

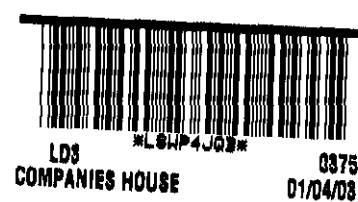
**REGISTRAR OF  
COMPANIES**

**Gravity Media Group Limited**

Report and Financial Statements

Year Ended

30 June 2002



**BDO**

BDO Stoy Hayward  
Chartered Accountants

# **GRAVITY MEDIA GROUP LIMITED**

## **Annual report and financial statements for the year ended 30 June 2002**

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Directors

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### **Directors**

J Newton  
W Newbert

### **Secretary and registered office**

W Newbert, Unit 14 Olympic Industrial Estate, Fulton Road, Wembley, Middlesex, HA9 0TF.

### **Company number**

3879766

### **Bankers**

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

### **Auditors**

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

# GRAVITY MEDIA GROUP LIMITED

## Report of the directors for the year ended 30 June 2002

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The directors present their report together with the audited financial statements for the year ended 30 June 2002.

### Results and dividends

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

In view of the group's growth objectives, 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 the global broadcast market.

The directors are pleased to report turnover of £18.83 million, an increase of over 30% on the previous year. EBIT increased to £2.95 million or 15.7% of turnover.

During the year the group spent £9.88 million on capital expenditure and has an equipment inventory in excess of £22 million. At 30 June 2002 the group had cash reserves of £2.45 million and total net assets of £4.37 million.

The group was a leading facilities provider at both Winter Olympics and Football World Cup in 2002. In addition to large 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. A new operation has been successfully launched in the US and the group continues to look for other growth opportunities.

### Directors

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

|           | Ordinary shares<br>of £1 each |        | 'A' ordinary shares<br>of £1 each |         |
|-----------|-------------------------------|--------|-----------------------------------|---------|
|           | 2002                          | 2001   | 2002                              | 2001    |
| J Newton  | 21,327                        | 21,327 | 378,673                           | 378,673 |
| W Newbert | -                             | -      | -                                 | -       |

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 2002 (*Continued*)**

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#### **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:

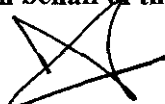
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 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**

**25** March 2003

## **GRAVITY MEDIA GROUP LIMITED**

### **Report of the independent auditors**

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#### **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 2002 on pages 5 to 25 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.

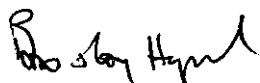
**GRAVITY MEDIA GROUP LIMITED**

**Report of the independent auditors (*Continued*)**

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*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 2002 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**

*Chartered Accountants  
and Registered Auditors*  
London

25 March 2003

**GRAVITY MEDIA GROUP LIMITED****Consolidated profit and loss account for the year ended 30 June 2002**

|  | Note | 2002<br>£'000 | 2001<br>(restated)<br>£'000 |
|--|------|---------------|-----------------------------|
| Turnover   | 3    | 18,827        | 14,461                      |
| Cost of sales  |      | (11,174)      | (8,638)                     |
| <b>Gross profit</b>                                  |      | <b>7,653</b>  | <b>5,823</b>                |
| Administrative expenses                              |      | (4,699)       | (3,152)                     |
| <b>Operating profit</b>                              | 4    | <b>2,954</b>  | <b>2,671</b>                |
| Interest receivable                                  | 7    | 54            | 38                          |
| Interest payable and other similar charges           | 7    | (559)         | (599)                       |
| <b>Profit on ordinary activities before taxation</b> |      | <b>2,449</b>  | <b>2,110</b>                |
| Taxation   | 8    | (756)         | (610)                       |
| <b>Retained profit for the financial year</b>        | 20   | <b>1,693</b>  | <b>1,500</b>                |

All amounts relate to continuing operations.

The comparative figures have been restated to reflect a prior year adjustment relating to deferred tax, details of which can be found in note 2.

The notes on pages 10 to 25 form part of these financial statements.

# **GRAVITY MEDIA GROUP LIMITED**

## **Consolidated statement of recognised gains and losses for the year ended 30 June 2002**

|                               | 2002         | 2001<br>(restated) |
|-------------------------------|--------------|--------------------|
|                               | £'000        | £'000              |
| Profit for the financial year | 1,693        | 1,500              |
| Prior year adjustment         | (665)        | -                  |
| Exchange differences          | (15)         | -                  |
|                               | <u>1,013</u> | <u>1,500</u>       |

The comparative figures have been restated to reflect a prior year adjustment relating to deferred tax, details of which can be found in note 2.

The notes on pages 10 to 25 form part of these financial statements.



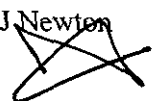

# GRAVITY MEDIA GROUP LIMITED

## Consolidated balance sheet at 30 June 2002

|  | Note | 2002<br>£'000 | 2002<br>£'000 | 2001<br>(restated)<br>£'000 | 2001<br>(restated)<br>£'000 |
|--|------|---------------|---------------|-----------------------------|-----------------------------|
| <b>Fixed assets</b>  |      |               |               |                             |                             |
| Intangible assets  | 10   |               | 273           |                             | 288                         |
| Tangible assets  | 11   |               | 14,208        |                             | 7,993                       |
|  |      |               | <hr/>         |                             | <hr/>                       |
|  |      |               | 14,481        |                             | 8,281                       |
| <b>Current assets</b>  |      |               |               |                             |                             |
| Stocks   | 13   | 1,037         |               | 96                          |                             |
| Debtors  | 14   | 1,846         |               | 1,447                       |                             |
| Cash at bank and in hand                                       |      | <u>2,452</u>  |               | <u>915</u>                  |                             |
|  |      | 5,335         |               | 2,458                       |                             |
| <b>Creditors: amounts falling due within one year</b>          | 15   | <u>9,932</u>  |               | <u>4,707</u>                |                             |
| <b>Net current liabilities</b>                                 |      |               | (4,597)       |                             | (2,249)                     |
|  |      |               | <hr/>         |                             | <hr/>                       |
| <b>Total assets less current liabilities</b>                   |      |               | 9,884         |                             | 6,032                       |
| <b>Creditors: amounts falling due after more than one year</b> | 16   |               | 4,678         |                             | 2,679                       |
| <b>Provision for liabilities and charges</b>                   | 18   |               | 840           |                             | 665                         |
|  |      |               | <hr/>         |                             | <hr/>                       |
| <b>Net assets</b>  |      |               | 4,366         |                             | 2,688                       |
|  |      |               | <hr/>         |                             | <hr/>                       |
| <b>Capital and reserves</b>                                    |      |               |               |                             |                             |
| Called up share capital  | 19   |               | 500           |                             | 500                         |
| Share premium  | 20   |               | 675           |                             | 675                         |
| Profit and loss account  | 20   |               | 3,191         |                             | 1,513                       |
|  |      |               | <hr/>         |                             | <hr/>                       |
| <b>Shareholders' funds - equity</b>                            | 21   |               | 4,366         |                             | 2,688                       |
|  |      |               | <hr/>         |                             | <hr/>                       |

The comparative figures have been restated to reflect a prior year adjustment relating to deferred tax, details of which can be found in note 2.

The financial statements were approved by the Board on 25 March 2003

J Newton )  
 ) **Directors**  
W Newbert )  
 )

The notes on pages 10 to 25 form part of these financial statements.

# GRAVITY MEDIA GROUP LIMITED

## Company balance sheet at 30 June 2002

|  | Note | 2002<br>£'000 | 2002<br>£'000 | 2001<br>£'000 | 2001<br>£'000 |
|--|------|---------------|---------------|---------------|---------------|
| <b>Fixed assets</b>  |      |               |               |               |               |
| Investments  | 12   |               | 1,738         |               | 1,738         |
| <b>Current assets</b>  |      |               |               |               |               |
| Debtors  | 14   | 1,746         |               | 2,393         |               |
| <b>Creditors: amounts falling due within one year</b>          | 15   | 1,037         |               | 1,040         |               |
|  |      |               |               |               |               |
| <b>Net current assets</b>                                      |      |               | 709           |               | 1,353         |
|  |      |               |               |               |               |
| <b>Total assets less current liabilities</b>                   |      |               | 2,447         |               | 3,091         |
|  |      |               |               |               |               |
| <b>Creditors: amounts falling due after more than one year</b> | 16   |               | 555           |               | 1,555         |
|  |      |               |               |               |               |
| <b>Net assets</b>  |      |               | 1,892         |               | 1,536         |
|  |      |               |               |               |               |
| <b>Capital and reserves</b>                                    |      |               |               |               |               |
| Called up share capital  | 19   |               | 500           |               | 500           |
| Share premium  | 20   |               | 675           |               | 675           |
| Profit and loss account  | 20   |               | 717           |               | 361           |
|  |      |               |               |               |               |
| <b>Shareholders' funds - equity</b>                            | 21   |               | 1,892         |               | 1,536         |

The financial statements were approved by the Board on 25 March 2003

J Newton )  
 ) Directors  
 )  
 W Newbert )  
 )  
 )

The notes on pages 10 to 25 form part of these financial statements.

# GRAVITY MEDIA GROUP LIMITED

## Consolidated cash flow statement for the year ended 30 June 2002

|   | Note | 2002<br>£'000 | 2002<br>£'000 | 2001<br>£'000 | 2001<br>£'000 |
|---|------|---------------|---------------|---------------|---------------|
| <b>Net cash inflow from operating activities</b>                            | 24   |               | 9,738         |               | 2,433         |
| <b>Returns on investment and servicing of finance</b>                       |      |               |               |               |               |
| Interest received   |      | 54            |               | 38            |               |
| Interest paid   |      | (302)         |               | (289)         |               |
| Finance lease interest paid   |      | (257)         |               | (310)         |               |
|   |      |               |               |               |               |
| <b>Net cash outflow from returns on investment and servicing of finance</b> |      |               | (505)         |               | (561)         |
| <b>Taxation</b>   |      |               |               |               |               |
| Corporation tax paid  |      |               | (833)         |               | (110)         |
| <b>Capital expenditure and financial investment</b>                         |      |               |               |               |               |
| Purchase of tangible fixed assets   |      | (9,886)       |               | (4,247)       |               |
| Sale of tangible fixed assets   |      | 564           |               | 1,994         |               |
|   |      |               |               |               |               |
| <b>Net cash outflow from capital expenditure and financial investment</b>   |      |               | (9,322)       |               | (2,253)       |
| <b>Cash outflow before financing</b>  |      |               | (922)         |               | (491)         |
| <b>Financing</b>  |      |               |               |               |               |
| Repayment of borrowing  |      | (1,000)       |               | (782)         |               |
| Inception of finance leases   |      | 5,242         |               | 2,741         |               |
| Capital element of finance lease rentals                                    |      | (1,783)       |               | (2,685)       |               |
| Share capital subscribed  |      | -             |               | 400           |               |
|   |      |               |               |               |               |
| <b>Cash inflow/(outflow) from financing</b>                                 |      |               | 2,459         |               | (326)         |
| <b>Increase/(decrease) in cash in the year</b>                              | 26   |               | 1,537         |               | (817)         |

The notes on pages 10 to 25 form part of these financial statements.

## GRAVITY MEDIA GROUP LIMITED

### Notes forming part of the financial statements for the year ended 30 June 2002

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#### 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:

In preparing these financial statements the group has adopted the following Financial Reporting Standard for the first time:

##### *FRS 19 Deferred Tax*

The adoption of FRS 19 has resulted in a change of accounting policy and prior year adjustment. The impact of this is further explained under deferred taxation below and in note 2.

##### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings made up to 30 June 2002. 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 rental and sale of 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.

##### *Impairment of fixed assets and goodwill*

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

##### *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 |

## GRAVITY MEDIA GROUP LIMITED

### Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

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#### 1 Accounting policies (*Continued*)

##### *Deferred tax*

Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet.

##### *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. Foreign currency monetary assets and liabilities within the Group are also translated at these fixed exchange rates, with any differences taken to the profit and loss account.

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 2002 (Continued)

### 2 Prior year adjustment

The company has changed its accounting policy in respect of deferred tax following the decision to adopt FRS 19 'Deferred Tax' this year. Under the company's previous accounting policy deferred tax was only recognised to the extent that it was probable that an asset or liability would crystallise. The company's new accounting policy is set out on note 1.

The effect of the change in accounting policy in respect of deferred tax is to decrease reported profit after tax in the year to 30 June 2001 by £80,000. Had the policy not been revised, the reported profit after tax in the year to 30 June 2002 would have been £175,000 higher. The deferred tax provision of £840,000 and £665,000 in the current and prior year respectively would not have been recognised in the balance sheet under the previous accounting policy.

### 3 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:

|                | 2002<br>£'000 | 2001<br>£'000 |
|----------------|---------------|---------------|
| United Kingdom | 16,425        | 9,030         |
| Australia      | 2,402         | 5,431         |
|                | <u>18,827</u> | <u>14,461</u> |

### 4 Operating profit

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| Operating profit is stated after charging/(crediting):         |               |               |
| Auditors' remuneration   |               |               |
| Audit services - holding company                               | 1             | 1             |
| - group  | 27            | 20            |
| Non-audit services   | 26            | 9             |
| Depreciation - owned assets                                    | 2,143         | 1,365         |
| - assets held under finance leases and hire purchase contracts | 808           | 678           |
| Impairment of fixed assets                                     | 159           | -             |
| Amortisation of goodwill                                       | 15            | 16            |
| Operating lease rentals - land and buildings                   | 59            | 39            |
| - other  | 55            | 56            |
| Profit on sale of fixed assets                                 | -             | (3)           |
|  | <u></u>       | <u></u>       |

## GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

### 5 Employees

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Staff costs (including directors' remuneration) consist of: |               |               |
| Wages and salaries  | 2,463         | 1,698         |
| Social security costs                                       | 246           | 170           |
| Pension costs   | 25            | 15            |
|   | <u>2,734</u>  | <u>1,883</u>  |

The average number of employees of the group during the year was 60 (2001 – 46), all of which were engaged in the principal activity of the group.

### 6 Directors

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| Remuneration in respect of directors was as follows: |               |               |
| Emoluments   | 456           | 288           |
| Company contributions to personal pension schemes    | 15            | 15            |
|  | <u>471</u>    | <u>303</u>    |

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

|   |            |            |
|---|------------|------------|
| Emoluments  | 345        | 204        |
| Company contribution to personal pension schemes (as above) | 15         | 15         |
|   | <u>360</u> | <u>219</u> |

# GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

## 7 Net interest payable and similar charges

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Interest payable on bank loans and overdrafts | 194           | 230           |
| Finance charges in respect of finance leases  | 302           | 310           |
| Other interest payable and similar charges    | 63            | 59            |
|   | <hr/>         | <hr/>         |
|   | 559           | 599           |
| Other interest receivable                     | (54)          | (38)          |
|   | <hr/>         | <hr/>         |
|   | 505           | 561           |
|   | <hr/>         | <hr/>         |

## 8 Taxation charge on profit on ordinary activities

|   | 2002<br>£'000 | 2001<br>(restated)<br>£'000 |
|---|---------------|-----------------------------|
| (a) UK corporation tax  | 566           | 397                         |
| Overseas taxation   | 18            | 203                         |
| Adjustments in respect of prior period  | (3)           | (70)                        |
|   | <hr/>         | <hr/>                       |
| Total current tax (b)   | 581           | 530                         |
| Deferred tax:   |               |                             |
| Origination and reversal of timing differences (note 18)                                | 175           | 80                          |
|   | <hr/>         | <hr/>                       |
|   | 756           | 610                         |
|   | <hr/>         | <hr/>                       |
| (b) Tax charge reconciliation   |               |                             |
| Profits on ordinary activities before tax   | 2,449         | 2,110                       |
| Profits on ordinary activities at the standard rate of corporation tax 30% (2000 – 30%) | 735           | 633                         |
| Effects of:   |               |                             |
| Expenses not deductible   | 17            | 47                          |
| Capital allowances in excess of depreciation and other deferred tax movements           | (169)         | (80)                        |
| Adjustments to tax in respect of previous periods                                       | (3)           | (70)                        |
| Sundry timing differences   | 1             | -                           |
|   | <hr/>         | <hr/>                       |
|   | 581           | 530                         |
|   | <hr/>         | <hr/>                       |



## GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

### 9 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 £356,000 (2001 – profit of £345,000) which is dealt with in the financial statements of the company.

### 10 Intangible fixed assets

| Group                              | Goodwill<br>£'000 |
|------------------------------------|-------------------|
| <i>Cost</i>                        |                   |
| At 1 July 2001 and at 30 June 2002 | 309               |
| <i>Amortisation</i>                |                   |
| At 1 July 2001                     | 21                |
| Provided in the year               | 15                |
| At 30 June 2002                    | 36                |
| <i>Net book value</i>              |                   |
| At 30 June 2002                    | 273               |
| At 30 June 2001                    | 288               |

Goodwill relates to the acquisition of Gearhouse Broadcast Limited and Gearhouse Broadcast Pty Limited on 29 February 2001. 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 2002 (*Continued*)

## 11 Tangible fixed assets

| Group   | Short<br>leasehold<br>£'000 | Hire<br>stock<br>£'000 | Plant,<br>equipment<br>and motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---|-----------------------------|------------------------|---|----------------|
| <i>Cost</i>   |                             |                        |   |                |
| At beginning of year                                  | 347                         | 12,492                 | 721   | 13,560         |
| Additions   | 13                          | 9,795                  | 78  | 9,886          |
| Exchange movement                                     | -                           | (3)                    | (1)   | (4)            |
| Disposals   | -                           | (1,239)                | (14)  | (1,253)        |
| At end of year  | <u>360</u>                  | <u>21,045</u>          | <u>784</u>  | <u>22,189</u>  |
| <i>Depreciation</i>                                   |                             |                        |   |                |
| At beginning of year                                  | 66                          | 5,130                  | 371   | 5,567          |
| Provided in the year                                  | 38                          | 2,742                  | 171   | 2,951          |
| Impairment of fixed assets                            | -                           | 159                    | -   | 159            |
| Exchange movement                                     | -                           | (3)                    | (4)   | (7)            |
| Disposals   | -                           | (682)                  | (7)   | (689)          |
| At end of year  | <u>104</u>                  | <u>7,346</u>           | <u>531</u>  | <u>7,981</u>   |
| <i>Net book value</i>                                 |                             |                        |   |                |
| At 30 June 2002                                       | <u>256</u>                  | <u>13,699</u>          | <u>253</u>  | <u>14,208</u>  |
| At 30 June 2001                                       | <u>281</u>                  | <u>7,362</u>           | <u>350</u>  | <u>7,993</u>   |
| Net book value of assets held<br>under finance leases | <u>-</u>                    | <u>6,391</u>           | <u>52</u>   | <u>6,443</u>   |

## GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

### 12 Fixed asset investments

| Company                            | Shares in<br>group<br>undertakings<br>£'000 |
|------------------------------------|---|
| At 1 July 2001 and at 30 June 2002 | 1,738                                       |

At 30 June 2002 the group held 100% of the allotted share capital of the following undertakings:

| Name                                   | Class of share<br>capital held | Proportion<br>held | Nature of business   |
|--|--------------------------------|--------------------|--|
| Gearhouse Broadcast Limited            | Ordinary<br>£1 shares          | 100%               | Supply of television broadcast<br>equipment and services                                 |
| Gearhouse Broadcast Pty<br>Limited     | Ordinary<br>AUS\$1 shares      | 100%               | Supply of television broadcast<br>equipment and services                                 |
| Evolve Digital Limited                 | Ordinary<br>£1 shares          | 100%               | Supply of broadcast and<br>professional equipment to the<br>television and film industry |
| Inertia Productions Limited            | Ordinary<br>£1 shares          | 100%               | Supply of production facilities  |
| Inertia Event Solutions Pty<br>Limited | Ordinary<br>AUS\$1 shares      | 100%               | Supply of presentation<br>solutions  |
| Gravity Broadcast Limited              | Ordinary<br>£1 shares          | 100%               | Dormant  |
| Gravity Media Group Pty<br>Limited     | Ordinary<br>AUS\$1 shares      | 100%               | Dormant  |
| Gravity Broadcast Pty Limited          | Ordinary<br>AUS\$1 shares      | 100%               | Dormant  |

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.

# GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

## 13 Stocks

|                       | Group<br>2002<br>£'000 | Group<br>2001<br>£'000 |
|-----------------------|------------------------|------------------------|
| Work in progress      | 377                    | -                      |
| Goods held for resale | 660                    | 96                     |
|                       | <u>1,037</u>           | <u>96</u>              |

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

## 14 Debtors

|                                    | Group<br>2002<br>£'000 | Group<br>2001<br>£'000 | Company<br>2002<br>£'000 | Company<br>2001<br>£'000 |
|------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade debtors                      | 906                    | 1,158                  | -                        | -                        |
| Amounts owed by group undertakings | -                      | -                      | 1,246                    | 1,893                    |
| Other debtors                      | 529                    | 219                    | -                        | -                        |
| Prepayments and accrued income     | 411                    | 70                     | -                        | -                        |
| Dividend receivable                | -                      | -                      | 500                      | 500                      |
|                                    | <u>1,846</u>           | <u>1,447</u>           | <u>1,746</u>             | <u>2,393</u>             |

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

## 15 Creditors: amounts falling due within one year

|  | Group<br>2002<br>£'000 | Group<br>2001<br>£'000 | Company<br>2002<br>£'000 | Company<br>2001<br>£'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Bank loans and overdrafts (secured)                            | 1,000                  | 1,000                  | 1,000                    | 1,000                    |
| Trade creditors  | 1,855                  | 891                    | -                        | -                        |
| Amounts owed to group undertakings                             | -                      | -                      | 37                       | 37                       |
| Corporation tax  | 289                    | 541                    | -                        | -                        |
| Other taxes and social security                                | 65                     | 363                    | -                        | -                        |
| Other creditors  | 51                     | 56                     | -                        | -                        |
| Accruals and deferred income                                   | 4,918                  | 554                    | -                        | 3                        |
| Amounts due under finance lease<br>and hire purchase contracts | 1,754                  | 1,302                  | -                        | -                        |
|  | <u>9,932</u>           | <u>4,707</u>           | <u>1,037</u>             | <u>1,040</u>             |

# GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

## 16 Creditors: amounts falling due after more than one year

|   | Group<br>2002<br>£'000 | Group<br>2001<br>£'000 | Company<br>2002<br>£'000 | Company<br>2001<br>£'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Bank loans and overdrafts (secured)                             | 555                    | 1,555                  | 555                      | 1,555                    |
| Other creditors   | -                      | 8                      | -                        | -                        |
| Amounts due under finance leases<br>and hire purchase contracts | 4,123                  | 1,116                  | -                        | -                        |
|   | <u>4,678</u>           | <u>2,679</u>           | <u>555</u>               | <u>1,555</u>             |

Bank loans and overdrafts of £1,555,000 (2001 - £2,555,000) comprise a term loan secured by means of a fixed and floating charge over the assets of the group and company. The loan is repayable in equal quarterly instalments to 31 March 2004. The loan incurs interest at 2% above LIBOR.

## 17 Obligations under finance lease and hire purchase contracts

Finance leases and hire purchase contracts are repayable as follows:

|                            | Group<br>2002<br>£'000 | Group<br>2001<br>£'000 |
|----------------------------|------------------------|------------------------|
| Within one year            | 1,754                  | 1,302                  |
| Between one and two years  | 1,810                  | 524                    |
| Between two and five years | 2,313                  | 592                    |
|                            | <u>5,877</u>           | <u>2,418</u>           |

## 18 Provision for liabilities and charges

| Group                                       | Deferred<br>taxation<br>(restated)<br>£'000 |
|---|---|
| At 30 June 2001 (as restated)               | 665   |
| Charged to profit and loss account (note 8) | 175   |
|   | <u>840</u>                                  |
| At 30 June 2002                             | <u>840</u>                                  |

# GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

## 18 Provision for liabilities and charges (*Continued*)

Amounts provided for deferred tax and amounts unprovided, calculated under the liability method using a tax rate of 30% (2001 – 30%) are set out below:

|                                | 2002<br>Unprovided | 2002<br>Provided | 2001<br>Unprovided<br>(restated) | 2001<br>Provided<br>(restated) |
|--------------------------------|--------------------|------------------|----------------------------------|--------------------------------|
|                                | £'000              | £'000            | £'000                            | £'000                          |
| Accelerated capital allowances | -                  | 840              | -                                | 665                            |
| Trading losses                 | -                  | -                | -                                | -                              |
|                                | <u>-</u>           | <u>840</u>       | <u>-</u>                         | <u>665</u>                     |
|                                | -                  | 840              | -                                | 665                            |
|                                | <u>-</u>           | <u>840</u>       | <u>-</u>                         | <u>665</u>                     |

## 19 Share capital

|   | Company<br>2002<br>£'000 | Company<br>2001<br>£'000 |
|---|--------------------------|--------------------------|
| <i>Authorised</i>                         |                          |                          |
| 71,327 ordinary shares of £1 each         | 71                       | 71                       |
| 378,673 'A' ordinary shares of £1 each    | 379                      | 379                      |
| 50,000 'B' ordinary shares of £1 each     | 50                       | 50                       |
|   | <u>500</u>               | <u>500</u>               |
| <i>Allotted, called up and fully paid</i> |                          |                          |
| 71,327 ordinary shares of £1 each         | 71                       | 71                       |
| 378,673 'A' ordinary shares of £1 each    | 379                      | 379                      |
| 50,000 'B' ordinary shares of £1 each     | 50                       | 50                       |
|   | <u>500</u>               | <u>500</u>               |

All shares rank pari passu. The ordinary shares and 'A' ordinary shares carry equivalent voting rights. The 'B' ordinary shares carry no voting rights.

The 'B' shares are redeemable for a fixed sum at the option of the company.

**GRAVITY MEDIA GROUP LIMITED**Notes forming part of the financial statements for the year ended 30 June 2002 *(Continued)***20 Share premium account and reserves**

| <b>Group</b>                   | <b>Share<br/>premium<br/>account<br/>£'000</b> | <b>Profit<br/>and loss<br/>account<br/>(restated)<br/>£'000</b> |
|--------------------------------|--|---|
| At 1 July 2001                 | 675  | 2,178   |
| Prior year adjustment (note 2) | -  | (665)   |
|                                | <hr/>  | <hr/>   |
| As restated                    | 675  | 1,513   |
| Retained profit for the year   | -  | 1,693   |
| Exchange differences           | -  | (15)  |
|                                | <hr/>  | <hr/>   |
| At 30 June 2002                | 675  | 3,191   |
|                                | <hr/>  | <hr/>   |
| <b>Company</b>                 |  |   |
| At 1 July 2001                 | 675  | 361   |
| Retained profit for the year   | -  | 356   |
|                                | <hr/>  | <hr/>   |
| At 30 June 2002                | 675  | 717   |
|                                | <hr/>  | <hr/>   |

# GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 *(Continued)*

## 21 Reconciliation of movements in shareholders' funds

| <b>Group</b>                              | <b>2002</b><br><b>£'000</b> | <b>2001</b><br><b>(restated)</b><br><b>£'000</b> |
|---|-----------------------------|--|
| Opening shareholders' funds               | 2,688                       | 1,773  |
| Prior year adjustment (note 2)            | -                           | (585)  |
|   | <hr/>                       | <hr/>  |
| Opening shareholders' funds (as restated) | 2,688                       | 1,188  |
| Profit for the financial year             | 1,693                       | 1,580  |
| Prior year adjustment (note 2)            | -                           | (80)   |
|   | <hr/>                       | <hr/>  |
| As restated                               | 1,693                       | 1,500  |
| Exchange differences                      | (15)                        | -  |
|   | <hr/>                       | <hr/>  |
| Profit for the financial year (restated)  | 1,678                       | 1,500  |
|   | <hr/>                       | <hr/>  |
| Net increase in shareholders' funds       | 1,678                       | 1,500  |
| Opening shareholders' funds (as restated) | 2,688                       | 1,188  |
|   | <hr/>                       | <hr/>  |
| Closing shareholders' funds (as restated) | 4,366                       | 2,688  |
|   | <hr/>                       | <hr/>  |
| <b>Company</b>                            | <b>2002</b><br><b>£'000</b> | <b>2001</b><br><b>£'000</b>                      |
| Opening shareholders' funds               | 1,536                       | 1,191  |
| Profit for the financial year             | 356                         | 345  |
|   | <hr/>                       | <hr/>  |
| Closing shareholders' funds               | 1,892                       | 1,536  |
|   | <hr/>                       | <hr/>  |



# GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

## 22 Capital commitments

|                                 | 2002<br>£'000 | 2001<br>£'000 |
|---------------------------------|---------------|---------------|
| Contracted but not provided for | -             | 1,926         |

## 23 Commitments under operating leases

As at 30 June 2002, the group had annual commitments under non-cancellable operating leases as set out below:

|                                | 2002<br>Land and<br>buildings<br>£'000 | 2002<br>Other<br>£'000 | 2001<br>Land and<br>buildings<br>£'000 | 2001<br>Other<br>£'000 |
|--------------------------------|--|------------------------|--|------------------------|
| Operating leases which expire: |  |                        |  |                        |
| Within one year                | -                                      | 12                     | -                                      | 1                      |
| In two to five years           | 40                                     | 12                     | -                                      | 3                      |
| After five years               | 39                                     | -                      | 39                                     | -                      |
|                                | <u>79</u>                              | <u>24</u>              | <u>39</u>                              | <u>4</u>               |

## 24 Net cash inflow from operating activities

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Operating profit                          | 2,954         | 2,671         |
| Depreciation                              | 2,951         | 2,043         |
| Amortisation                              | 15            | 16            |
| Impairment of fixed assets                | 159           | -             |
| Profit on sale of tangible fixed assets   | -             | (3)           |
| Increase in stocks                        | (941)         | (59)          |
| (Increase)/decrease in debtors            | (399)         | 179           |
| Increase/(decrease) in creditors          | 5,017         | (2,407)       |
| Exchange differences                      | (18)          | (7)           |
| Net cash inflow from operating activities | <u>9,738</u>  | <u>2,433</u>  |

# GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

## 25 Reconciliation of net cash flow to movement in net debt

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Increase/(decrease) in cash in the year | 1,537         | (817)         |
| Cash inflow from financing              | 2,459         | 726           |
|   | <hr/>         | <hr/>         |
| Movement in net debt in the year        | (922)         | (91)          |
| Opening net debt                        | (4,058)       | (3,967)       |
|   | <hr/>         | <hr/>         |
| Closing net debt                        | (4,980)       | (4,058)       |
|   | <hr/>         | <hr/>         |

## 26 Analysis of net debt

|                          | At<br>30 June<br>2001<br>£'000 | Cash<br>flow<br>£'000 | Other<br>non-cash<br>changes<br>£'000 | At<br>30 June<br>2002<br>£'000 |
|--------------------------|--------------------------------|-----------------------|---------------------------------------|--------------------------------|
| Cash in hand and at bank | 915                            | 1,537                 | -                                     | 2,452                          |
| Debt due after 1 year    | (1,555)                        | -                     | 1,000                                 | (555)                          |
| Debt due within 1 year   | (1,000)                        | 1,000                 | (1,000)                               | (1,000)                        |
| Finance leases           | (2,418)                        | (3,459)               | -                                     | (5,877)                        |
|                          | <hr/>                          | <hr/>                 | <hr/>                                 | <hr/>                          |
| Total                    | (4,058)                        | (922)                 | -                                     | (4,980)                        |
|                          | <hr/>                          | <hr/>                 | <hr/>                                 | <hr/>                          |

## 27 Contingent liabilities

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

## 28 Transactions with related parties

During the year Gearhouse Broadcast Limited advanced a loan to J Newton of £100,000. The loan was repaid in full before the year end. Interest was charged at 6%.