

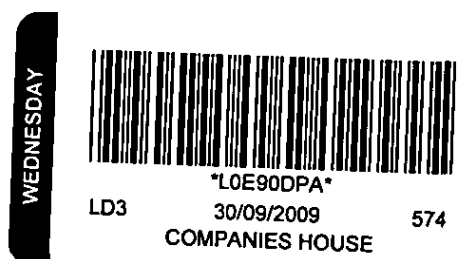
3879766

Gravity Media Group Limited

Report and Financial Statements

Year Ended

31 December 2008



IBDO

BDO Stoy Hayward
Chartered Accountants

Gravity Media Group Limited

**Annual report and financial statements
for the year ended 31 December 2008**

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Directors

J Newton
K Moorhouse
A Young
E Kaye
E Dowdall

Secretary and registered office

E Kaye, Unit 12 Imperial Park, Imperial Way, Watford, Hertfordshire, WD24 4PP.

Company number

3879766

Bankers

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

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

Gravity Media Group Limited

Report of the directors for the year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Principal activity

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.

Trading review and future developments

The results for the year are set out on page 6. Turnover and profit before tax for the year was £49.1m and £1.3m respectively.

The directors continue to view the future with confidence which is reflected in the £8.0m investment in new equipment.

The period under review is consistent with previous comparable years in which there are major sporting events.

Key performance indicators

The group uses a range of financial performance measures to monitor and manage the company effectively. These are turnover, gross margin, EBITDA, hire stock, plant and equipment at cost and net debt.

The key financial performance indicators for the year ended 31 December 2008 are set out below:

	2008 £'000	2007 £'000
Turnover	49,076	31,908
Gross margin	12,834	8,673
EBITDA	8,356	3,985
Hire stock, plant and equipment at cost	46,037	42,203
Net assets	4,872	4,565
Net debt	13,640	14,859

Turnover, gross margin and EBITDA has increased due to growth in all the business streams, including coverage of the major sporting events that did not occur in 2007.

As at 31 December 2008, the group had net current liabilities of £9.8m (2007 - £8.2m). This arises due to the group's fixed assets being considered to be part of its trading inventory and it being group policy to pay down debt quickly.

Principal risks and uncertainties

The main risks affecting the business relate to the ongoing demand for television broadcast equipment and related services. A material proportion of the business relates to televised sports and other events.

Gravity Media Group Limited

Report of the directors for the year ended 31 December 2008 (*Continued*)

Financial instruments

The group uses various financial instruments including cash, asset financing and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the groups operations.

The existence of these financial instruments exposes the business to a number of financial risks, which are described in more detail below. The main risks arising from the group financial instruments are currency risk, credit risk, interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous years.

Currency risk

The group trades internationally and is exposed to movements in Euros, US Dollars and Australian Dollars predominantly. The Board monitors and minimises as far as possible the net exposure on a daily basis.

Credit risk

The group's principal credit risk relates to the recovery of amounts from trade debtors. In order to manage credit risk the directors set limits for customers based upon a combination of payment history and credit checks on new customers. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. Debtors are actively chased by the credit control department.

Interest rate risk

The group's external borrowing attract interest at a variable rate, which is agreed on a regular basis with the lender. The Board also considers the use of fixed rate borrowings from time to time.

Liquidity risk

The business monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

Directors

The directors of the company during the year were as follows:

J Newton	
W Newbert	(resigned 31 March 2009)
K Moorhouse	
A Young	
E Kaye	
E Dowdall	(appointed 1 March 2009)

Gravity Media Group Limited

Report of the directors for the year ended 31 December 2008 (Continued)

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 year. 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


All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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

X



X

Director

Date

X 29 Sept 2009

X

Gravity Media Group Limited

Report of the independent auditors

To the shareholders of Gravity Media Group Limited

We have audited the group and parent company financial statements (the "financial statements") of Gravity Media Group Limited for the year ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 group's and 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 group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors
London*

29 September 2009

Gravity Media Group Limited

Consolidated profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	49,076	31,908
Cost of sales		<u>(36,242)</u>	<u>(23,235)</u>
Gross profit		12,834	8,673
Goodwill amortisation		(15)	(697)
Exceptional costs		-	(246)
Administrative expenses		<u>(10,484)</u>	<u>(9,988)</u>
Total administrative expenses		(10,499)	(10,931)
Operating profit/(loss)	3	2,335	(2,258)
Interest receivable		18	35
Interest payable and other similar charges	6	<u>(1,014)</u>	<u>(1,044)</u>
Profit/(loss) on ordinary activities before taxation		1,339	(3,267)
Taxation on profit/(loss) on ordinary activities	7	<u>(403)</u>	<u>508</u>
Profit/(loss) on ordinary activities for the financial year	18	936	(2,759)

All amounts relate to continuing operations.

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

Gravity Media Group Limited

Consolidated statement of total recognised gains and losses for the year ended 31 December 2008

	2008 £'000	2007 £'000
Profit/(loss) for the financial year	936	(2,759)
Exchange differences	(767)	194
Total recognised gains and losses for the financial year	169	(2,565)

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

Gravity Media Group Limited

Consolidated balance sheet at 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Intangible assets	9		181		196
Tangible assets	10		21,245		20,902
			<hr/>		<hr/>
			21,426		21,098
Current assets					
Stocks	12	2,235		742	
Debtors	13	4,620		6,851	
Cash at bank and in hand		621		357	
		<hr/>		<hr/>	
		7,476		7,950	
Creditors: amounts falling due within one year	14	17,293		16,166	
		<hr/>		<hr/>	
Net current liabilities			(9,817)		(8,216)
			<hr/>		<hr/>
Total assets less current liabilities			11,609		12,882
Creditors: amounts falling due after more than one year	15		6,875		8,317
			<hr/>		<hr/>
Net assets			4,734		4,565
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		450		450
Share premium	17		675		675
Capital redemption reserve	17		50		50
Profit and loss account	17		3,559		3,390
			<hr/>		<hr/>
Shareholders' funds	18		4,734		4,565
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 29 Sept 2009

J Newton)
E Kaye) **Directors**

x  x
x  x

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

Gravity Media Group Limited

Company balance sheet at 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Investments	11		1,738		1,738
Current assets					
Debtors – due within one year	13	-		37	
– due after more than one year	13	3,930		3,930	
		3,930		3,967	
Creditors: amounts falling due within one year	14	3,062		1,708	
Net current assets			868		2,259
Total assets less current liabilities			2,606		3,997
Creditors: amounts falling due after more than one year	15		1,975		3,000
Net assets			631		997
Capital and reserves					
Called up share capital	16		450		450
Share premium	17		675		675
Capital redemption reserve	17		50		50
Profit and loss account	17		(544)		(178)
Shareholders' funds	18		631		997

The financial statements were approved by the Board of Directors and authorised for issue on 29 Sept 2009

J Newton)
E Kaye) **Directors**

x  x

x  x

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

Gravity Media Group Limited

Consolidated cash flow statement for the year ended 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net cash inflow from operating activities	20		8,431		4,778
Returns on investment and servicing of finance					
Interest received		18		35	
Interest paid		(469)		(459)	
Finance lease interest paid		(544)		(585)	
Net cash outflow from returns on investment and servicing of finance			(995)		(1,009)
Taxation					
Corporation tax paid			(84)		(304)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(8,407)		(8,169)	
Sale of tangible fixed assets		2,274		627	
Net cash outflow from capital expenditure and financial investment			(6,133)		(7,542)
Cash inflow/(outflow) before financing			1,219		(4,077)
Financing					
Repayment of borrowing		(1,688)		(225)	
Inception of finance leases		2,451		4,172	
Capital element of finance lease rentals		(2,605)		(2,136)	
Inception of new bank debt		1,600		798	
Cash (outflow)/inflow from financing			(242)		2,609
Increase/(decrease) in cash in the year	21,22		977		(1,468)

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

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 31 December 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention on a going concern basis, and 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 31 December 2008. 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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at the following annual rates in order to write off the cost, less estimated residual value, of each assets over its estimated useful life:

Hire stock, plant and equipment	-	between 2 and 10 years
Computer equipment and motor vehicles	-	between 3 and 5 years
Short leasehold property	-	over the period of the lease

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Stock

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

Gravity Media Group Limited

Notes forming part of the financial statements for the year ended 31 December 2008 (*Continued*)

1 Accounting policies (*Continued*)

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 year and those ruling at the balance sheet date are not material.

Leased assets

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the company, 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.

Dividends

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

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

2 Turnover and profit/(loss) on ordinary activities before taxation

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

An analysis of turnover by geographical market is given below:

	2008 £'000	2007 £'000
United Kingdom	40,720	24,859
Australia	7,393	5,692
USA	963	1,357
	<u>49,076</u>	<u>31,908</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2008 £'000	2007 £'000
Auditors' remuneration		
Audit services - holding company	1	1
- group	82	65
Taxation services	41	48
Depreciation - owned tangible fixed assets	4,108	3,848
- of assets held under finance lease	1,898	1,698
Amortisation of goodwill	15	697
Operating lease rentals - land and buildings and other	499	499
Exceptional costs - Redundancy costs	-	246
(Profit) on sale of fixed assets	(43)	-
(Profit)/loss on foreign exchange	(494)	66
	<u></u>	<u></u>

4 Employees

Staff costs (including directors) consist of:

	2008 £'000	2007 £'000
Wages and salaries	5,890	5,782
Social security costs	598	592
Pension costs	151	148
	<u>6,639</u>	<u>6,522</u>

The average number of employees (including directors) of the group during the year was 130 (2007 – 132), 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 31 December 2008 (Continued)

5 Directors' remuneration

	2008 £'000	2007 £'000
Remuneration in respect of directors was as follows:		
Emoluments	767	646
Company contributions to personal pension schemes	74	59
	<u>841</u>	<u>705</u>

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

Emoluments	251	235
Company contribution to personal pension schemes (as above)	34	28
	<u>285</u>	<u>263</u>

6 Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable on bank loans and overdrafts	364	424
Finance charges in respect of finance leases	544	585
Other interest payable and similar charges	106	35
	<u>1,014</u>	<u>1,044</u>

7 Taxation

	2008 £'000	2007 £'000
(a) UK corporation tax	350	-
Overseas taxation	53	100
Adjustments in respect of previous periods	-	78
	<u>403</u>	<u>178</u>
Total current tax (b)	403	178
Deferred tax:		
Origination and reversal of timing differences	-	(686)
	<u>403</u>	<u>(508)</u>

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (Continued)

7 Taxation

	2008 £'000	2007 £'000
(b) Tax charge reconciliation		
Profit/(loss) on ordinary activities before tax	1,339	(3,267)
Profit/(loss) on ordinary activities at the standard rate of corporation tax 28% (2007 – 30%)	375	(980)
Effects of:		
Items not deductible	45	22
Capital allowances in (excess)/deficit of depreciation	(36)	1,046
Adjustments to tax in respect of previous periods	-	78
Sundry timing differences	19	12
	403	178

As at 31 December 2008, the group had £277,000 (2007 - £Nil) of unrecognised deferred tax assets in respect of accelerated capital allowances. These accelerated capital allowances have not been recognised as they are expected to reverse in the foreseeable future.

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 loss of £366,000 (2007 – loss of £407,000) 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 31 December 2008 (*Continued*)

9 Intangible fixed assets

Group	Goodwill on acquisition £'000
<i>Cost</i>	
At 1 January 2008 and at 31 December 2008	309
<i>Amortisation</i>	
At 1 January 2008	113
Provided in the year	15
At 31 December 2008	128
<i>Net book value</i>	
At 31 December 2008	181
At 31 December 2007	196

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 director's estimate of the economic life of the assets acquired.

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

10 Tangible fixed assets

Group	Short leasehold property £'000	Hire stock, plant and equipment £'000	Computer equipment and motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 January 2008	327	42,203	1,039	43,569
Additions	26	8,059	322	8,407
Exchange movement	-	289	66	355
Disposals	-	(4,514)	(227)	(4,741)
At 31 December 2008	353	46,037	1,200	47,590
<i>Depreciation</i>				
At 1 January 2008	64	21,913	690	22,667
Provided in the year	33	5,775	198	6,006
Exchange movement	-	115	67	182
Disposals	-	(2,313)	(197)	(2,510)
At 31 December 2008	97	25,490	758	26,345
<i>Net book value</i>				
At 31 December 2008	256	20,547	442	21,245
At 31 December 2007	263	20,290	349	20,902
<i>Net book value of assets held under finance leases</i>				
At 31 December 2008	210	7,965	-	8,175
At 31 December 2007	241	8,155	-	8,396

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (Continued)

11 Fixed asset investments

Company	Shares in group undertakings £'000
At 1 January 2008 and at 31 December 2008	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 AU\$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
BPC2083 Limited	Ordinary £1 shares	100%	Supply of Outside Broadcast equipment and services
021 Television Limited company	Ordinary £1 shares	100%	Non-trading dormant

Gearhouse Broadcast Limited, BPC2083 Limited, 021 Television Limited and Gravity Broadcast Limited are incorporated in England and registered in England and Wales. Gearhouse Broadcast Pty Limited is incorporated in Australia. Gearhouse Broadcast LLC is established in the United States.

12 Stocks

	Group 2008 £'000	Group 2007 £'000
Work in progress	308	129
Goods held for resale	1,927	613
	<u>2,235</u>	<u>742</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

13 Debtors

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade debtors	3,552	6,029	-	-
Prepayments and accrued income	749	822	-	37
Other debtors	319	-	-	-
	<u>4,620</u>	<u>6,851</u>	<u>-</u>	<u>37</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	3,930	3,930

All amounts shown under debtors fall due for payment within one year, with the exception of certain amounts owed by group undertakings, which are due after more than one year.

14 Creditors: amounts falling due within one year

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank loans and overdrafts (secured) (note 15)	4,942	4,719	1,025	1,275
Trade creditors	4,568	5,554	-	-
Amounts owed to group undertakings	-	-	2,021	373
Other taxes and social security	526	512	-	-
Corporation tax	464	145	-	-
Amounts due under finance lease and hire purchase contracts	2,444	2,180	-	-
Accruals and deferred income	4,349	3,056	16	60
	<u>17,293</u>	<u>16,166</u>	<u>3,062</u>	<u>1,708</u>

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (Continued)

15 Creditors: amounts falling due after more than one year

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank loans and overdrafts (secured)	1,975	3,000	1,975	3,000
Amounts due under finance leases and hire purchase contracts	4,900	5,317	-	-
	<u>6,875</u>	<u>8,317</u>	<u>1,975</u>	<u>3,000</u>
Maturity of debt:				
	Bank loans and overdrafts 2008 £'000	Bank loans and overdrafts 2007 £'000	Finance leases 2008 £'000	Finance leases 2007 £'000
Within one year	4,942	4,719	2,444	2,180
Between one and two years	1,275	1,025	1,902	1,908
Between two and five years	700	1,975	2,935	2,309
After five years	-	-	63	1,100
	<u>6,917</u>	<u>7,719</u>	<u>7,344</u>	<u>7,497</u>

Bank loans comprise:

- A term loan (£3.0m) secured by means of a fixed charge over specific assets of the company, repayable in quarterly instalments to 31 July 2011 with interest at 1.85% above base.
- A commercial bill facility (£0.38m) at market rates determined from time to time, repayable upon maturity within one year.
- A bank loan of £1.6m at an interest rate of 2% above LIBOR and repayable in equal instalments to 31 December 2009.

The group overdraft facility has a gross limit of £5.0m and net limit of £3.5m at an interest rate of 2.75% above base. The overdraft facility is repayable on demand.

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

16 Share capital

	Group and company 2008 £'000	Group and company 2007 £'000
<i>Authorised</i>		
700,000 ordinary shares of £1 each	700	700
<i>Allotted, called up and fully paid</i>		
450,000 ordinary shares of £1 each	450	450

17 Share premium account and reserves

Group	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2008	50	675	3,390
Profit for the year	-	-	936
Exchange differences	-	-	(767)
At 31 December 2008	50	675	3,559
Company			
At 1 January 2008	50	675	(178)
Loss for the year	-	-	(366)
At 31 December 2008	50	675	(544)

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

18 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Group		
Profit/(loss) for the financial year	936	(2,759)
Exchange differences	(767)	194
	<hr/>	<hr/>
Net increase/(decrease) in shareholders' funds	169	(2,565)
Opening shareholders' funds	4,565	7,130
	<hr/>	<hr/>
Closing shareholders' funds	4,734	4,565
	<hr/>	<hr/>
Company		
Opening shareholders' funds	997	1,404
Loss for the financial year	(366)	(407)
	<hr/>	<hr/>
Closing shareholders' funds	631	997
	<hr/>	<hr/>

19 Commitments under operating leases

As at 31 December 2008, the group had annual commitments under non-cancellable operating leases as set out below:

	2008 Land and buildings £'000	2008 Other £'000	2007 Land and buildings £'000	2007 Other £'000
Operating leases which expire:				
Within one year	136	19	165	4
In two to five years	195	-	189	31
After five years	150	-	150	-
	<hr/>	<hr/>	<hr/>	<hr/>
	481	19	504	35
	<hr/>	<hr/>	<hr/>	<hr/>

Gravity Media Group Limited

Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)

20 Net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating profit/(loss)	2,335	(2,258)
Depreciation	6,006	5,546
Amortisation	15	697
(Profit) on sale of tangible fixed assets	(43)	-
(Increase)/decrease in stocks	(1,493)	401
Decrease/(increase) in debtors	2,231	(2,676)
Increase in creditors	321	2,996
Exchange differences	(941)	72
	<hr/>	<hr/>
Net cash inflow from operating activities	8,431	4,778
	<hr/>	<hr/>

21 Reconciliation of net cash flow to movement in net debt

	2008 £'000	2007 £'000
Increase/(decrease) in cash in the year	977	(1,468)
Cash outflow/(inflow) from financing	242	(2,609)
	<hr/>	<hr/>
Movement in net debt in the year	1,219	(4,077)
Opening net debt	(14,859)	(10,782)
	<hr/>	<hr/>
Closing net debt	(13,640)	(14,859)
	<hr/>	<hr/>

22 Analysis of net debt

	At 31 December 2007 £'000	Cash flow £'000	Non cash movement £'000	At 31 December 2008 £'000
Cash in hand and at bank	357	977	(713)	621
Debt due after 1 year	(3,000)	-	1,025	(1,975)
Debt due within 1 year	(4,719)	89	(312)	(4,942)
Finance leases due after 1 year	(5,317)	-	417	(4,900)
Finance leases due within 1 year	(2,180)	153	(417)	(2,444)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(14,859)	1,219	-	(13,640)
	<hr/>	<hr/>	<hr/>	<hr/>

Gravity Media Group Limited

**Notes forming part of the financial statements
for the year ended 31 December 2008 (*Continued*)**

23 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.

24 Related party transactions

Included within other debtors is an amount of £75,000 due from John Newton, a director of the company. The maximum amount outstanding during the year was £175,000. This balance was repaid in full including any associated interest after the balance sheet date.