Company No. 03609752

yoomedia plc

Financial Report and Accounts 2005

Officers and Professional Advisers

Directors
Dr Michael Sinclair MBBS (Chairman)
Mr Neil MacDonald
Mr John Swingewood (Deputy Chairman)
Mr Richard Blake FCA
Mr Jeremy Fenn
Mr Leo Noé
Mr Robin Robbins

Company Secretary
Georgia Gordon

Nominated Advisers and Broker
Seymour Pierce Limited
London

Bankers
Lloyds TSB PLC
Corporate Banking
Great Surrey House
2nd Floor
203 Blackfriars Road
London
SE1 8NH

Barclays Bank plc
PO Box 729
Eagle Point
1 Capability Green
Luton
LU1 3US

Lawyers
Finers Stephens Innocent
179 Great Portland Street
London
W1W 5LS

Company Registrars
Capita IRG plc
Bourne House
34 Beckenham Road
Kent
BR3 4TU

Registered office
Northumberland House
155-157 Great Portland Street
London
W1W 6QP

Auditors
Deloitte & Touche LLP
Chartered Accountants
London

Registered number
3609752

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Chairman's Statement

2005 presented YooMedia with a number of challenges, including rapid changes in our core markets, the completion of our integration into a single operating business, and the business performance of our Games and Gambling division. I am pleased to report that we have met these challenges and embarked on a process which realigns YooMedia as a key independent player in the converging digital media marketplace.

Turnover rose to £85.6m (2004: £21.3m), and earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") improved to a loss of £2.9m, compared to a loss of £7.5m in 2004. These results are in line with analyst expectations and the trading update issued by the Company in February.

Following a major strategic review of the business, which was initiated in the second half of 2005, the Company has focused its resources and capabilities in order to become a leading provider of interactive television, mobile and Internet services to businesses. YooMedia's combination of technologies, a wide range of products and solutions, and interactive-television expertise places the Company in a position to take advantage of the fundamental changes in the broadcast and online markets.

Our own intellectual property and our delivery and development capability will be applied to provide unique value-added services for broadcasters and content providers seeking to take advantage of the new ways in which television and telephony will be delivered to viewers and utilised by consumers. In 2006, we expect to see significant market take up of "on demand" television services through existing TV platforms as well as on broadband Internet and mobile devices. These services and platforms lend themselves to all the interactive and transactional services that YooMedia now offers.

In June 2005, the Company announced that lower results than expected would be reported, primarily as a result of performance in the Games and Gambling division. Several actions were therefore undertaken within each business unit to improve performance.

YooMedia has further developed its capability to create and deliver content with interactivity to all digital media platforms. In line with this, new market-leading services have been launched, such as our data-casting service for the Freeview platform, in addition to the continued delivery of innovative services, such as our real time sms messaging service synchronised to TV programming. Innovation has continued whilst we have met the business challenges, including launching the first mobile phone based video dating service for our Dateline brand. This gained recognition as the best mobile TV channel at the inaugural Mobile TV awards in Cannes.

1. Games and Gambling

Turnover £69.9m, gross loss £1.4m

The Games and Gambling division's contribution was substantially below the original projections for 2005. A significant factor in this was the underperformance of the arrangement with William Hill, due to causes beyond YooMedia's control. In November it was announced that an agreement had been reached with William Hill on new terms that would improve YooMedia's position for the remainder of the year and into 2006.

At the end of 2005, YooMedia entered into a long term agreement with Gala Leisure which will see the Avago channel transformed into a Gala owned and branded channel in the second half of 2006. This coupled with the new William Hill terms and eradication of further loss making activities, has addressed the performance issues of last year and now the Company believes the division will make a positive contribution going forward.

YooMedia continues to provide a range of interactive TV, mobile, and Internet gambling services for third parties and affiliates. With major clients such as William Hill and Gala, I am confident that our business is now in good shape to grow and take advantage of further regulatory changes and market developments in the near and mid term.

2. Dating

Turnover £4.5m, gross profit contribution £3.1m

A new managing director, Jose Adams, was appointed in September 2005 to increase the online growth of our dating brands, Dateline and Avenues. Registered user numbers were in excess of one million and strong growth has already been seen as a result of new online marketing initiatives. The new management has also implemented re-structuring plans across the business including initiatives to improve customer service and product offerings.

To realise the value of the dating business, the Board has decided to pursue wider strategic options and appointed Seymour Pierce to explore possibilities for the division. In line with the emphasis on generating value, it was announced in February 2006 that the minority shareholdings in the dating business were acquired by the Company.

3. YooMedia Interactive Services

Turnover £11.0m, gross profit contribution £7.0m

YooMedia's Interactive Services business encompasses the wide range of products and services we provide to clients in the broadcasting, publishing, advertising, retail and public sectors. The Company continues to be the largest independent provider of the full range of digital interactive services from production through broadcast management, interactive service development and consumer or viewer response management including individual financial transactions. We continue to handle between five and seven million financial transactions with UK consumers each month.

The Interactive Services division includes the activities carried out for major clients such as NHS Direct Interactive, for whom YooMedia manages the dedicated interactive TV service on Sky. We recently announced that this contract has been extended by the Department of Health with options to take it into 2008.

In 2005 we carried out extensive integration and harmonisation of our offerings in order to deliver an improved high quality of service across all products and to all clients whilst developing innovative technical services. YooMedia's Interactive Services is behind such developments as the Dateline mobile video dating service, and the sms response service for ITV and Celador, which is part of the Who Wants to Be a Millionaire TV show.

We were able to achieve greater than expected cost savings through the integration of different businesses and harmonisation of technical platforms, following the acquisitions made in 2004 and the service integration programme. Annualised cost savings from these are more than £4 million.

In 2005 we identified the need to broaden the Interactive Services offering beyond interactive TV. As a result, YooMedia Enhanced Solutions ('YES') was successfully launched to provide a multi-digital platform service for the marketing and advertising sectors. Our offering of integrating branding and promotion campaigns across interactive TV, mobile phone and web platforms has proved to be distinctive within the UK market and has resulted in contracts to supply services to major brands such as Boots, Nestle and Anheuser Busch.

At the start of 2005, YooMedia's business on the Freeview platform was the YooPlay games channel, which offered a limited range of games on a pay-to-play basis. Our strategy now is to align ourselves with exciting new developments, which will see the functionality of the Freeview platform become enhanced through interactive data services delivered with next generation Freeview set top boxes. We have announced three significant contracts for our new data casting service which uses bandwidth previously allocated to games. Electra Entertainment, Gemstar TV Guide, and tvtv, a branch of Sony UK Ltd, will all use this new service to deliver their enhanced services for Freeview viewers.

Our joint venture with ICTV, Broadband TV Group, made good progress in 2005 and we are confident that the significant investment and development made will bear fruit this year. We completed a successful pilot of the Broadband TV service on the NTL platform and delivered high quality interactive content in partnership with 24 content providers, including MTV, Disney, ITN, CNN, Cartoon Network and others. The Broadband TV proposition, now renamed 4GTV, proved effective at bridging the gap for the viewer between traditional broadcast television and a personal, on-demand interactive service. We remain excited at the prospects for this technology as we see the rapid growth of demand for personalised and on-demand content on many digital platforms. We also announced that the technology is highly applicable to 3G mobile phone platforms and that the joint venture holds the worldwide rights for the exploitation of this with 3G platforms and mobile content providers.

Acquisitions

In April 2005 we completed the acquisition of Viavision Limited, which saw the addition of a second TV studio and broadcast facility in London to our portfolio. Channels operating there include Pokerzone TV, a leading poker channel, and the Baby Channel.

Dividends

The Directors do not recommend the payment of a dividend.

The Board

During the year there were a number of changes to the Board. Neil MacDonald joined following his appointment as Group Managing Director, replacing David Docherty. Robin Robbins assumed the role as Finance Director in September 2005 but has since had to step down for health reasons, and we wish Robin well in his recovery. Jonathan Apps also stepped down from the Board.

Outlook

As indicated in February, we expect to achieve positive EBITDA in 2006 through the combination of the re-positioning of the Games and Gambling business, sales growth and new lines of business in Interactive Services, and improved efficiencies on delivering our services. In this regard, we announced on 28 June 2006, that we had signed an agreement with Catalyst Media Group Plc to provide an interactive digital head to head gaming platform and various games licences for a consideration of up to £2 million, to be satisfied by the issue of up to 44,444,445 new Catalyst ordinary shares. Yoomedia will also receive royalties between 20 per cent and 30 per cent of net revenues arising from Tringo and the fixed odds games.

In December 2005 we completed a share placing, the proceeds of which were used to strengthen the balance sheet. Further to this, we have recently concluded a loan note issue and a further placing which are designed to both reduce and substantially replace the Company's bank debt with equity based finance. We expect the cost of capital to be reduced in 2006 as a result. Net debt at the end of the year stood at £5.0m. Your Board is confident that the future financing needs can be met from the realisation of value from our Dating subsidiary, more flexible bank facilities currently being negotiated and cash generated from operations.

Unaudited results for the first quarter of 2006 reflect the benefits resulting from these actions and we expect this to continue during the year with a positive impact at EBITDA level, principally weighted towards the second half of the year.

The Company has taken decisive steps to reposition the business and identify foundations for business growth in new technologies and emerging platforms. We believe that with our proprietary technology and experienced team, YooMedia will play an integral role in the rapidly maturing interactive media market. The last few months have seen a high volume of activity which we expect to maintain as we continue to build and develop relationships with key blue chip companies.

Non Executive Director Leo Noé has resigned from the board whilst continuing to be a significant shareholder and actively involved in the Company's development. The board is extremely grateful for Leo's support during the past three years and looks forward to working with him in the future.

Michael Sinclair
Chairman
29 June 2006

Directors' Report

The directors present their report and audited financial statements for the year ended 31 December 2005.

Acquisitions

The group acquired the remaining share capital in Via Vision Limited during the year ended 31 December 2005. 15% was indirectly owned via the Digital Interactive Services Group at the start of the financial year. YooMedia plc acquired the remaining 85% in April 2005.

Principal activities

The principal activities of the Group are the development, provision and operation of interactive TV and wireless mobile services including messaging, chat, games, gaming and dating. Additionally, the Group operates within the public sector in the UK as a provider of public service interactive TV and wireless mobile products. It is also the largest off-line dating service provider in the UK.

Review of business and future developments

A review of the business, its results and future direction is included in the Chairman's Statement on pages 1 to 2.

Results and dividends

The consolidated Group profit and loss account for the year is set out on page •. The directors have decided not to declare a dividend for the year (2004: £nil).

Research and development

The Company has engaged in extensive research and development activity, with a view to extending its capabilities in the market and driving the commercial deployment of interactive TV and mobile services.

Certain elements of this expenditure have been capitalised during the year. The deferred development costs have been capitalised as intangible fixed assets and are amortised over two to three years, depending upon the nature of the expenditure. All research costs are written off through the profit and loss account as incurred.

Directors and their interests

The directors who held office throughout the year, except as noted, are given below:

Executive directors

Michael Sinclair	
Neil MacDonald	(Appointed 25 September 2005)
Robin Robbins	(Appointed 25 September 2005, resigned 24 April 2006)
David Docherty	(Resigned 9 June 2005)
Jonathan Apps	(Resigned 28 September 2005)
John Swingewood	

Non-executive directors

Richard Blake	
Leo Noé	(Resigned 23 June 2006)
Jeremy Fenn	

The interests of directors in the shares of the Company at 31 December 2005 are disclosed in the Director's Remuneration Report on pages 7 and 8.

Substantial shareholdings

At 2 June 2006 the Company had been notified of the following shareholders who are interested, directly or indirectly, in three per cent or more of the issued share capital of the Company:

	Number of ordinary 1p shares	Percentage of issued ordinary share capital
Invesco Asset Management	76,279,862	13.41%
Peter Wilkinson	41,454,601	7.39%
Waterhouse Securities	29,924,548	5.26%
Dr Michael Sinclair	26,700,660	4.69%
Leo Noé	23,242,857	4.08%
Foresight Technology VCT plc	19,881,428	3.49%
Sony Corporation	18,826,131	3.31%

No other person has notified any interests in the ordinary shares of the Company required to be disclosed to the Company in accordance with sections 198 to 208 of the Companies Act 1985.

Financial Risk Management

Our objective, in managing financial risk, is to minimise potential adverse impacts of price risk, credit risk, liquidity risk and cashflow risk on the Group's financial performance.

In doing so, we have adopted a policy of continuous review in relation to the Group's financing requirements, existing sources of finance and prospective sources of finance. We also monitor specific risks on a regular basis through the system of internal control described in the 'Corporate Governance' section of the Financial Report and Accounts.

The Group has not employed financial instruments for the purposes of economic hedging in relation to financial risks. The group does not trade in derivatives.

The Group has no material exposure to the price of equity securities, nor is it exposed to commodity price risks.

The Group has no significant concentrations of credit risk; revenues derive from a wide range of business lines and customers. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

Liquidity and cashflow risk relate to the maintenance of sufficient cash and marketable securities and availability of funding through adequate credit facilities in order to support the activities of the Group. In common with similar high-growth businesses, the Group remains exposed to liquidity and cashflow risk.

Political and charitable contributions

The Company made no political or charitable contributions during the year (2004: £nil).

Directors' Report

continued

Creditor payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2005, the group had an average of 39 days (2004: 88 days) purchases outstanding in trade creditors.

Third party indemnity provisions for directors.

No qualifying third party indemnity provisions for the benefit of any director was in force at any time during the financial year or at the date of this report.

Employee involvement and disabled employees

Employees of the Company are regularly consulted by management and kept informed of matters affecting them and the overall development of the Company. The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Events since the balance sheet date

Details of events since the balance sheet date are set out in note 31.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:

Neil MacDonald
Group Managing Director
29 June 2006

Corporate Governance

Introduction

The Board of Directors is accountable to the Company's shareholders for good corporate governance and the directors support the Combined Code. However, being a small Company, the directors have applied the Code in a manner appropriate to the size of the business. This section is split into two parts. The first part sets out how the Company applied the principles and the second part deals with compliance with the provisions of the Code during the year ended 31 December 2005.

PRINCIPLES OF THE COMBINED CODE

The Board

For the year ended 31 December 2005 the Board comprised the Chairman; the Group Managing Director; the Deputy Chairman; the Finance Director; and three non-executive directors. All non-executive directors are independent of management.

Non-executive directors are appointed on a contract with a three-month notice period. The executive directors are appointed on contracts with a 12-month notice period. The Finance Director was appointed on a fixed term contract which could be terminated with no notice. All directors are subject to re-election. Each year, one-third of the directors are subject to re-election. Directors appointed during the year are subject to re-election by the shareholders at the first opportunity after their appointment.

The Board has a schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary, Georgia Gordon, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a decision for the Board as a whole. If required, the directors are entitled to take independent advice, and if the Board is informed in advance the cost of the advice will be reimbursed by the Company.

Board meetings are scheduled to take place monthly, with additional meetings to attend to urgent matters. The main items reserved for the Board include setting and monitoring strategy, funding requirements, major capital expenditure, business acquisitions and disposals, and reviewing the financial results. In addition, approval of the annual budget and the regular update of forecasts is performed by the Board. To enable the Board to discharge its duties, all directors are provided with extensive Board papers, usually the week before each Board meeting.

The following committees deal with specific aspects of the Company's affairs:

Nomination committee

Appointment of directors and senior staff is considered by the Board as a whole and no nomination committee has therefore been formed. In certain circumstances, the Board will appoint independent non-executive directors on an ad hoc basis to consider a senior staff appointment.

Remuneration committee

The Remuneration Committee, the report of which is on pages 7 and 8, is comprised of three non-executive directors: Leo Noé (Chairman of the Committee), Richard Blake and Jeremy Fenn. It is responsible for the terms and conditions and remuneration of the executive directors and senior management. The Remuneration Committee may consult external agencies when ascertaining market salaries. The chairman of the Remuneration Committee will be available at the AGM to answer any shareholder questions.

Audit committee

The Audit Committee comprises three non-executive directors: Richard Blake (Chairman), Leo Noé and Jeremy Fenn. Biographies detailing the respective qualifications of the Audit committee members are available for viewing on our website. The Audit Committee has written terms of reference which are available for viewing from the company secretary. The committee meets at least twice during each year. The Audit Committee is responsible for reviewing a wide range of matters, including the half-year and annual financial statements before their submission to the Board, and for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration, for both audit work and non-audit work, and discusses the nature, scope and results of the audit with external auditors. The Audit Committee keeps under review the cost-effectiveness, independence and objectivity of the external auditors.

Internal control

The Board acknowledges its responsibility for the Company's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing the significant risks faced by the Company. The process has been in place for the full year under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews the process.

The key elements of the risk management processes and system of internal control procedures include:

- a clear organisational structure and lines of responsibility;
- the identification through reporting procedures of major financial, commercial, legal and operational risks;
- the operation of a comprehensive budgeting and financial reporting system and the comparison of actual results against budget;
- the periodic update of budgets and performance targets and outlook, which is reviewed by the Board; and

- the authorisation and monitoring of investment policy, acquisition and disposal proposals, and major capital expenditure.

The key processes used by the Board to review the effectiveness of the system of internal controls include the following:

- the review of the results of the risk assessment;

- review of the actual results against budget and results of the investigation of material differences for the year; and

- the review of issues raised by the external auditors.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE PROVISIONS OF THE COMBINED CODE

The Company believes it has complied with the provisions of the Combined Code throughout the year ended 31 December 2005, apart from those mentioned below.

Nomination committee

The nomination committee comprises all the Board members. The Combined Code dictates that only non-executive directors should sit on the nomination committee.

Internal audit

The Audit Committee, on behalf of the Board, has considered the need for an internal audit function in light of the nature and size of the business and concluded that an internal audit function is not appropriate at present. It will continue to keep this area under review.

Non-executive directors

The Combined Code dictates that there should be an equal number of non-executive directors to executive directors on the Board. Throughout the year there were four executive directors and three non-executive directors. Details of appointments and resignations of directors can be found in the Directors' Report. Under the terms of the Combined Code, Leo Noé is not an independent non-executive director.

Directors' Remuneration Report

The Remuneration Committee consists of three non-executive directors, Leo Noé (Chairman of the Committee), Richard Blake, and Jeremy Fenn.

The Remuneration Committee decides the remuneration policy that applies to executive directors and senior management. The Remuneration Committee meets as necessary in order to consider and set the annual remuneration for executive directors and senior managers, having regard to personal performance and industry remuneration rates. In determining that policy it considers a number of factors including:

- the basic salaries and benefits available to executive directors and senior management of comparable companies;
- the need to attract and retain directors and others of an appropriate calibre; and
- the need to ensure all executives' commitment to the success of the Company.

Non-executive directors are appointed on contracts with a three-month notice period and may be awarded fees as determined by the Board.

Executive directors are appointed on contracts with a 12-month notice period, with the exception of the Finance Director who was engaged on a fixed term contract with 1 months notice.

Directors' Remuneration

The following table summarises the remuneration receivable by the directors for the year to 31 December 2005.

	Salary and fees £	Benefits[1] £	Bonus £	Pensions £	Compensation for loss of office[2] £	Sums paid to a third party for directors' services £	**2005 Total £**	2004 Total £
Executive								
Michael Sinclair	231,250	5,594	71,250	17,344	–	–	**325,438**	316,669
Andrew Fearon	–	–	–	–	–	–	**-**	374,766
David Docherty	101,250	2,903	68,250	19,594	132,000	–	**323,997**	300,200
Neil MacDonald	171,250	933	–	12,844	–	–	**185,027**	–
Edmund Abrams	–	–	–	–	–	–	**-**	199,170
Jonathan Apps	123,750	2,466	42,000	12,375	41,250	–	**221,841**	208,653
Robin Robbins	–	–	–	–	–	48,650	**48,650**	–
John Swingewood	124,297	–	–	–	–	–	**124,297**	3,813
Non-executive								
Richard Blake	30,000	–	–	–	–	–	**30,000**	15,000
Leo Noé	15,000	–	–	–	–	–	**15,000**	15,000
Bernard Fairman	–	–	–	–	–	–	**-**	15,000
Lord Evans	–	–	–	–	–	–	**-**	15,000
Jeremy Fenn	25,000	–	–	–	–	–	**25,000**	443
	821,797	11,896	181,500	62,157	173,250	48,650	**1,299,250**	1,463,714

[1] The remuneration package of the directors includes non-cash benefits comprising the provision of life assurance, health insurance and gym membership.

[2] These payments are comprised of a number of instalment payments that are to be made over the next 12-months. Full provision has been made in the accounts at 31 December 2005 for the amount payable to David Docherty.

Directors' Interests

The interests of the directors who held office during the year in the shares of the Company at 31 December 2005 were as follows:

	Number of Ordinary shares of 1p each		Number of Deferred shares of 1p each	
	2005	2004	**2005**	2004
Michael Sinclair	**26,700,660**	25,450,660	**206,555,940**	206,555,940
Neil MacDonald	**554,429**	–	–	–
Leo Noé	**23,242,857**	12,600,000	–	–
David Docherty	**750,000**	750,000	–	–
Richard Blake	**30,128**	30,128	**46,152**	46,152
John Swingewood	**14,432,366**	14,432,586	–	–
Jeremy Fenn	**14,432,366**	14,432,586	–	–
Jonathan Apps	–	–	–	–
Robin Robbins	–	–	–	–

Under the terms of the Unapproved and Approved Executive Share Option Scheme, the directors at 31 December 2005 have an interest in options over ordinary shares of 1p each of the Company as follows:

	Number of options						
	1 January 2005	Granted in the year	Exercised in the year	**31 December 2005**	Exercise price	Date from which exercisable	Expiry date
Michael Sinclair	700,000	–	–	**700,000**	1.225p	29/11/2003	29/5/2013
David Docherty	500,000	–	500,000	–	3.38p	15/1/2004	15/7/2013
David Docherty	1,000,000	–	–	**1,000,000**	31.2p	10/4/2004	10/10/2013
David Docherty	500,000	–	–	**500,000**	48.75p	16/07/2004	14/01/2014
Jonathan Apps	500,000	–	–	**500,000**	25p	22/10/2004	21/04/2014
David Docherty	3,500,000	–	–	**3,500,000**	15p	23/06/2005	22/12/2014
Michael Sinclair	7,000,000	–	–	**7,000,000**	15p	23/06/2005	22/12/2014
John Swingewood	7,000,000	–	–	**7,000,000**	15p	23/06/2005	22/12/2014
Jonathan Apps	1,500,000	–	–	**1,500,000**	15p	23/06/2005	22/12/2014
Neil MacDonald	1,584,250	–	–	**1,584,250**	1p	23/06/2005	22/12/2014

The market price of the Company's shares at the end of the financial year was £0.0727 and the range of the market prices during the year was between £0.0515 and £0.18.

In addition Michael Sinclair was granted 20,000,000 15p warrants on 23 December 2005 and Leo Noé was granted 1,428,571 10p warrants on the 23 December 2005.

This report was approved by the directors and signed on its behalf by:

Neil MacDonald
Group Managing Director
29 June 2006

Statement of Directors' Responsibilities in respect of the Financial Statements

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the members of YooMedia plc

for the year ended 31 December 2005

We have audited the group and individual company financial statements (the "financial statements") of Yoomedia Plc for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors, responsibilities for preparing the Annual Report and 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 United Kingdom 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, in accordance with the relevant financial reporting framework, 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 circumstances of the company and the group, 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 December 2005 and of the group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter - Going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements concerning the company's ability to continue as a going concern. The group incurred a net loss of £11.1 million during the year ended 31 December 2005 and, as of that date, the group has current net liabilities of £7.3 million. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern as it is not practicable to determine or quantify them.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
29th June 2006

Consolidated Profit and Loss Account

for the year ended 31 December 2005

	Notes	Ongoing 2005 £	Acquisitions 2005 £	Total £	2004 £
Turnover	2	**84,726,061**	**854,413**	**85,580,474**	21,267,478
Cost of sales		**(76,816,056)**	**(73,810)**	**(76,889,866)**	(21,519,797)
Gross profit/(loss)		**7,910,005**	**780,603**	**8,690,608**	(252,319)
Administrative expenses before depreciation, amortisation, exceptional items and impairment of goodwill		**(11,012,309)**	**(628,481)**	**(11,640,790)**	(7,283,167)
Earnings before interest, tax, depreciation, amortisation and exceptional itemss		**(3,102,304)**	**152,122**	**(2,950,182)**	(7,535,486)
Depreciation	4	**(1,843,410)**	**(284,002)**	**(2,127,412)**	(567,918)
Amortisation	4	**(2,997,918)**	**-**	**(2,997,918)**	(1,396,536)
Impairment of goodwill	4	**-**	**-**	**-**	(8,684,348)
Exceptional items	5	**(2,376,482)**	**-**	**(2,376,482)**	(5,860,431)
Total administrative expenses		**(18,230,119)**	**(912,483)**	**(19,142,602)**	(23,792,400)
Operating loss	4	**(10,320,114)**	**(131,880)**	**(10,451,994)**	(24,044,719)
Interest receivable and similar income	8			**50,512**	108,665
Interest payable and similar charges	9			**(775,251)**	(81,232)
Loss on ordinary activities before taxation				**(11,176,733)**	(24,017,286)
Tax recoverable on ordinary activities	10			**-**	27,264
Loss on ordinary activities after taxation				**(11,176,733)**	(23,990,022)
Equity minority interests				**22,690**	198,957
Loss for the financial year				**(11,154,043)**	(23,791,065)
Loss per share					
– basic	12			**(2.37p)**	(15.14p)
– diluted	12			**(2.32p)**	(13.92p)

The above results are derived entirely from continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2005

	Notes	2005 £	2004 £
Loss for the financial year		**(11,154,043)**	(23,791,065)
Gain on deemed disposal of share in subsidiary undertaking		-	507,268
Total recognised gains and losses relating to the year		**(11,154,043)**	(23,283,797)

Consolidated Balance Sheet

as at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Goodwill	13	**43,980,071**	44,634,190
Other intangible assets	13	**1,925,364**	1,402,158
Tangible assets	14	**2,736,661**	3,044,029
Investments	15	**12,958**	–
		48,655,054	49,080,377
Current assets			
Debtors	16	**7,633,843**	6,015,898
Cash at bank and in hand	29	**116,799**	7,770,287
		7,750,642	13,786,185
Creditors – amounts falling due within one year	17	**(15,075,486)**	(14,421,579)
Net current liabilities		**(7,324,844)**	(635,394)
Total assets less current liabilities		**41,330,210**	48,444,983
Creditors – amounts falling due greater than one year	18	**(1,815,814)**	(1,421,126)
Provisions for liabilities and charges	20	**(1,834,252)**	(2,025,123)
Accruals and deferred income		**(881,327)**	(1,407,029)
Net assets		**36,798,817**	43,591,705
Capital and reserves			
Called up share capital	22	**12,059,461**	11,418,970
Share premium account	23	**75,521,347**	69,011,512
Shares to be issued	22	**280,500**	3,047,000
Capital redemption reserve	23	**455,331**	455,331
Profit and loss account	23	**(51,875,108)**	(40,721,084)
Equity shareholders' funds	25	**36,441,531**	43,211,729
Equity minority interest		**357,286**	379,976
Total capital employed		**36,798,817**	43,591,705

These financial statements were approved by the Board of Directors on 6 June 2006.

Signed on behalf of the Board of Directors

Michael Sinclair
Chairman

29 June 2006

Neil MacDonald
Group Managing Director

29 June 2006

Company Balance Sheet

as at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Intangible assets	13	**106,565**	129,385
Tangible assets	14	**85,501**	213,505
Investments	15	**31,196,851**	32,147,275
		31,388,917	32,490,165
Current assets			
Debtors	16	**21,660,280**	11,568,983
Cash at bank and in hand	29	**-**	6,701,797
		21,660,280	18,270,780
Creditors – amounts falling due within one year	17	**(3,816,162)**	(1,433,412)
Net current assets		**17,844,118**	16,837,368
Total assets less current liabilities		**49,233,035**	49,327,533
Creditors – amounts falling due greater than one year	18	**(354,736)**	(350,000)
Provisions for liabilities and charges	20	**(1,362,863)**	(157,085)
Net assets		**47,515,436**	48,820,448
Capital and reserves			
Called up share capital	22	**12,059,461**	11,418,970
Share premium account	23	**75,521,347**	69,011,512
Shares to be issued	22	**280,500**	3,047,000
Capital redemption reserve	23	**455,331**	455,331
Profit and loss account	23	**(40,801,203)**	(35,112,365)
Equity shareholders' funds		**47,515,436**	48,820,448

These financial statements were approved by the Board of Directors on 6 June 2006.

Signed on behalf of the Board of Directors

Michael Sinclair
Chairman

29 June 2006

Neil MacDonald
Group Managing Director

29 June 2006

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 £	2004 £
Net cash outflow from operating activities	27	**(8,334,017)**	(10,902,176)
Returns on investments and servicing of finance			
Interest received		**50,512**	108,665
Interest paid		**(704,131)**	(63,542)
Interest element of finance lease rental payments		**(71,120)**	(17,689)
Net cash (outflow)/inflow from returns on investments and servicing of finance		**(724,739)**	27,434
Taxation		**-**	-
Capital expenditure and financial investment			
Payments to acquire intangible assets		**(1,878,201)**	(791,901)
Payments to acquire tangible fixed assets		**(1,820,044)**	(383,764)
Net cash outflow from capital expenditure and financial investment		**(3,698,245)**	(1,175,665)
Acquisitions and disposals			
Purchase of subsidiary undertakings		**(264,779)**	(6,656,431)
Purchase of trade and assets of a business		**-**	(627,118)
Net cash received with subsidiary undertakings		**(1,683)**	641,124
Net cash outflow from acquisitions and disposals		**(266,462)**	(6,642,425)
Net cash outflow before management of liquid resources and financing		**(13,023,463)**	(18,692,832)
Management of liquid resources			
Decrease/(increase) in short-term deposits with banks	28	**6,417,423**	(4,896,404)
Financing			
Issue of ordinary share capital		**2,981,326**	32,027,461
Costs associated with issue of share capital		**-**	(1,682,564)
Loans and finance leases acquired with subsidiary undertaking		**650,000**	-
Repayment of loans		**-**	(6,920,766)
Repayment of capital element of finance leases and hire purchase contracts		**(371,055)**	(59,663)
Net cash inflow from financing		**3,260,271**	23,364,468
Decrease in cash in the year	28	**(3,345,769)**	(224,768)

Notes to the Accounts

for the year ended 31 December 2005

1 GOING CONCERN

During the year ended 31 December 2005, the Group recorded a loss of £11.2 million and at 31 December 2005 the Group had net current liabilities of £7.3 million. Net cash outflow from operating activities in 2005 was £8.3 million. The Directors consider that the acquisition of DITG and TGC in December 2004 was a significant milestone for the Group. The acquisition has enabled management to realise significant synergies and cost savings in the combined Group and the group is implementing the proposals identified by the strategic review carried out in 2005.

As part of their considerations of going concern, the directors have prepared working capital projections for the period to 31 December 2007. These projections assume growth in revenue above historic levels, further cost reductions and additional synergy benefits beyond those already actioned following the acquisitions referred to above. The projections, taken together with unaudited management accounts to date, show the group becoming EBITDA and cash flow positive during 2006.

The directors are currently negotiating new bank facilities to replace those existing which were negotiated prior to the recent convertible note and equity placing, and which otherwise expired on 23rd June 2006. The directors confirm that a proposal has been received from the Company's existing bankers, extending banking facilities for a further period until 21st July to allow time for renewed banking facilities to be put in place. The directors believe that these new bank facilities will be agreed on a basis more favourable than those currently existing and when taken in conjunction with other financing options, including further proposed restructuring and the recent convertible loan debt issuance, there will be adequate working capital facilities available to the Group. In addition to the existing facilities, the Group will require further proposed restructuring relating in particular to the realisation of value of the Dating Division.

Consequently, the directors consider that it is appropriate to prepare the accounts on the going concern basis. However, in common with similar businesses at this stage of their development, the Directors recognise that there will remain a material uncertainty over the Group's ability to realise future profitability and positive cash flows until the Group has established a track record of profitable trading, cash generation and meeting its working capital projections.

There is, therefore, material uncertainty related to the above events and conditions which may cast significant doubt on the entity's ability to continue as a going concern and it may be unable to realize its assets and discharge its liabilities in the normal course of business.

2 ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention and are in accordance with applicable law and United Kingdom accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of YooMedia plc and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for YooMedia plc as permitted by section 230 of the Companies Act 1985.

The subsidiaries have been included within the Group financial statements using the acquisition method of accounting. Accordingly the Group profit and loss account and Group cash flow statement includes the results and cash flows of the subsidiaries from the date of acquisition up to 31 December 2005.

Goodwill

Goodwill arises on the excess of the consideration over the fair value of the identifiable assets acquired. Goodwill is amortised through the profit and loss account over its useful economic life.

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. Impairment reviews are carried out at the end of the first full financial year after acquisition and in other periods if events or changes in circumstances indicate that there may have been a decline in the carrying value or charge in the useful life. Where a business is sold, or where goodwill is considered to have been impaired, the net book value of goodwill or the amount of impaired goodwill, as applicable, is charged through the profit and loss account as part of the profit or loss on disposal or through operating profit in the year of impairment.

Tangible fixed assets

Tangible fixed assets are held at cost less depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33%
Office equipment	33%
Fixtures and fittings	33%
Short-leasehold improvements	20%

2 ACCOUNTING POLICIES continued

Investments

Listed and unlisted investments are stated at the lower of cost and market value or directors' valuation. Investments in subsidiaries included in the Company's balance sheet are stated at cost less any provision for impairment.

Deferred taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, except that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Turnover

Turnover, which excludes value added tax, comprises revenue from interactive media services and dating services and is recognised as these services are provided or in accordance with the contract. Gaming revenues, where the Company holds a gaming licence, are recognised on a gross basis and winnings are recognised as a cost of sale. All turnover is generated in the United Kingdom.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences on retranslation of assets and liabilities are taken to the profit and loss account in the year in which they arise.

Operating leases

Rentals payable in respect of operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Research and development expenditure

The Group has capitalised internal development costs on the production of various media services, when its future recoverability can reasonably be regarded as assured. Other research and development expenditure is written off as incurred.

The policy of the Group is to amortise these capitalised development costs over their useful economic lives which is expected to be between two and three years. These costs are expensed through the profit and loss account. Impairment reviews are carried as at the end of the first full financial year after related development costs are incurred and in other periods if events or changes in circumstances indicate that there may have been a decline in the carrying value or change in the useful life.

Research costs are expensed to the profit and loss account as incurred.

Financial instruments

The Group's financial instruments comprise cash and liquid resources together with debtors and creditors that arise directly from its operations.

The Group does not enter into derivative or hedging transactions. It has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group places the majority of its cash on interest-bearing, short-term and instant-access deposit. Funds are transferred to and from deposit on a daily basis. The Group's objective is to minimise the risk of loss to the Group by limiting the Group's credit exposure to quality institutions maintaining a very high credit rating. The main risk arising from the Group's financial instruments is interest rate risk. Numerical disclosures relating to this risk are given in note 21 to the financial statements.

The Group's policy in relation to interest rate risk is to monitor short and medium-term interest rates and to place cash on deposit for periods that optimise the amount of interest earned, while maintaining access to sufficient funds to meet day-to-day cash requirements.

Movements in the exchange rates can affect the Group's balance sheet. The magnitude of this risk is not presently significant to the Group and therefore no specific measures are currently undertaken to manage this risk.

2 ACCOUNTING POLICIES continued
Share options issued to employees

Under Urgent Issue Task Force abstract 17 (UITF 17), the Group is required to recognise as a charge in the profit and loss account, the amount by which the fair market value of any share options issued to employees exceeds their respective exercise prices at the date of grant. These costs are recognised over the vesting period.

As a result of the grant of share options under unapproved schemes since 6 April 1999, the Group will be obliged to pay National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised.

The liability is calculated on the difference between the exercise price and the market value at the date the options are exercised. In accordance with UITF 25, a provision is recognised by reference to the market value at each balance sheet date and the charge is recognised over the performance period.

3. SEGMENTAL REPORTING

The Group's turnover and loss on ordinary activities before taxation are derived from the provision of games, messaging services, gaming services, mobile services, mobile ring tones, dating products and development services for interactive TV, which arose in the United Kingdom.

The directors have taken advantage of the exemptions conferred under paragraph 55(5) of Schedule 4 to the Companies Act 1985 and the exemption in SSAP 25 under paragraphs 6 and 43, not to disclose the information required under SSAP 25 on the grounds that it would be seriously prejudicial to the interests of the reporting entity.

4 OPERATING LOSS

The operating loss is stated after charging the following:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Depreciation of owned assets	**1,945,193**	527,877
Depreciation of assets held under finance lease	**182,219**	40,041
Amortisation of deferred development costs	**674,815**	159,962
Write-off of deferred development costs	**680,180**	336,285
Amortisation of goodwill	**2,323,103**	1,236,574
Impairment of goodwill	**-**	8,684,348
UITF 17 charge on grant of share options	**1,115,837**	579,167
Auditors' remuneration	**208,000**	145,721
– non-audit services	**49,000**	36,200
Operating lease charges		
– land and buildings	**750,050**	415,400
– other	**33,954**	–

5 EXCEPTIONAL ITEMS

Exceptional items, within administrative expenses, relate mainly to the significant strategic redirection that the Group undertook during the year. These items are detailed below:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Recognised in arriving at operating loss:		
Redundancy costs[1]	**437,225**	1,242,798
Provision for losses on onerous contracts	**-**	1,638,373
Write-down of assets related to onerous contracts	**-**	713,000
Exceptional bonus payments[2]	**-**	1,096,873
Exceptional professional fees	**143,240**	253,935
UITF 17 charge[3]	**1,115,837**	579,167
Write-off of deferred development costs	**680,180**	336,285
	2,376,482	5,860,431

[1] Including all relevant taxes and other related costs of redundancy.
[2] Including all relevant taxes.
[3] As described in note 2, under Urgent Issue Task Force abstract 17 (UITF 17), the Company is required to recognise as a charge in the profit and loss account, the amount by which the fair market value of any share options issued to employees exceeds their respective exercise prices at the date of grant.

6 DIRECTORS' EMOLUMENTS

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Aggregate emoluments of executive directors	**981,947**	1,213,912
Compensation for loss of office	**173,250**	134,142
Pensions and benefits	**74,052**	55,217
Sums paid to non-executive directors	**70,000**	60,443
	1,299,249	1,463,714

Emoluments payable to the highest paid director are as follows:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Aggregate emoluments	**301,500**	303,544
Company contributions to pension scheme and benefits	**22,497**	13,125

7 STAFF COSTS AND EMPLOYEE INFORMATION

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Wages and salaries	**8,675,086**	5,108,561
Social security costs	**774,040**	471,349
Other pension costs	**134,997**	169,378
Staff costs (including directors)	**9,584,123**	5,749,288

The Group operates a defined contribution pension scheme. The outstanding amount of pension contributions accruing at the year end was £1,973 (2004: £nil).

The monthly average number of persons (including executive directors) employed by the Group during the year was:

By activity	Year ended 31 December 2005 Number	Year ended 31 December 2004 Number
Office and management	**47**	33
Platform and development	**117**	23
Sales and marketing	**44**	83
	208	139

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Bank interest receivable	**50,512**	108,665

9 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Interest and finance charges on bank loans and overdrafts	**684,323**	63,543
Finance charges payable under finance leases and hire purchase contracts	**71,120**	17,689
Other interest payable	**19,808**	–
	775,251	81,232

Finance charges include all fees directly incurred to facilitate borrowing. These include professional fees paid to accounting practices, bank arrangement fees and fees to secure required guarantees.

10 TAX ON LOSS ON ORDINARY ACTIVITIES

There was a tax credit of £nil (2004: £27,264 credit) in the year. The 2004 tax recoverable related to research and development tax credits.

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of tax of 30% (2004: 30%). The differences are reconciled below:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Loss on ordinary activities before taxation	**(11,176,733)**	(24,017,286)
Loss on ordinary activities multiplied by 30% (2004: 30%)	**(3,353,020)**	(7,205,186)
Effect of expenses not deductible for tax purposes	**9,317**	3,210,322
Depreciation in excess of capital allowances	**638,224**	129,205
Other timing differences	**-**	173,750
Adjustments in respect of previous periods	**-**	(27,264)
Losses not recognised	**2,705,479**	3,691,909
Current year tax credit	**-**	(27,264)

Deferred taxation

Deferred taxation provided in the financial statements is £nil (2004: £nil) and the amounts not recognised are as follows:

Group	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Accelerated capital allowances	**(1,910,490)**	(1,272,266)
Other timing differences	**(221,635)**	(221,635)
Losses	**(18,828,003)**	(16,122,524)
	(20,960,128)	(17,616,425)

Company	2005 £	2004 £
Depreciation in excess of capital allowances	**(301,919)**	(260,666)
Other timing differences	**(221,635)**	(221,635)
Losses	**(6,740,834)**	(5,080,050)
	(7,264,388)	(5,562,351)

Deferred taxation

The deferred tax asset has not been recognised on the grounds that there is insufficient evidence at the balance sheet date that it will be recoverable. The asset would start to become potentially recoverable if, and to the extent that, the Group were to become profitable.

11 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company is £5,688,857 (2004: £17,876,638).

12 LOSS PER SHARE

The basic loss per share for 2005 of 2.37p (2004: 15.14p) has been calculated by dividing the net loss of £11,154,043 for the year (2004: £23,791,065) by the weighted average number of 469,655,350 shares in issue during the year (2004: 157,173,278). The Company has potentially dilutive ordinary shares being share options issued to staff and shares contracted to be issued.

The diluted loss per share for 2005 of 2.32p (2004: 13.92p) has been calculated in accordance with Financial Reporting Standard 22: Earnings per share, based on a weighted number of shares in issue of 480,426,774 shares in issue during the year (2004: 170,947,901) after adjusting for the weighted potentially dilutive ordinary shares arising from the share options. As per Financial Reporting Standard 22: Earnings per share, the diluted loss per share calculation is without reference to adjustments in respect of certain share options that are considered to be anti-dilutive.

The deferred shares are not included in the earnings per share or diluted earnings per share. These shares have no voting rights and are non-convertible and therefore do not form part of the ordinary share capital used for the loss per share calculation in accordance with Financial Reporting Standard 22: Earnings per share.

13 INTANGIBLE FIXED ASSETS

Group	Deferred development costs £	Goodwill £	Total £
Cost			
At 1 January 2005	1,898,405	54,646,708	56,545,113
Arising on acquisition of subsidiary undertaking (note 15)	–	1,668,984	1,668,984
Capitalisation of development costs	1,878,201	–	1,878,201
At 31 December 2005	**3,776,606**	**56,315,692**	**60,092,298**
Accumulated amortisation			
At 1 January 2005	496,247	10,012,518	10,508,765
Provided during the year	1,354,995	2,323,103	3,678,098
At 31 December 2005	**1,851,242**	**12,335,621**	**14,186,863**
Net book value			
At 31 December 2005	**1,925,364**	**43,980,071**	**45,905,435**
At 31 December 2004	1,402,158	44,634,190	46,036,348

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the carrying values of goodwill on acquisition have been compared to their recoverable amounts represented by their value to the Group. The value to the Group has been derived from discounted cash flow projections using a nominal discount rate of 9.7% on a pre-tax basis.

Included within the amounts provided for the year are £680,180 relating to the write-down of deferred development costs.

Company	Deferred development costs £	Goodwill £	Total £
Cost			
At 1 January 2005 and 31 December 2005	55,000	173,696	228,696
Accumulated amortisation			
At 1 January 2005	10,168	89,143	99,311
Provided during the year	18,500	4,320	22,820
At 31 December 2005	**28,668**	**93,463**	**122,131**
Net book value			
At 31 December 2005	**26,332**	**80,233**	**106,565**
At 31 December 2004	44,832	84,553	129,385

14 TANGIBLE FIXED ASSETS

Group	Short-leasehold improvements £	Computer equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost					
At 1 January 2005	795,900	701,434	2,448,415	1,110,734	5,056,483
Additions	2,100	569,138	521,629	233,391	1,326,258
Acquired with subsidiary undertakings	–	–	499,034	–	499,034
Disposals	–	(3,971)	(4,528)	–	(8,499)
At 31 December 2005	**798,000**	**1,266,601**	**3,464,550**	**1,344,125**	**6,873,276**
Depreciation					
At 1 January 2005	29,406	683,808	662,890	636,350	2,012,454
Provided during the year	83,250	579,675	1,025,827	438,660	2,127,412
Disposals	–	(3,251)	–	–	(3,251)
At 31 December 2005	**112,656**	**1,260,232**	**1,688,717**	**1,075,010**	**4,136,615**
Net book value					
At 31 December 2005	**685,344**	**6,369**	**1,775,833**	**269,115**	**2,736,661**
At 31 December 2004	766,494	17,626	1,785,525	474,384	3,044,029

Included in the net book value of tangible fixed assets are amounts of £708,366 (2004: £699,471) held under finance lease and hire purchase contracts. Depreciation of £182,219 (2004: £40,041) has been charged on these assets.

Company	Short-leasehold improvements £	Computer equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost					
At 1 January 2005	34,592	701,434	621,017	529,052	1,886,095
Additions	–	–	10,273	–	10,273
Disposals	–	–	(3,415)	–	(3,415)
At 31 December 2005	**34,592**	**701,434**	**627,875**	**529,052**	**1,892,953**
Depreciation					
At 1 January 2005	10,318	683,808	506,529	471,935	1,672,590
Provided during the year	11,566	18,059	70,450	38,039	138,114
Provided during the year	–	(3,251)	–	–	(3,251)
At 31 December 2005	**21,884**	**698,616**	**576,979**	**509,974**	**1,807,453**
Net book value					
At 31 December 2005	**12,708**	**2,818**	**50,896**	**19,078**	**85,501**
At 31 December 2004	24,274	17,626	114,488	57,117	213,505

15 INVESTMENTS

Group	£
Subsidiary undertaking:	
Cost	
At 1 January 2005	–
Additions	12,958
At 31 December 2005	**12,958**
Amount provided	
At 1 January 2005	–
During the year	–
At 31 December 2005	**–**
Net book value	
At 31 December 2005	**12,958**
At 31 December 2004	–

Company	£
Subsidiary undertaking:	
Cost	
At 1 January 2005	41,254,195
Additions	1,438,185
At 31 December 2005	**42,692,380**
Amount provided	
At 1 January 2005	9,106,920
During the year	2,388,609
At 31 December 2005	**11,495,529**
Net book value	
At 31 December 2005	**31,196,851**
At 31 December 2004	32,147,275

15 INVESTMENTS continued

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held		Nature of business
MieTV Limited	Ordinary shares	100%		Interactive TV services
GoPlayTV Limited	Ordinary shares	100%		Interactive TV services
Fancy a Flutter Limited	Ordinary shares	100%		Interactive TV services
YooMedia Dating Limited	Ordinary shares	75%	A	Dating services
Jiles Limited	Ordinary shares	75%	B	Dating services
Simply Love Limited	Ordinary shares	75%	B	Dating services
Cavendish Partnership Limited	Ordinary shares	75%	B	Dating services
Clicked Limited	Ordinary shares	75%	B	Dating services
Communications One Limited	Ordinary shares	75%	B	Dating services
Whoosh Group Limited	Ordinary shares	100%		Mobile telephone technology provider
MMTV Limited	Ordinary shares	100%		Interactive TV services
Digital Interactive Television Group Limited	Ordinary shares	100%		Interactive TV services
Digital Interactive Studio Centre Limited	Ordinary shares	100%	C	Interactive TV services
Digital Television Production Company Limited	Ordinary shares	100%	C	Interactive TV services
Digital Impact (UK) Limited	Ordinary shares	100%	C	Interactive TV services
Go Interactive TV Limited	Ordinary shares	100%	C	Interactive TV services
Interactive Television Infrastructure Limited	Ordinary shares	100%	C	Interactive TV services
The Gaming Channel Limited	Ordinary shares	100%	D	Interactive TV services
The Gaming Channel Bookmakers Limited	Ordinary shares	100%	D	Interactive TV services
Via Vision	Ordinary Shares	100%	E	Interactive TV services
Broadband TV Limited	Ordinary Shares	50%		Broadband TV services

Comments:

A The Company held a 75% holding in the share capital of YooMedia Dating Limited as at 31 December 2005. During February 2006, the company acquired the remaining share capital in YooMedia Dating in consideration for YooMedia plc shares.

B Jiles Limited owns 100% of the issued share capital of Simply Love Limited, Cavendish Partnership Limited, Clicked Limited and Communications One Limited. YooMedia Dating owns 100% of the share capital of Jiles Limited.

C The Digital Interactive Television Group Limited owns 100% of the share capital of Digital Interactive Studio Centre Limited, Digital Television Production Company Limited, Digital Impact (UK) Limited and Go Interactive TV Limited as well as 20% of the share capital of the Gaming Channel Limited.

D The Company directly owns 80% of the share capital of The Gaming Channel and indirectly owns 100% (see C). The Gaming Channel owns 100% of the Gaming Channel Bookmakers Limited.

E The company directly owns 85% of the share capital of Via Vision Limited, and indirectly owns 100%.

15 INVESTMENTS continued

On 4 April 2005, the Group acquired a 100% of the share capital in ViaVision Limited for a total consideration of £1,402,500. This was satisfied by the issue of 8,500,000 YooMedia shares at 16.5p each. 6,800,000 shares were initially issued with 1,700,000 shares as deferred consideration pending the fulfilment of certain conditions. These have been shown as part of shareholders' funds in "shares to be issued". Acquisition expenses of £58,850 were also incurred. Goodwill arising as a result of the acquisition was £1,668,984.

VIA VISION LIMITED
At 4 April 2005

	Book value £	Fair value adjustment £		Fair value to Group £
Tangible fixed assets	449,034	–		**449,034**
Debtors	71,349	–		**71,349**
Cash	(1,683)	–		**(1,683)**
Creditors	(770,060)	20,561	A	**(749,499)**
Net liabilities acquired	(251,360)	20,561		**(230,799)**
Goodwill arising on acquisition				**1,668,984**
				1,438,185
Discharged by:				
Fair value of 8,500,000 YooMedia shares				**1,402,500**
Costs associated with the acquisition				**35,685**
				1,438,185

Adjustments:

A Recalculation of hire purchase creditor to bring into alignment with group accounting policies.

16 DEBTORS

Group	**Year ended 31 December 2005 £**	Year ended 31 December 2004 £
Trade debtors	**3,195,741**	3,424,966
Other debtors	**487,664**	1,114,891
Prepayments and accrued income	**3,533,704**	1,448,777
Taxation and social security	**416,734**	27,264
	7,633,843	6,015,898

Other debtors includes £190,065 (2004: £351,657) relates to rent deposits which are recoverable in more than one year.

Company	**Year ended 31 December 2005 £**	Year ended 31 December 2004 £
Trade debtors	**106,237**	269,194
Amounts owed by group undertakings	**18,895,701**	10,813,903
Other debtors	**111,681**	289,907
Prepayments and accrued income	**2,546,661**	195,979
	21,660,280	11,568,983

Other debtors includes £52,022 (2004: £186,853) relates to rent deposits which are recoverable in more than one year.

17 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	**Year ended 31 December 2005 £**	Year ended 31 December 2004 £
Bank loans and overdraft	**3,488,006**	1,378,302
Obligations under finance leases and hire purchase contracts	**160,284**	276,027
Trade creditors	**7,757,666**	8,794,531
Taxation and social security	**361,242**	722,821
Other creditors	**774,462**	989,980
Accruals and deferred income	**2,533,826**	2,259,918
	15,075,486	14,421,579

Company	**Year ended 31 December 2005 £**	Year ended 31 December 2004 £
Trade creditors	**1,844,640**	684,679
Other taxation and social security	**70,601**	79,093
Other creditors	**1,708,416**	299,532
Accruals and deferred income	**192,505**	370,108
	3,816,162	1,433,412

18 CREDITORS – AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

Group	**Year ended 31 December 2005 £**	Year ended 31 December 2004 £
Loans	**1,000,000**	1,000,000
Obligations under finance leases and hire purchase contracts	**465,814**	71,126
Other creditors	**350,000**	350,000
	1,815,814	1,421,126

The loan relates to a revolving credit facility granted to the Group by Lloyds TSB plc. This attracts interest at a rate of interest of base plus 5%.

Company	**Year ended 31 December 2005 £**	Year ended 31 December 2004 £
Loan	**-**	–
Obligations under finance leases and hire purchase contracts	**4,736**	–
Other creditors	**350,000**	350,000
	354,736	350,000

19 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Amounts due under finance leases and hire purchase contracts:

Group	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Amounts payable:		
Within one year	**160,284**	276,027
In two to five years	**465,814**	71,126
	626,098	347,153

20 PROVISIONS FOR LIABILITIES AND CHARGES

Group	Employers' National Insurance on share options £	Provision for restructuring £	Other £	Total £
At 1 January 2005	92,085	1,933,038	–	2,025,123
Charged to profit and loss account	1,115,837	–	337,745	1,453,582
Utilised during the year	(71,132)	(1,413,755)	(159,566)	(1,644,453)
At 31 December 2005	**1,136,790**	**519,283**	**178,179**	**1,834,252**

Company	Employers' National Insurance on share options £	Provision for dilapidations £	Other £	Total £
At 1 January 2005	92,085	65,000	–	157,085
Charged to profit and loss account	1,115,837	14,292	337,754	1,467,883
Utilised during the year	(71,132)	–	(190,973)	(262,105)
At 31 December 2005	**1,136,790**	**79,292**	**146,781**	**1,362,863**

Employers' National Insurance on share options

On exercise of share options issued after 5 April 1999, under an unapproved executive option scheme, the Company is required to pay National Insurance on the difference between the exercise price and the market value at the exercise date of the shares issued. The Company will become unconditionally liable to pay the National Insurance upon exercise of the options, which are exercisable over a period of 10 years from date of grant. The Company therefore makes a provision following the grant of options as opposed to on vesting or on exercise. The amount of National Insurance payable will depend on the number of employees who remain with the Company and exercise their options, the market price of the Company's ordinary shares at the time of exercise, and the prevailing National Insurance rate at that time.

Provision for restructuring costs

The provision relates to certain items such as redundancy costs and losses on onerous contracts as described in note 5, which have yet to be incurred as part of the ongoing restructuring of the Group. It is expected that most of these costs will be incurred within one year of the balance sheet date.

Provision for dilapidations

The provision relates to the cost of returning the premises at Great Portland Street to their original state. These costs are expected to be incurred upon exit from the building. The earliest that the Group can leave these premises is September 2006.

21 FINANCIAL INSTRUMENTS

Details of the Company's objectives with respect to financial instruments are given in note 2 to the financial statements. The numerical disclosures in this note deal with the financial assets and liabilities defined in FRS 13 as financial instruments.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from the disclosures. In the opinion of the directors, they contain no material financial risks for the Company.

Interest rate risk profile of financial assets

	2005 Floating rate £	2005 Fixed rate £	2005 Total £	2004 Floating rate £	2004 Fixed rate £	2004 Total £
Sterling	**306,864**	**–**	**306,864**	3,904,109	4,217,423	8,121,532
US dollars	**–**	**–**	**–**	412	–	412
	306,864	**–**	**306,864**	3,904,521	4,217,423	8,121,944
Of which:						
Cash at bank and in hand	**116,799**	**–**	**116,799**	1,352,864	–	1,352,864
Short-term bank deposits	**–**	**–**	**–**	2,200,000	4,217,423	6,417,423
Other debtors (rent deposit)	**190,065**	**–**	**190,065**	351,657	–	351,657
	306,864	**–**	**306,864**	3,904,521	4,217,423	8,121,944

Floating rate cash and rent deposits earn interest at prevailing bank rates.

The fixed rate short-term deposits in sterling are placed with banks for periods of up to two weeks.

Floating rate short-term deposits earn interest at 10 basis points below the prevailing bank rate.

Interest rate risk profile of financial liabilities

	2005 Floating rate £	2005 Fixed rate £	2005 Total £	2004 Floating rate £	2004 Fixed rate £	2004 Total £
Sterling	**(3,488,006)**	**(626,098)**	**(4,114,104)**	(1,378,302)	(347,153)	(1,725,455)
Of which:						
Bank loans and overdraft	**(3,488,006)**	**–**	**(3,488,006)**	(1,378,302)	–	(1,378,302)
Finance leases and hire purchase contracts	**–**	**(626,098)**	**(626,098)**	–	(347,153)	(347,153)
	(3,488,006)	**(626,098)**	**(4,114,104)**	(1,378,302)	(347,153)	(1,725,455)

The floating rate financial liabilities comprise sterling denominated bank loans and overdrafts that bear interest at rates based on prevailing bank rates.

Currency exposures

The directors are of the opinion that there is negligible exchange rate risk.

Maturity of financial liabilities

The maturity profile of the groups financial liabilities at 31 December 2005 is as follows:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
In one year or less or on demand	**(3,648,290)**	(1,654,329)
In more than two years, but not more than five	**(465,814)**	(71,126)
	(4,114,104)	(1,725,455)

Undrawn committed borrowing facilities

The group had no undrawn committed facilities available at 31 December 2005 (2004: £nil).

Fair value

The directors consider that the fair values of the financial instruments of YooMedia plc are not significantly different from their book value.

22 SHARE CAPITAL

	2005 No.	2005 £	2004 No.	2004 £
Authorised				
Ordinary shares of 1p each	**900,000,000**	**9,000,000**	700,000,000	7,000,000
Deferred shares of 1p each	**900,000,000**	**9,000,000**	900,000,000	9,000,000
	1,800,000,000	**18,000,000**	1,600,000,000	16,000,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**515,123,615**	**5,151,235**	451,074,389	4,510,744
Deferred shares of 1p each	**690,822,639**	**6,908,226**	690,822,639	6,908,226
	1,205,946,254	**12,059,461**	1,141,897,028	11,418,970

On 23 December 2005, it was authorised at an Extraordinary General Meeting to increase authorised 1p ordinary share capital to 900,000,000 shares.

On 13 January 2005, 4,050,000 ordinary shares with a nominal value of £40,500 were issued at £0.34 per share; and on 4 March 2005, 1,919,122 ordinary shares with a nominal value of £19,191 was issued at £0.34 per share and on 16 May 2005, 3,000,000 ordinary shares with a nominal value of £30,000, was issued at £0.34 per share.

On 29 November, 42,843,549 ordinary shares with an aggregate nominal value of £428,435, were issued at £0.07 per share.

During the year, a total of 5,436,555 share options were exercised at a price between £0.01 and £0.13 per share.

As described in note 15, a total of 6,800,000 shares were issued in the year as part of the purchase consideration for the acquisition described in the note.

A total of 1,700,000 shares are contracted to be issued within six months of the year end as deferred consideration for the purchase of Via Vision Limited. These have been shown as part of shareholders funds in "shares to be issued".

	Number of shares	Value per share	Total
Via Vision Limited	**1,700,000**	**16.5p**	**280,500**

Deferred shares carry no voting rights, cannot be converted to ordinary shares and bear no material rights to dividends.

23 RESERVES

Group	Capital redemption reserve £	Share premium account £	Profit and loss account £
At 1 January 2005	455,331	69,011,512	(40,721,084)
Loss for the financial year	–	–	(11,154,043)
Arising on share issue	–	6,600,509	–
Share issue costs	–	(90,674)	19
At 31 December 2005	**455,331**	**75,521,347**	**(51,875,108)**

Company	Capital redemption reserve £	Share premium account £	Profit and loss account £
At 1 January 2005	455,331	69,011,512	(35,112,365)
Loss for the financial year	–	–	(5,688,857)
Arising on share issue	–	6,600,509	–
Share issue costs	–	(90,674)	19
At 31 December 2005	**455,331**	**75,521,347**	**(40,801,203)**

24 SHARE OPTIONS

The Company has approved and unapproved share option schemes. The unapproved executive option schemes relates to options granted to certain directors and senior management. The approved share option schemes are Inland Revenue-approved schemes available to eligible directors and employees. The total number of options outstanding over ordinary shares of 1p each that had been granted at 31 December 2005 and had not lapsed since were as follows:

Number of shares	Exercise price	Grant date	Date from which exercisable	Expiry date
1,043,400	10p	28 January 2000	1 April 2001	28 January 2010
48,778	68p	20 June 2000	20 June 2003	20 June 2010
1,000,000	10p	5 April 2002	5 April 2002	5 April 2012
3,000,000	10p	5 April 2002	5 April 2003	5 April 2012
323,332	13.5p	April 2002	April 2003	April 2012
2,700,000	1.225p	29 May 2003	29 November 2003	29 May 2013
500,000	3.38p	15 July 2003	15 January 2004	15 July 2013
1,000,000	31.2p	10 October 2003	10 April 2004	10 October 2013
1,680,000	48.75p	15 January 2004	16 July 2004	15 January 2014
500,000	25p	21 April 2004	22 October 2004	21 April 2014
16,000,000	15p	21 December 2004	23 June 2005	21 December 2015
5,284,237	1p	21 December 2004	23 June 2005	21 December 2015
3,295,799	1p	21 December 2004	21 December 2004	21 December 2014

During the year, a total of 5,436,555 share options were exercised at a price between £0.01 and £0.13 per share.

Options over 44,998 ordinary shares of 1p at an exercise price of 13.5p each lapsed during the year as a result of employees leaving the Company.

Options over 100,000 ordinary shares of 1p at an exercise price of 1.225p each lapsed during the year as a result of employees leaving the Company.

Options over 50,000 ordinary shares of 1p at an exercise price of 14.75 each lapsed during the year as a result of employees leaving the Company.

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Loss for the year	**(11,154,043)**	(23,791,065)
New shares issued	**7,150,345**	60,954,774
Shares to be issued	**280,500**	3,047,000
Shares to be issued in prior year, issued in current year	**(3,047,000)**	–
Gain on deemed disposal of share in subsidiary undertaking	**-**	507,268
UITF 17 credit	**-**	579,167
Net addition to shareholders' funds	**(6,770,198)**	41,297,144
Opening shareholders' funds	**43,211,729**	1,914,585
Closing shareholders' funds	**36,441,531**	43,211,729

Company	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Loss for the year	**(5,688,857)**	(17,876,638)
New shares issued	**7,150,345**	60,954,774
Shares to be issued	**280,500**	3,047,000
Shares to be issued in prior year, issued in current year	**(3,047,000)**	–
Gain on deemed disposal of share in subsidiary undertaking	**-**	507,268
UITF 17 credit	**-**	579,167
Net addition to shareholders' funds	**(1,305,012)**	47,211,571
Opening shareholders' funds	**48,820,448**	1,608,877
Closing shareholders' funds	**47,515,436**	48,820,448

26 FINANCIAL COMMITMENTS

At 31 December 2005 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and Buildings 2005 £	Land and Buildings 2004 £
Within two to five years	**237,035**	436,540

27 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Reconciliation of operating loss to net cash outflow from operating activities:

Continuing operations	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Operating loss	**(10,451,974)**	(24,047,719)
Depreciation charge	**2,127,410**	567,918
Amortisation and impairment of goodwill	**2,323,103**	9,920,922
Amortisation and impairment of deferred development costs	**1,354,995**	496,247
UITF 25 provision for National Insurance on share options	**1,115,837**	(62,461)
UITF 17 charge on grant of share options	**-**	579,167
Movement in other provisions	**(1,306,709)**	1,820,538
Loss on disposal of fixed assets	**-**	1,290
(Decrease)/increase in other non-current assets	**(12,958)**	-
Increase in debtors	**(1,617,945)**	(1,492,536)
(Decrease)/increase in creditors	**(1,340,074)**	1,311,458
Decrease in deferred income	**(525,702)**	-
Net cash outflow from operating activities	**(8,334,017)**	(10,905,176)

Net cash outflow from operating activities includes cash outflows from operating exceptional items such as £437,225 for redundancy costs, and £143,240 for exceptional professional fees.

28 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Decrease in cash in the year	**(3,345,769)**	(224,768)
(Decrease)/increase in short-term deposits with banks	**(6,417,423)**	4,896,404
Loans and finance leases acquired with subsidiary undertakings	**(650,000)**	(8,327,582)
Repayment of capital element on finance leases	**371,055**	59,663
Repayment of loans	**-**	6,920,766
Movement in net funds in the year	**(10,042,137)**	3,324,483
Net funds at beginning of the year	**5,044,832**	1,720,349
Net funds at end of the year	**(4,997,305)**	5,044,832

29 ANALYSIS OF NET FUNDS/DEBT

	At 1 January 2004 £	Acquisition of subsidiary undertakings £	Cash flow £	At 31 December 2005 £
Cash at bank and in hand	1,352,864	–	(1,236,065)	**116,799**
Overdrafts	(1,378,302)	(1,683)	(2,108,021)	**(3,488,006)**
Cash	(25,438)	(1,683)	(3,344,086)	**(3,371,207)**
Liquid resources	6,417,423	–	(6,417,423)	**-**
Net cash and cash equivalents	6,391,985	(1,683)	(9,761,509)	**(3,371,207)**
Debt due within one year				
Finance leases	(276,027)	(104,781)	220,524	**(160,284)**
Debt due after one year				
Loans	(1,000,000)	–	–	**(1,000,000)**
Finance leases	(71,126)	(545,219)	150,531	**(465,814)**
Total	5,044,832	(651,683)	(9,390,454)	**(4,997,305)**

At 31 December 2005 the Group had gross cash balances at bank and in hand of £116,799 (2004: £1,352,864) and liquid resources, comprising short-term deposits with banks, of £nil (2004: £6,417,423). These balances totalling £116,799 (2004: £7,770,287) are disclosed as cash and cash equivalents in the balance sheet. The group overdraft of £3,488,006 (2004: £1,378,302) at 31 December 2005 is included within Creditors: amounts falling due within one year (see note 17).

30 LITIGATION

There is no outstanding litigation against the Group.

The Group paid £0.75 million to Edwin Coe in February 2003 to fund the pursuit of potential claims against former advisors of the Group on its admission to the AIM in March 2000.

As far as the Group is aware this issue has now been resolved, with an undisclosed settlement being reached between the shareholders and the groups former advisors.

31 EVENTS AFTER THE BALANCE SHEET DATE

On 15 February 2006, YooMedia plc purchased the remaining 25% shareholding in the YooMedia Dating Group of companies.

On 4 May 2006, YooMedia plc successfully completed the issue of a Convertible Loan note in the amount of £7.5 million, of which £6 million has been drawn down. In addition the company placed ordinary stock for cash consideration of £1.3 million on 4 May 2006.

YooMedia plc is currently engaged in negotiations for the disposal of its dating division.

YooMedia plc

(Incorporated in England and Wales with registered number 3609752)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of YooMedia plc will be held at Northumberland House, 155-157 Great Portland Street, London, W1W 6QP on 24 July 2006 at 10.30 a.m. for the transaction of the following business:

As Ordinary Business to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 31 December 2005.

2. To re-appoint Neil MacDonald as a Director of the Company, who retires in accordance with Article 82 of the Company's Articles of Association

3. To re-appoint Michael Sinclair as a Director of the Company, who retires in accordance with Article 87 of the Company's Articles of Association.

4. To re-appoint Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business to consider and, if thought fit, pass the following resolutions of which Resolution 5 will be proposed as an Ordinary Resolution and Resolution 6 will be proposed as a Special Resolution:

5. THAT the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) of the Company provided that such power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £1,500,000 to such persons and on such terms as they think fit such authority to expire at the earlier of the date which is 15 months from the passing of this resolution and the conclusion of the annual general meeting of the Company in 2007 and the Company to be and is hereby authorised to make, prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be permitted to allot such securities pursuant to such offer or agreement as if such authority has not expired.

6. THAT the Directors be and hereby are generally empowered to allot equity securities (as defined in Section 94(2)) pursuant to Section 95 of the Act for cash pursuant to the authority conferred upon them by Resolution 6 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:

   (i) in connection with a rights issue, open offer or equivalent offer in favour of the holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine in which such holders are offered the right to participate in proportion (as nearly may be) to their respective holdings or in accordance with the rights attached thereto but subject to such exclusion or other arrangements as the directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body in any territory;

   (ii) the allotment of relevant securities (other than pursuant to paragraph (i) above) up to an aggregate nominal amount of £550,000 to such persons and on such terms as they think fit;

and shall expire at the conclusion of the next Annual General Meeting of the Company for fifteen months after the date of the passing of this resolution if earlier save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Georgia Gordon
Company Secretary

Registered Office:
Northumberland House
155-157 Great Portland Street
London W1W 6QP

Dated 29 June 2006

Notes:

(1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him.

(2) A Form of Proxy is enclosed for your use, if desired. The instrument appointing a proxy must reach the Company's Registrars, Capita Registrars, Capita IRG Plc, PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time of holding of the meeting.

(3) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register at 6 p.m. on 20 June 2006 shall be entitled to attend or vote at the Annual General Meeting in respect of the3 number of shares registered in their name at that time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

(4) A copy of the register of Directors' interests in shares in the Company and copies of the Directors' service contracts of more than one year's duration will be available for inspection at the registered office of the Company during office hours only o any weekday (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

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