

**REGISTRAR OF
COMPANIES**

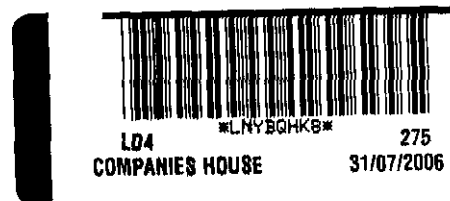
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Gravity Media Group Limited

Report and Financial Statements

Year Ended

30 June 2005



BDO

BDO Stoy Hayward
Chartered Accountants

Gravity Media Group Limited

Annual report and financial statements for the year ended 30 June 2005

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Directors

J Newton
W Newbert
K Moorhouse

Secretary and registered office

W Newbert, Unit 12 Imperial Park, Imperial Way, Watford, Herts, WD24 4PP.

Company number

3879766

Bankers

Barclays Bank plc, Media Banking Centre, 27 Soho Square, London, W1D 3QR.

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Gravity Media Group Limited

Report of the directors for the year ended 30 June 2005

The directors present their report together with the audited financial statements for the year ended 30 June 2005.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activity, trading review and future developments

The company acts as a holding company. The principal activity of the group is the supply of television broadcast equipment and services to rights holders, broadcasters, production companies and other facility providers.

The directors are pleased to report turnover of £20.3m and EBIT of £1.7m. At 30 June 2005 the group held hire stock of £22.4m, cash reserves of £2.7m and retained net assets of £7.0m.

The group was a leading facilities provider at Euro 2004 and the Summer Olympics 2004. In addition to projects the group successfully continues to grow and develop its rental and sales operations.

The business continues to perform in line with expectations despite challenging market conditions and the Board expect to deliver comparable results next year.

Post balance sheet events

These are detailed in note 25 to the financial statements.

Directors

The directors of the company during the year together with their interests in the shares of the company were as follows:

	Ordinary shares of £1 each		'A' ordinary shares of £1 each	
	2005	2004	2005	2004
J Newton	400,000	21,327	-	378,673
W Newbert	6,250	6,250	-	-
K Moorhouse (appointed 26 January 2006)	6,250	6,200	-	-

There are no other directors' interests requiring disclosure under the Companies Act 1985.

Gravity Media Group Limited

Report of the directors for the year ended 30 June 2005 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those 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 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 will continue in business.

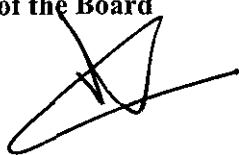
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

J Newton
Director



Date 31 JULY 2006.

Gravity Media Group Limited

Report of the independent auditors

To the shareholders of Gravity Media Group Limited

We have audited the financial statements of Gravity Media Group Limited for the year ended 30 June 2005 on pages 5 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Gravity Media Group Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

31 July 2006

Gravity Media Group Limited**Consolidated profit and loss account for the year ended 30 June 2005**

	Note	2005 £'000	2004 £'000
Turnover	2	20,296	18,060
Cost of sales		(13,049)	(11,858)
Gross profit		7,247	6,202
Administrative expenses		(5,572)	(4,695)
Operating profit	3	1,675	1,507
Interest receivable	6	50	25
Interest payable and other similar charges	6	(344)	(306)
Profit on ordinary activities before taxation		1,381	1,226
Taxation	7	(476)	(497)
Retained profit for the financial year	19	905	729

All amounts relate to continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

Gravity Media Group Limited

Consolidated statement of recognised gains and losses for the year ended 30 June 2005

	2005	2004
	£'000	£'000
Retained profit for the financial year	905	729
Exchange differences	191	9
Share buy back	-	(200)
	<hr/>	<hr/>
Recognised gains and losses since last annual report	1,096	538
	<hr/>	<hr/>

The notes on pages 10 to 23 form part of these financial statements.

Gravity Media Group Limited

Consolidated balance sheet at 30 June 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Intangible assets	9		227		243
Tangible assets	10		9,208		11,547
			<hr/>		<hr/>
			9,435		11,790
Current assets					
Stocks	12	963		1,223	
Debtors	13	2,020		2,768	
Cash at bank and in hand		2,651		943	
		<hr/>		<hr/>	
		5,634		4,934	
Creditors: amounts falling due within one year	14	6,602		7,644	
		<hr/>		<hr/>	
Net current liabilities			(968)		(2,710)
			<hr/>		<hr/>
Total assets less current liabilities			8,467		9,080
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	15		993		2,647
			<hr/>		<hr/>
Provision for liabilities and charges	16		563		618
			<hr/>		<hr/>
Net assets			6,911		5,815
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		450		450
Share premium	18		675		675
Capital redemption reserve	18		50		50
Profit and loss account	18		5,736		4,640
			<hr/>		<hr/>
Shareholders' funds - equity	19		6,911		5,815
			<hr/>		<hr/>

The financial statements were approved by the Board on 31 JULY 2006

J Newton)

) Directors

W Newbert)

The notes on pages 10 to 23 form part of these financial statements.

Gravity Media Group Limited

Company balance sheet at 30 June 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Investments	11		1,738		1,738
Current assets					
Debtors	13	578		-	
Creditors: amounts falling due within one year	14	37		167	
Net current assets/(liabilities)			541		(167)
Net assets			2,279		1,571
Capital and reserves					
Called up share capital	17		450		450
Share premium	18		675		675
Capital redemption reserve	18		50		50
Profit and loss account	18		1,104		396
Shareholders' funds - equity	19		2,279		1,571

The financial statements were approved by the Board on 31 JULY 2006

J Newton)

) Directors

W Newbert)

The notes on pages 10 to 23 form part of these financial statements.

Gravity Media Group Limited

Consolidated cash flow statement for the year ended 30 June 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Net cash inflow from operating activities	21		4,590		6,171
Returns on investment and servicing of finance					
Interest received		50		25	
Interest paid		(234)		(300)	
Finance lease interest paid		(110)		(6)	
Net cash outflow from returns on investment and servicing of finance			(294)		(281)
Taxation					
Corporation tax paid			(194)		(641)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(3,466)		(5,097)	
Sale of tangible fixed assets		2,744		548	
Repurchase of 'B' ordinary shares		-		(200)	
Net cash outflow from capital expenditure and financial investment			(722)		(4,749)
Cash inflow before financing			3,380		500
Financing					
Repayment of borrowing		(1,823)		(2,379)	
Inception of finance leases		590		1,308	
Capital element of finance lease rentals		(439)		(37)	
Cash outflow from financing			(1,672)		(1,108)
Increase/(decrease) in cash in the year	23		1,708		(608)

The notes on pages 10 to 23 form part of these financial statements.

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings made up to 30 June 2005. The group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings which are included from the date of acquisition.

Turnover

Turnover, which excludes value added tax and sales between group companies, consists of revenue derived from the supply of television broadcast equipment and services to the global broadcast market.

Goodwill

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill arising on consolidation is amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is calculated on a straight-line basis at rates designed to write off the difference between cost and estimated residual value of fixed assets over the life of those assets. The annual rates used are:

Plant and equipment	-	between 2 and 5 years
Motor vehicles	-	4 years
Hire stock	-	between 2 and 6 years
Leasehold property	-	over the remaining period of the lease

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except for deferred tax assets which are not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax liabilities and assets are not discounted.

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (*Continued*)

1 Accounting policies (*Continued*)

Stock

Stock is stated at lower of cost and net realisable value.

Foreign currencies

Foreign currency transactions of individual companies with third parties are translated at the rates ruling when they occurred. Foreign currency transactions conducted within the Group are translated at fixed rates of exchange which are equivalent to market rates.

The results of overseas operations are translated 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. Exchange difference which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

The difference between the fixed exchange rates used during the period and those ruling at the balance sheet date are not material.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The charge against the profit and loss account is equal to the employer's contributions for the year in respect of personal pension plans for individual employees.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

2 Turnover and profit on ordinary activities before taxation

The turnover and profit before taxation are wholly attributable to the principal activity of the group.

An analysis of turnover by geographical market is given below:

	2005 £'000	2004 £'000
United Kingdom	13,827	14,140
Australia	5,098	2,744
USA	1,371	1,176
	<u>20,296</u>	<u>18,060</u>

3 Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration		
Audit services - holding company	1	1
- group	23	20
Non-audit services	20	15
Depreciation - owned tangible fixed assets	2,815	3,402
- of assets held under finance lease	272	116
Amortisation of goodwill	16	15
Operating lease rentals - land and buildings and other	154	123
Profit on sale of fixed assets	(2)	(4)
	<u></u>	<u></u>

4 Employees

	2005 £'000	2004 £'000
Staff costs (including directors' remuneration) consist of:		
Wages and salaries	2,797	2,605
Social security costs	278	273
Pension costs	27	25
	<u>3,102</u>	<u>2,903</u>

The average number of employees of the group during the year was 67 (2004 - 67), all of whom were engaged in the principal activity of the group.

Gravity Media Group Limited**Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)****5 Directors**

	2005	2004
	£'000	£'000
Remuneration in respect of directors was as follows:		
Emoluments	322	315
Company contributions to personal pension schemes	27	25
	<hr/>	<hr/>
	349	340
	<hr/>	<hr/>

The amounts set out above include remuneration in respect of the highest paid director as follows:

Emoluments	212	212
Company contribution to personal pension schemes (as above)	27	25
	<hr/>	<hr/>
	239	237
	<hr/>	<hr/>

6 Net interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on bank loans and overdrafts	190	268
Finance charges in respect of finance leases	110	6
Other interest payable and similar charges	44	32
	<hr/>	<hr/>
	344	306
Other interest receivable	(50)	(25)
	<hr/>	<hr/>
	294	281
	<hr/>	<hr/>

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

7 Taxation on profit on ordinary activities

	2005 £'000	2004 £'000
(a) UK corporation tax	128	437
Overseas taxation	502	123
Adjustments in respect of previous periods	(99)	4
	<u>531</u>	<u>564</u>
Total current tax (b)	531	564
Deferred tax:		
Origination and reversal of timing differences (note 16)	(55)	(67)
	<u>476</u>	<u>497</u>
(b) Tax charge reconciliation		
Profits on ordinary activities before tax	<u>1,381</u>	<u>1,226</u>
Profits on ordinary activities at the standard rate of corporation tax 30% (2004 – 30%)	414	368
Effects of:		
Items not deductible	16	84
Depreciation in excess of capital allowances and other deferred tax movements	191	106
Adjustments to tax in respect of previous periods	(99)	4
Sundry timing differences	9	2
	<u>531</u>	<u>564</u>

8 Profit for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes a profit of £708,000 (2004 loss – £34,000) which is dealt with in the financial statements of the company.

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

9 Intangible fixed assets

Group	Goodwill £'000
<i>Cost</i>	
At 1 July 2004 and at 30 June 2005	309
	<hr/>
<i>Amortisation</i>	
At 1 July 2004	66
Provided in the year	16
	<hr/>
At 30 June 2005	82
	<hr/>
<i>Net book value</i>	
At 30 June 2005	227
	<hr/>
At 30 June 2004	243
	<hr/>

Goodwill relates to the acquisition of Gearhouse Broadcast Limited and Gearhouse Broadcast Pty Limited on 29 February 2000. The goodwill is amortised over 20 years, which is the directors estimate of the economic life of the assets acquired.

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (*Continued*)

10 Tangible fixed assets

Group	Short leasehold property £'000	Hire stock £'000	Plant, equipment and motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 July 2004	360	22,788	1,052	24,200
Additions	-	3,333	133	3,466
Exchange movement	-	53	16	69
Disposals	-	(3,768)	(63)	(3,831)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	360	22,406	1,138	23,904
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 July 2004	182	11,685	786	12,653
Provided in the year	36	2,935	116	3,087
Exchange movement	-	33	13	46
Disposals	-	(1,064)	(26)	(1,090)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	218	13,589	889	14,696
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 2005	142	8,817	249	9,208
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	178	11,103	266	11,547
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value of assets held under finance leases</i>				
At 30 June 2005	-	1,342	-	1,342
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	-	1,193	-	1,193
	<hr/>	<hr/>	<hr/>	<hr/>

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (*Continued*)

11 Fixed asset investments

Company	Shares in group undertakings £'000
At 1 July 2004 and at 30 June 2005	1,738

The following were the principal subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements.

Name	Class of share capital held	Proportion held	Nature of business
Gearhouse Broadcast Limited	Ordinary £1 shares	100%	Supply of television broadcast equipment and services
Gearhouse Broadcast Pty Limited	Ordinary AUS\$1 shares	100%	Supply of television broadcast equipment and services
Gearhouse Broadcast LLC	Capital contribution US\$15,000	100%	Supply of television broadcast equipment and services
Gravity Broadcast Limited	Ordinary £1 shares	100%	Holding company

Gearhouse Broadcast Limited, Evolve Digital Limited, Inertia Productions Limited and Gravity Broadcast Limited are incorporated in England and registered in England and Wales. Gravity Media Group Pty Limited, Gearhouse Broadcast Pty Limited, Inertia Event Solutions Pty Limited and Gravity Broadcast Pty Limited are all incorporated in Australia. Gearhouse Broadcast LLC is established in the United States.

On 11 October 2005, Evolve Digital Limited and Inertia Productions Limited (both incorporated in England) were dissolved. In addition, in August 2005, Gravity Media Group Pty Limited, Inertia Event Solutions Pty Limited and Gravity Broadcast Pty Limited (all incorporated in Australia) were deregistered.

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

12 Stocks

	Group 2005 £'000	Group 2004 £'000
Work in progress	29	152
Goods held for resale	934	1,071
	<u>963</u>	<u>1,223</u>

The directors do not consider that any material difference exists between the cost stated above and the present replacement cost.

The company does not hold any work in progress or goods for resale.

13 Debtors

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Trade debtors	1,745	2,565	-	-
Amounts owed by group undertakings	-	-	578	-
Prepayments and accrued income	275	203	-	-
	<u>2,020</u>	<u>2,768</u>	<u>578</u>	<u>-</u>

14 Creditors: amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Bank loans and overdrafts (secured)	1,671	1,823	-	-
Trade creditors	1,586	2,073	-	-
Amounts owed to group undertakings	-	-	37	167
Other taxes and social security	239	52	-	-
Corporation tax	764	427	-	-
Amounts due under finance lease and hire purchase contracts	473	340	-	-
Other creditors	72	45	-	-
Accruals and deferred income	1,797	2,884	-	-
	<u>6,602</u>	<u>7,644</u>	<u>37</u>	<u>167</u>

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

15 Creditors: amounts falling due after more than one year

	Group 2005 £'000	Group 2004 £'000		
Bank loans and overdrafts (secured)	-	1,671		
Amounts due under finance leases and hire purchase contracts	993	976		
	<u>993</u>	<u>2,647</u>		
Maturity of debt:				
	Bank loans and overdrafts 2005 £'000	Bank loans and overdrafts 2004 £'000	Finance leases 2005 £'000	Finance leases 2004 £'000
Within one year	1,671	1,823	473	340
Between one and two years	-	1,671	473	340
Between two and five years	-	-	520	636
	<u>1,671</u>	<u>3,494</u>	<u>1,466</u>	<u>1,316</u>

Bank loans and overdrafts of £1,671,000 comprise a term loan secured by means of a fixed charge over specific assets of the company. The loan is repayable in equal monthly instalments to 31 May 2006. The loan incurs interest at 2% above LIBOR.

16 Provision for liabilities and charges

Group	Deferred taxation £'000						
At 1 July 2004	618						
Credit to profit and loss account (note 7)	(55)						
	<hr/>						
At 30 June 2005	563						
	<hr/> <hr/>						
Amounts provided for deferred tax using a tax rate of 30% (2004 – 30%) are set out below:							
	<table> <tr> <th></th> <th>2005 £'000</th> <th>2004 £'000</th> </tr> <tr> <td>Accelerated capital allowances</td> <td>563</td> <td>618</td> </tr> </table>		2005 £'000	2004 £'000	Accelerated capital allowances	563	618
	2005 £'000	2004 £'000					
Accelerated capital allowances	563	618					

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

17 Share capital

	Company 2005 £'000	Company 2004 £'000
<i>Authorised</i>		
Ordinary shares of £1 each	700	71
'A' ordinary shares of £1 each	-	379
'B' ordinary shares of £1 each	-	50
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
450,000 ordinary shares of £1 each	450	71
378,673 'A' ordinary shares of £1 each	-	379
	<hr/>	<hr/>
	450	450
	<hr/>	<hr/>

All shares rank pari passu. The ordinary shares and 'A' ordinary shares carry equivalent voting rights.

On 12 August 2004 the 378,673 issued 'A' ordinary shares of £1 each were redesignated as ordinary shares of £1 each, and the 50,000 authorised 'B' ordinary shares of £1 each were redesignated as ordinary shares of £1 each. On the same date the authorised share capital was increased by the creation of 200,000 additional ordinary shares of £1 each.

18 Share premium account and reserves

Group	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 July 2004	50	675	4,640
Retained profit for the year	-	-	905
Exchange differences	-	-	191
	<hr/>	<hr/>	<hr/>
At 30 June 2005	50	675	5,736
	<hr/>	<hr/>	<hr/>

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

18 Share premium account and reserves (Continued)

Company	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 July 2004	50	675	396
Profit for the year	-	-	708
At 30 June 2005	<u>50</u>	<u>675</u>	<u>1,104</u>

19 Reconciliation of movements in shareholders' funds

Group	2005 £'000	2004 £'000
Retained profit for the financial year	905	729
Exchange differences	191	9
Repurchase of 'B' ordinary shares	-	(200)
Net increase in shareholders' funds	1,096	538
Opening shareholders' funds	5,815	5,277
Closing shareholders' funds	<u>6,911</u>	<u>5,815</u>
Company	2005 £'000	2004 £'000
Opening shareholders' funds	1,571	1,805
Profit/(loss) for the financial year	708	(34)
Repurchase of 'B' ordinary shares	-	(200)
Closing shareholders' funds	<u>2,279</u>	<u>1,571</u>

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

20 Commitments under operating leases

As at 30 June 2005, the group had annual commitments under non-cancellable operating leases as set out below:

	2005 Land and buildings £'000	2005 Other £'000	2004 Land and buildings £'000	2004 Other £'000
Operating leases which expire:				
Within one year	-	28	-	-
In two to five years	37	-	37	36
After five years	45	-	39	-
	<u>82</u>	<u>28</u>	<u>76</u>	<u>36</u>

21 Net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	1,675	1,507
Depreciation	3,087	3,518
Amortisation	16	15
Profit on sale of tangible fixed assets	(2)	(4)
Decrease/(increase) in stocks	260	(762)
Decrease/(increase) in debtors	748	(1,711)
(Decrease)/increase in creditors	(1,362)	3,582
Exchange differences	168	26
Net cash inflow from operating activities	<u>4,590</u>	<u>6,171</u>

22 Reconciliation of net cash flow to movement in net debt

	2005 £'000	2004 £'000
Increase/(decrease) in cash in the year	1,708	(608)
Cash outflow from financing	1,672	1,108
Movement in net debt in the year	<u>3,380</u>	<u>500</u>
Opening net debt	(3,866)	(4,366)
Closing net debt	<u>(486)</u>	<u>(3,866)</u>

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Notes forming part of the financial statements for the year ended 30 June 2005 (Continued)

23 Analysis of net debt

	At 30 June 2004 £'000	Cash flow £'000	Non cash movement £'000	At 30 June 2005 £'000
Cash in hand and at bank	943	1,708	-	2,651
Debt due after 1 year	(1,671)	-	1,671	-
Debt due within 1 year	(1,823)	1,823	(1,671)	(1,671)
Finance leases	(1,315)	(151)	-	(1,466)
Total	(3,866)	3,380	-	(486)

24 Contingent liabilities

The company is party to the intercompany cross guarantee in which it has guaranteed the bank borrowings of other companies within the group.

25 Post balance sheet events

On 13 July 2005 a dividend of £500,000 was paid.

On 16 January 2006, the company completed a transaction with ITV to purchase 021 Television. 021 Television, based in Birmingham, is one of the UK's largest outside broadcast facility companies with annual turnover of £10 million. The purchase price was approximately £4.8 million.

Post year end Gearhouse Broadcast Limited entered into bank guarantees in the sum of £186,000 and A\$250,000 for overseas contracts.