid	(1,874)	(2,264)
Net cash outflow	(1,866)	(2,209)

	2013	*2012*
	£000	*£000*
Capital expenditure and financial investment		
Expenditure on qualifying development	(1,495)	(1,217)
Payment to acquire tangible fixed assets	(497)	(3,756)
Receipts from disposal of tangible fixed assets	4	49
Net cash outflow	(1,988)	(4,924)

	2013	*2012*
	£000	*£000*
Financing		
Issue of ordinary shares	-	5
Issue of new loans	33,400	–
Repayment of loans	(32,850)	(1,780)
Capitalisation of refinancing fees	(1,945)	-
Net cash outflow	(1,395)	(1,775)

Notes to the financial statements

for the year ended 31 July 2013

20. Notes to the statement of cash flows (continued)

(c) Analysis of changes in net debt

	At 1 August 2012 £000	*Cash flow £000*	*Non-cash movements £000*	*At 31 July 2013 £000*
Cash at bank and in hand	4,489	(1,692)	-	2,797
Loans due within one year	(31,503)	-	31,503	-
Loans due in more than one year	(30,862)	1,395	(37,840)	(67,307)
Net debt	(57,876)	(297)	(6,337)	(64,510)

The non-cash movements comprise the reclassification of the Group's bank loans to long term liabilities following the refinancing, capitalised loan interest of £6,061,000 (2012 £2,409,000) and foreign exchange loss on translation of US Dollar denominated loans of £276,000 (2012 loss of £289,000)

21. Other financial commitments and guarantees

At 31 July 2013 the Group had no commitments to purchase capital equipment (2012 £nil)

At 31 July 2013 the Group had annual commitments under non-cancellable operating leases as set out below

		Land and buildings		*Other*
	2013 £000	*2012 £000*	*2013 £000*	*2012 £000*
On contracts expiring				
Within one year	90	193	36	28
After one and within five years	199	111	112	107
After five years	677	677	-	-
	966	981	148	164

The Company is a named Obligor to the long-term borrowing agreements between KH Finance Limited and third party lenders that are disclosed in both these financial statements and those of KH Finance Limited, whereby the Company guarantees the interest payable and capital repayments on the loans via a charge on the Company's assets

22. Pensions

The Group operates a defined contribution scheme for which the cost to the Group for the year amounted to £585,000 (2012 £623,000) At 31 July 2013 the Group owed £68,000 (2012 £144,000) to the scheme

Notes to the financial statements

for the year ended 31 July 2013

23. Transactions with directors

There were no transactions with directors in the year (2012 £nil)

24. Derivatives

The Group purchases interest rate swaps from time to time to hedge interest rate exposures The fair values of the derivatives held at the Balance Sheet date, determined by reference to their market values are as follows

	Group and Company	
	2013	*2012*
	£000	*£000*
Interest rate swaps	-	(1,509)

25 Related party transactions

ECI Ventures Limited, which owns all the ordinary 'A' shares of the Company, has the right to nominate up to two Directors, and receives annual fees of £40,000 (2012 – £39,000) in respect of this service

The company has taken advantage of the exemption allowed by FRS 8 not to disclose any transactions with entities that are included in the consolidated financial statements of KH Holdco Limited because all of the subsidiaries are wholly owned

26. Ultimate parent undertaking and controlling party

In the opinion of the Directors, the majority shareholder and ultimate controlling party is ECI Partners LLP in its capacity as manager of ECI8 LLP, a UK limited partnership ECI Partners LLP is incorporated in the United Kingdom and registered in England and Wales

27. Post balance sheet events

There were no reportable post balance sheet events between 1 August 2013 and the date of signing the accounts