

**REGISTRAR OF
COMPANIES**

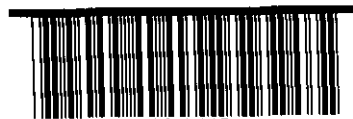
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Gravity Media Group Limited

Report and Financial Statements

Year Ended

30 June 2001



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BDO

BDO Stoy Hayward
Chartered Accountants

GRAVITY MEDIA GROUP LIMITED

Annual report and financial statements for the year ended 30 June 2001

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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, Media Banking Centre, 27 Soho Square, London, W1A 4WA.

Auditors

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

GRAVITY MEDIA GROUP LIMITED

Report of the directors for the year ended 30 June 2001

The directors present their report together with the audited financial statements for the year ended 30 June 2001.

Results and dividends

The profit and loss account is set out on page 5 and shows the result 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 design, supply, integration and operation of advanced television broadcast solutions.

The Group has successfully completed its first full year of trading following the acquisition of Gearhouse Broadcast Limited on 29 February 2000. Turnover and earnings before interest and tax for the year were £14.46million and £2.67million respectively. At 30 June 2001 the Group has a strong net asset position of £3.35million including cash reserves of £0.92million.

During the year the Group provided a number of bespoke solutions for several international clients at Sydney 2000 Olympic Games. The Group also provided the facilities for the Tennis Masters Series in North America, Canada and Europe. This contract has recently been renewed for a further 3 years. The Group remains a leading player in the domestic rental markets of both the UK and Australia.

Total capital expenditure for the year was in excess of £4.2million. The Group carried out a comprehensive asset review that resulted in asset disposals of 2.7million. The sales company, Evolve Digital Limited, managed the asset disposal programme and is now firmly established as a leading provider of new and used television broadcast equipment.

Looking forwards, the Group has significant commitments at Wimbledon, World Athletics, Goodwill Games and Winter Olympics. Current trading is good and the Group expects to exceed the results achieved this year.

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	
	2001	2000	2001	2000
J Newton	21,327	21,327	378,673	378,673
W Newbert (appointed 29 September 2000)	-	-	-	-

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 2001 (*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, who were appointed as auditors of the company by the directors, 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

26 April 2002

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 2001 on pages 5 to 22 which have been prepared under the accounting policies set out on pages 9 and 10.

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.

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 2001 and of the result 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

26 April 2002

GRAVITY MEDIA GROUP LIMITED**Consolidated profit and loss account for the year ended 30 June 2001**

	Note	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
Turnover	2	14,461	5,391
Cost of sales		(8,638)	(3,739)
Gross profit		5,823	1,652
Administrative expenses		(3,152)	(838)
Operating profit	3	2,671	814
Interest receivable	6	38	16
Interest payable and other similar charges	6	(599)	(241)
Profit on ordinary activities before taxation		2,110	589
Taxation (charge)/credit on profit on ordinary activities	7	(530)	5
Retained profit for the financial year	19	1,580	594

All amounts relate to continuing operations.

All recognised gains and losses are included in the profit and loss account.

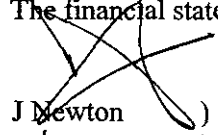

The notes on pages 9 to 22 form part of these financial statements.

GRAVITY MEDIA GROUP LIMITED

Consolidated balance sheet at 30 June 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Fixed assets					
Intangible assets	9		288		304
Tangible assets	10		7,993		7,775
Called up share capital not paid			-		400
			<u>8,281</u>		<u>8,479</u>
Current assets					
Stocks	12	96		37	
Debtors	13	1,447		1,626	
Cash at bank and in hand		<u>915</u>		<u>1,732</u>	
		2,458		3,395	
Creditors: amounts falling due within one year	14	<u>4,707</u>		<u>6,214</u>	
Net current liabilities			<u>(2,249)</u>		<u>(2,819)</u>
Total assets less current liabilities			6,032		5,660
Creditors: amounts falling due after more than one year	15		<u>(2,679)</u>		<u>(3,887)</u>
Net assets			<u>3,353</u>		<u>1,773</u>
Capital and reserves					
Called up share capital	18		500		500
Share premium	19		675		675
Profit and loss account	19		2,178		598
Shareholders' funds - equity	20		<u>3,353</u>		<u>1,773</u>

The financial statements were approved by the Board on 26 April 2002

)
 J Newton)
)
 W Newbert) Directors

The notes on pages 9 to 22 form part of these financial statements.

GRAVITY MEDIA GROUP LIMITED

Company balance sheet at 30 June 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Fixed assets					
Investments	11		1,738		1,738
Called up share capital not paid			-		400
			<u>1,738</u>		<u>2,138</u>
Current assets					
Debtors	13	2,393		2,902	
Creditors: amounts falling due within one year	14	<u>1,040</u>		<u>1,099</u>	
Net current assets			<u>1,353</u>		<u>1,803</u>
Total assets less current liabilities			<u>3,091</u>		<u>3,941</u>
Creditors: amounts falling due after more than one year	15		<u>(1,555)</u>		<u>(2,750)</u>
Net assets			<u><u>1,536</u></u>		<u><u>1,191</u></u>
Capital and reserves					
Called up share capital	18		500		500
Share premium	19		675		675
Profit and loss account	19		361		16
Shareholders' funds - equity			<u><u>1,536</u></u>		<u><u>1,191</u></u>

The financial statements were approved by the Board on 26 April 2002

J Newton



W Newbert

) Directors

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The notes on pages 9 to 22 form part of these financial statements.

GRAVITY MEDIA GROUP LIMITED

Consolidated cash flow statement for the year ended 30 June 2001

	Note	Year ended 30 June 2001 £'000	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000	4 months ended 30 June 2000 £'000
Net cash inflow from operating activities	23		2,433		2,771
Returns on investment and servicing of finance					
Interest received		38		16	
Interest paid		(289)		(138)	
Finance lease interest paid		<u>(310)</u>		<u>(98)</u>	
Net cash outflow from returns on investment and servicing of finance			(561)		(220)
Taxation					
Corporation tax paid			(110)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(4,247)		(143)	
Sale of tangible fixed assets		<u>1,994</u>		<u>85</u>	
Net cash outflow from capital expenditure and financial investment			(2,253)		(58)
Acquisitions					
Purchase of subsidiary undertaking		-		(1,163)	
Cash acquired with subsidiary		<u>-</u>		<u>16</u>	
Net cash outflow from acquisitions			-		(1,147)
Cash (outflow)/inflow before financing			(491)		1,346
Financing					
Repayment of borrowing		(782)		(3,258)	
Inception of finance leases		2,741		-	
Capital element of finance lease rentals		(2,685)		(397)	
Receipts from borrowing		-		3,450	
Issue of shares		-		575	
Share capital subscribed		<u>400</u>		<u>-</u>	
Net cash from financing			(326)		370
(Decrease)/increase in cash	25		<u>(817)</u>		<u>1,716</u>

The notes on pages 9 to 22 form part of these financial statements.

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001

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 2001. The group uses the acquisition method of accounting to consolidate the results of the subsidiary undertakings which are included from the date of acquisition.

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.

Turnover

Turnover represents invoiced value of sales of goods and services excluding value added tax.

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

Stock

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

Deferred taxation

Deferred taxation is provided for all timing differences using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (*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. 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.

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:

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
United Kingdom	9,030	4,573
Australia	5,431	818
	<hr/>	<hr/>
	14,461	5,391
	<hr/>	<hr/>

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (Continued)

3 Operating profit

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration		
Audit services - holding company	1	5
- group	20	7
Non-audit services	9	3
Depreciation - owned assets	1,365	447
- assets held under finance leases and hire purchase contracts	678	202
Amortisation of goodwill	16	5
Operating lease rentals - land and buildings	39	21
- other	56	52
Profit on sale of fixed assets	(3)	-
	<u> </u>	<u> </u>

4 Employees

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
Staff costs (including directors' remuneration) consist of:		
Wages and salaries	1,698	747
Social security costs	170	29
Pension costs	15	6
	<u> </u>	<u> </u>
	1,883	782
	<u> </u>	<u> </u>

The average number of employees of the group during the year was 46 (2000 – 39), all of which 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 2001 (Continued)

5 Directors

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
Remuneration in respect of directors was as follows:		
Emoluments	508	77
Highest paid director	219	39

6 Net interest payable and similar charges

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
Interest payable on bank loans and overdrafts	230	96
Finance charges in respect of finance leases	310	98
Other interest payable and similar charges	59	47
Other interest receivable	(38)	(16)
	561	225

7 Taxation charge/(credit) on profit on ordinary activities

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
UK corporation tax	397	-
Overseas taxation	203	123
Adjustments in respect of prior period	(70)	(128)
	530	(5)

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (*Continued*)

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 £345,000 (2000 – profit of £16,000) which is dealt with in the financial statements of the company.

9 Intangible fixed assets

Group	Goodwill £'000
<i>Cost</i>	
At 30 June 2000 and at 30 June 2001	309
<i>Amortisation</i>	
At 30 June 2000	5
Provided in the year	16
At 30 June 2001	21
<i>Net book value</i>	
At 30 June 2001	288
At 30 June 2000	304

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 2001 (*Continued*)

10 Tangible fixed assets

Group	Short leasehold £'000	Hire stock £'000	Plant, equipment and motor vehicles £'000	Total £'000
<i>Cost</i>				
At beginning of year	222	11,258	493	11,973
Additions	125	3,895	227	4,247
Exchange movement	-	7	1	8
Disposals	-	(2,668)	-	(2,668)
At end of year	347	12,492	721	13,560
<i>Depreciation</i>				
At beginning of year	33	3,853	312	4,198
Provided in the year	33	1,900	110	2,043
Exchange movement	-	2	1	3
Disposals	-	(625)	(52)	(677)
At end of year	66	5,130	371	5,567
<i>Net book value</i>				
At 30 June 2001	281	7,362	350	7,993
At 30 June 2000	189	7,405	181	7,775
Net book value of assets held under finance leases	-	3,602	34	3,636

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (*Continued*)

11 Fixed asset investments

Company	Shares in group undertakings £'000
At 30 June 2000	1,738
Additions	-
At 30 June 2001	1,738
<i>Net book value</i>	
At 30 June 2001	1,738
At 30 June 2000	1,738

At 30 June 2001 the group held 100% of the allotted share capital of the following undertakings:

Name	Class of share capital held	Proportion held	Nature of business
Gearhouse Broadcast Limited	Ordinary £1 shares	100%	Design, supply, integration and operation of advanced television broadcast solutions
Gearhouse Broadcast Pty Limited	Ordinary AUS\$1 shares	100%	Design, supply, integration and operation of advanced television broadcast solutions
Evolve Digital Limited	Ordinary £1 shares	100%	Supply of television broadcast equipment
Inertia Productions Limited	Ordinary £1 shares	100%	Supply of production facilities
Inertia Event Solutions Pty Limited	Ordinary AUS\$1 shares	100%	Supply of audio visual solutions
Gravity Broadcast Limited	Ordinary £1 shares	100%	Dormant

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 *(Continued)*

11 Fixed asset investments *(Continued)*

Name	Class of share capital held	Proportion held	Nature of business
Gravity Media Group Pty Limited	Ordinary AUS\$1 shares	100%	Dormant
Gravity Broadcast Pty Limited	Ordinary 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.

12 Stocks

	Group 2001 £'000	Group 2000 £'000
Goods held for resale	96	37

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

13 Debtors

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Trade debtors	1,158	1,459	-	-
Amounts owed by group undertakings	-	-	2,393	2,902
Other debtors	219	106	-	-
Prepayments and accrued income	70	61	-	-
	<u>1,447</u>	<u>1,626</u>	<u>2,393</u>	<u>2,902</u>

All amounts shown under debtors fall due for payment within one year.

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 *(Continued)*

14 Creditors: amounts falling due within one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Bank loans and overdrafts	1,000	587	1,000	587
Trade creditors	891	792	-	-
Amounts owed to group undertakings	-	-	37	36
Corporation tax	541	119	-	-
Other taxes and social security	363	36	-	-
Other creditors	56	405	-	375
Accruals and deferred income	554	3,038	3	101
Amounts due under finance lease and hire purchase contracts	1,302	1,237	-	-
	<u>4,707</u>	<u>6,214</u>	<u>1,040</u>	<u>1,099</u>

15 Creditors: amounts falling due after more than one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Bank loans and overdrafts	1,555	2,750	1,555	2,750
Other creditors	8	12	-	-
Amounts due under finance leases and hire purchase contracts	1,116	1,125	-	-
	<u>2,679</u>	<u>3,887</u>	<u>1,555</u>	<u>2,750</u>

The bank loans and overdrafts of £2,555,000 (2000 - £3,337,500) are 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.

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (*Continued*)

16 Obligations under finance lease and hire purchase contracts

The group finance leases and hire purchase contracts are repayable as follows:

	Group 2001 £'000	Group 2000 £'000
Within one year	1,302	1,237
Between one and two years	524	947
Between two and five years	592	178
	<u>2,418</u>	<u>2,362</u>

17 Deferred taxation

Group

Deferred taxation provided for and not provided for in the financial statements is set out below. The amounts unprovided represent contingent liabilities/(assets) at 30 June 2001 and are calculated using rates of 30% for the group and company.

	2001 Unprovided £'000	2001 Provided £'000	2000 Unprovided £'000	2000 Provided £'000
Accelerated capital allowances	665	-	775	-
Trading losses	-	-	(190)	-
	<u>665</u>	<u>-</u>	<u>585</u>	<u>-</u>

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (*Continued*)

18 Share capital

	Company 2001 £'000	Company 2000 £'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
	<hr/>	<hr/>
	500	500
	<hr/>	<hr/>
<i>Allotted and called up</i>		
71,327 (2000 - 65,077) fully paid ordinary shares of £1 each	71	65
Nil (2000 - 6,250) partially paid ordinary shares of £1 each	-	6
378,673 fully paid (2000 - 378,673 partially paid) 'A' ordinary shares of £1 each	379	379
50,000 fully paid 'B' ordinary shares of £1 each	50	50
	<hr/>	<hr/>
	500	500
	<hr/>	<hr/>

The partially paid ordinary shares were issued at a premium of £3 per share (paid up 21 July 2000).

The partially paid 'A' ordinary shares were issued at a premium of 82p per share (paid up 2 August 2000).

The 'B' ordinary share of £1 each may be redeemed at any time at the option of the company for an aggregate amount calculated as at the date of redemption as follows:

£744,000 in the year to 28 February 2002

£848,000 in the year to 28 February 2003

Thereafter the redemption price shall be increased on 28 February each year by 6% of the redemption price in the previous year.

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (Continued)

19 Share premium account and reserves

Group	Share premium account £'000	Profit and loss account £'000
At 1 July 2000	675	598
Retained profit for the year	-	1,580
	<hr/>	<hr/>
At 30 June 2001	675	2,178
	<hr/>	<hr/>
Company		
At 1 July 2000	675	16
Retained profit for the year	-	345
	<hr/>	<hr/>
At 30 June 2001	675	361
	<hr/>	<hr/>

20 Reconciliation of movements in shareholders' funds

	Group 2001 £'000	Group 2000 £'000
Profit for the financial year	1,580	594
Exchange differences	-	4
	<hr/>	<hr/>
	1,580	598
Issue of shares	-	1,175
	<hr/>	<hr/>
Net increase in shareholders' funds	1,580	1,773
Opening shareholders' funds	1,773	-
	<hr/>	<hr/>
Closing shareholders' funds	3,353	1,773
	<hr/>	<hr/>

21 Capital commitments

	2001 £'000	2000 £'000
Contracted but not provided for	1,926	-
	<hr/>	<hr/>

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 *(Continued)*

22 Commitments under operating leases

As at 30 June 2001, the group had annual commitments under non-cancellable operating leases as set out below:

	2001 Land and buildings £	2001 Other £	2000 Land and buildings £	2000 Other £
Operating leases which expire:				
Within one year	-	1	-	-
In two to five years	-	3	-	-
After five years	39	-	39	-
	<u>39</u>	<u>4</u>	<u>39</u>	<u>-</u>

23 Net cash inflow from operating activities

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
Operating profit	2,671	814
Depreciation	2,043	649
Amortisation	16	5
(Profit)/loss on sale of tangible fixed assets	(3)	1
(Increase) in stocks	(59)	(37)
Decrease/(increase) in debtors	179	(262)
(Decrease)/increase in creditors	(2,407)	1,601
Exchange differences	(7)	-
	<u>2,433</u>	<u>2,771</u>
Net cash inflow from operating activities		

GRAVITY MEDIA GROUP LIMITED

Notes forming part of the financial statements for the year ended 30 June 2001 (*Continued*)

24 Reconciliation of net cash flow to movement in net debt

	Year ended 30 June 2001 £'000	4 months ended 30 June 2000 £'000
(Decrease)/increase in cash in the year	(817)	1,732
Cash inflow from financing	726	(5,699)
	<hr/>	<hr/>
Movement in net debt in the year	(91)	(3,967)
Opening net debt	(3,967)	-
	<hr/>	<hr/>
Closing net debt	(4,058)	(3,967)
	<hr/>	<hr/>

25 Analysis of net debt

	At 30 June 2000 £'000	Cash flow £'000	At 30 June 2001 £'000
Cash in hand and at bank	1,732	(817)	915
Debt	(3,337)	782	(2,555)
Finance lease	(2,362)	(56)	(2,418)
	<hr/>	<hr/>	<hr/>
Total	(3,967)	(91)	(4,058)
	<hr/>	<hr/>	<hr/>

26 Contingent liabilities

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

Contingent liabilities in respect of deferred taxation are shown in note 17.