

Company Registration No. 3609752

YooMedia plc

Report and Financial Statements

31 December 2006



YooMedia plc

Report and financial statements 2006

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Officers and professional advisers

Directors

Dr Michael Sinclair	MBBS (Chairman)
Mr Neil MacDonald	(Group Managing Director)
Mr John Swingewood	(Deputy Chairman)
Mr Richard Blake	(FCA)
Mr Jeremy Fenn	(FDA)
Mr Leo Noé	(resigned 23 June 2006)
Mr Robin Robert H Robbins	(resigned 24 April 2006)

Company Secretary

Georgia Gordon

Nominated Advisers and Broker

Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

Joint Broker

Hoodles Brennan plc
40 Marsh Wall
Docklands
London E14 9TP

Bankers

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

Bankers

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
Hill House 3
1 Little New Street
London
EC4A 3TR

YooMedia plc

Chairman's statement

The results for the full year 2006 reflect both the impact and the benefits arising from the restructuring and repositioning undertaken across the entire business. While the action taken has delivered significant improvements in operating margins, profitability and cost reduction, the benefits have only started to flow through into the financial results during the second half of the year. We are confident that the hard work of 2006 has left the Group in a much stronger position to exploit its core markets and deliver continued improvement in 2007.

Results Summary

Turnover in 2006 was £62.6m (2005: £85.5m) and reflects the changeover in Games & Gambling from predominantly operating under own brands to becoming a supplier to other brand owners. Gross profit was below last year at £8.4m (2005: £8.7m) whereas earnings before interest, tax, depreciation and exceptional items ("EBITDA") was a loss of £0.9m (2005: loss £2.9m), in turn reflecting the benefit of the re-structuring action starting to flow through into financial results.

Games & Gambling

Turnover £50.7m, gross profit contribution £2.3m

Significant progress was made in YooMedia's Games & Gambling division in the turnaround of the profitability of the division during the year. Gross profit was £2.3m compared to a gross loss in 2005 of £1.4m.

Under the agreement with Gala Group, a Gala-branded channel (Sky channel 841) was launched on 4 October 2006, enabling the Company to make substantial cost savings in terms of production, staffing, broadcast and transmission costs and platform carriage costs, while securing guaranteed annualised revenues of £1 million.

The launch of a new video-rich 'Roulette TV' broadcast channel offering in May 2006 enabled presenter-led roulette broadcast channels with integrated interactive multiplayer gaming. Roulette TV is currently available on 4 channels on Sky, with plans underway to launch across additional platforms, including IPTV and cable.

An agreement with Playboy TV was completed in October 2006 and a Playboy-branded interactive TV and mobile-phone gaming service was subsequently launched in November 2006.

Since the passing of the Gambling Act 2005, YooMedia has been anticipating significant changes in the UK gambling sector and, in particular, the presentation of gambling on television. We have prepared for these changes in addition to the work undertaken to re-structure the business. The Act is expected to come into force later on this year and YooMedia has submitted an application for a new UK remote gaming licence in order to continue operating under UK regulation.

As the Group has always operated its gaming services under a UK-issued licence, we have been unaffected by the changes in the market in 2006 related to offshore gaming operators. The contract with William Hill to produce a channel on Sky ended on 31 October 2006 and the channel was taken off air in November 2006.

An exclusive licence for the game Tringo was acquired in 2006 and a pilot of an interactive TV version was aired on a channel on Sky in early 2007 with a view to evaluating the game's potential as a multiplayer skill-based game played for cash prizes. An agreement was entered into with Catalyst Media Group to develop a head-to-head gaming system which will include Tringo as one of the games, and this is scheduled for launch in 2007.

The Company announced its first agreement for delivering games to IPTV with an agreement to develop and operate games on the BT Vision service.

The Company is currently in negotiations to grant an option to a third party which would enable the option holder to acquire the Group's Games and Gambling division. The price to be paid for this option will be £0.8 million and the option will expire on 31 October 2007. The ultimate consideration to be paid for the Games and Gambling division under the terms of the option has yet to be determined. We hope to announce further information in the coming weeks.

We believe that YooMedia's Games & Gambling business is of interest to businesses seeking to exploit developments in the market and technical platforms that will enable entertainment-based gambling and gaming to be offered and promoted in the UK in ways not previously possible. While the regulatory situation in other markets outside the UK remains uncertain we have not sought to expand the business outside the UK but where certain markets, such as Spain, are expected to open up in the near to mid term we believe that our interests are best suited by working with the right partner in that territory.

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Chairman's statement (continued)

Interactive Services

Turnover £9.0m, gross profit contribution £4.7m

YooMedia's Interactive Services business made significant progress in mobile marketing activity, but this was offset by a reduction in general demand for interactive television services and the impact from the changes to the Sky programme guide in February 2006. Turnover was £9m (2005 £11m) and gross profit £4.7m (2005 £7m).

YooMedia Enhanced Services addresses the growing mobile-phone-based advertising and marketing sector and continued to innovate with new services combining mobile phone and internet for clients such as Budweiser, Nestle and Hardys Wine. New services were developed for remote payments for the car parking sector, which is set to introduce the ability to pay charges via mobile phones in the near future. An initial agreement with Central Parking Services was announced in December. Further new development based on interactive kiosks was undertaken in 2006 and we expect announcements of the deployment of these to be made in 2007, including the pilot with L'Oréal in a retail product promotion which was undertaken in March 2007. We have continued to provide the Real Time Messaging System which uniquely measures the time when an SMS message is sent for the Who Wants to Be a Millionaire programme on behalf of Celador and ITV.

In the part of the Interactive Services business targeted at the broadcast and digital content sectors, we continued to operate the NHS Direct Interactive service throughout 2006 and we announced that the contract had been extended until April 2008. New data-casting services for the Freeview platform were launched and 3-year agreements were made with amongst others Gemstar TV Guide and Virgin Radio, which will contribute over £900,000 of revenue on an annual basis from this service.

While demand remains uncertain in the interactive television sector, we believe many of our technologies and services are applicable to new broadband video channels and IPTV platforms which are at early stages of development in the UK. The interactive advertising sector and, in particular, the mobile-phone-based advertising and promotion sectors are set for continued strong growth and we believe the developments we have made in this area will deliver new and growing revenue streams. It remains to be seen how quickly phone-based payments will be taken up for car parking and other services, however we believe that the YooMedia offering in this area is highly competitive.

Dating

Turnover £2.9m, gross profit contribution £1.4m

2006 was a challenging year for YooMedia Dating with competition from internet-based services affecting the performance of both the Avenues and Dateline businesses. Dating is a non core activity and we sought to dispose of the business in 2006, however no suitable terms were forthcoming and the decision was taken to separately restructure the businesses under the core brands. As a result, the business withdrew from costly fixed-price direct marketing and substantially reduced its establishment costs and streamlined its operation. In addition, a pilot scheme to assess the potential of franchising the regional operations of the Avenues business was undertaken. The Dateline 121 product continues to be promoted as it offers verified profiling which will become increasingly important for online customers. A free online dating service Letsdateforfree.com was developed and launched in early 2007 to attract a wider range of customers.

The implementation of franchising in the Avenues business will reduce costs and risk and allow dedicated local marketing whilst cost reduction in the Dateline business has been undertaken to ensure a more competitive model. The market continues to be highly competitive and we continue to review options for long term strategic solutions for the dating business, which may include disposal of the whole or part of the business.

Financial and Group Restructuring

At the start of 2006 the Company took action taken to replace costly borrowings with lower cost sources of finance. Yoomedia placed £1.3 million of shares and in May 2006 a convertible loan facility of up to £7.5 million was approved.

A substantial financial restructuring was completed in the second half of 2006. In particular, £1.85m was realised from the sale of assets, including shares held in Catalyst Media Group plc. £762,000 of new funding was secured through a placing of shares on 1 September 2006 and approximately £572,000 of other loans was converted into equity. As a consequence, short-term borrowings have fallen during the year to approximately £650,000 (2005 £3.4m), with interest and similar charges borne in the second half of the year sharply reduced.

Significant effort has been made to reduce overheads and costs. Consequently, staffing costs fell to £7.3million (year ended 31 December 2005 £9.6million).

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Chairman's statement (continued)

During the second half of the year the Company entered into long term payment plans with a number of significant suppliers. On 22 December 2006 a permanent reduction in contractual liabilities was negotiated relating to bandwidth and transmission costs of approximately £1.75 million. This is reflected in the indicative results for the six months ended 31 December 2006. A further £0.75 million of similar liabilities was deferred with payments spread over 28 months. Similar arrangements have been completed or are in negotiation in relation to other suppliers and creditors totalling £1.5 million.

During the year an assessment of the carrying value of the goodwill was undertaken to take into account the current market conditions. This has led to an impairment of £14.5 million being recognised in the 2006 accounts.

Mergers & Acquisitions

In August 2006 a joint venture, Honeycone Limited, was entered into with SGI Limited into which the Tringo rights and the ownership of the Real Time Messaging System were transferred. It is intended that these are commercially exploited through this partnership and a pilot of a live interactive television presentation of Tringo was broadcast on Sky channel 842 in January 2007.

In June 2006 the Company entered into an agreement with Catalyst Media Group to develop a head-to-head gaming system including a version of the Tringo game. Consideration for this was paid in Catalyst shares and the Company subsequently disposed of the shares in November 2006 for a total of £880,000.

Management

During the first half of 2006 there were a number of changes to the Board. The Finance Director, Robin Robbins, was forced to step down for health reasons, and Edmund Abrams, YooMedia's Strategy & Development Director, has stepped in to manage the finance function. Mr Abrams is not a Board member. Leo Noe, a non-executive Director, also resigned from the board.

2007 Outlook

YooMedia's core businesses within the fast-growing brands and marketing and games and gambling sectors have been re-aligned in order to take best advantage of the many new opportunities arising. We have successfully moved from a branded offering to consumers to a business supply model at a time when activity levels in the sector are increasing around the implementation of the Gambling Act. Consumer uptake of digital TV, mobile and broadband services in the UK continues to grow, attracting increased expenditure and investment from YooMedia's core client groups - advertisers, retailers and gaming operators.

The Gambling Act 2005 comes into force in 2007 and is expected to lead to increased activity from operators seeking to take advantage of the opportunities permitted under the new regulations. YooMedia is well positioned to benefit. The proposed option agreement underlines the value of YooMedia Games & Gambling and, if exercised, will strengthen the balance sheet and provide a firmer foundation for the business as a whole, sufficient to meet its ongoing requirements.

New business streams, including remote payment services, IPTV service deployments in conjunction with BT Vision and mobile ticketing are expected to come on stream in 2007.

In conclusion, whilst risks remain, the Directors believe that, on the basis of improved trading, reduced costs and a strengthened balance sheet, after the option agreement mentioned above, the outlook for the business is positive.



Michael Sinclair
Chairman

29 June 2007

YooMedia plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

The principal activities of the Company are the development, provision and operation of interactive TV and wireless mobile services including messaging, games, gaming and dating. Additionally, the Company operates within the public sector in the UK as a provider of public service interactive TV and wireless mobile products.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 15 to the financial statements.

Review of business and future developments

A review of the business, its results, future direction and key performance indicators are included in the Chairman's Statement on pages 2 to 4.

Results and dividends

The consolidated Group profit and loss account for the year is set out on page 17. No dividend is declared in respect of the year.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk and liquidity risk. The management of financial risk is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and investments.

The Group's credit risk is primarily attributable to its trade. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are institutions with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

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.

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Directors' report (continued)

Directors and their interests

The directors who held office during the year are given below

Executive directors

Dr Michael Sinclair	(Chairman)
Mr Neil MacDonald	(Group Managing Director)
Mr John Swingewood	(Deputy Chairman)
Mr Robin Robert H Robbins	(Resigned 24 April 2006)

Non-executive directors

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

The interests of directors in the shares of the Company at 31 December 2006 are disclosed in the Directors' Remuneration Report on pages 12 and 13

Substantial shareholdings

At 25 June 2007 the following shareholders hold, directly or indirectly, three per cent or more interests in the issued share capital of the Company

	Number of ordinary 1p shares	Percentage of issued ordinary share capital
Invesco Asset Management	114,973,145	13.94%
Leo Noé	48,242,874	5.85%
Peter Wilkinson	41,454,601	5.03%
Dr Michael Sinclair (Director)	26,700,660	3.24%

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

Political and charitable contributions

The Company made no political or charitable contributions during the year

Creditor payment policy and practice

The Company's policy is 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 2006, the Group had an average of 30 days purchases outstanding in trade creditors (2005: 39 days)

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Directors' report (continued)

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, the Company's policy, wherever practicable, is to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees.

Events since the balance sheet date

Details of events since the balance sheet date are set out in note 32.

Auditors

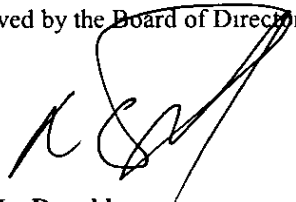
Each of the persons who are directors at the date of approval of this report confirms that

- 1 so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2 the directors have taken all the steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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 2007

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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 has applied the principles and the second part deals with compliance with the provisions of the Code during the accounting period.

Principles of the combined code

The Board

The Board now comprises the Chairman, Michael Sinclair, the Group Managing Director, Neil MacDonald, the Deputy Chairman, John Swingewood, two non-executive directors, Richard Blake, the Chairman of Audit Committee, and Jeremy Fenn. The non-executive directors are independent of management.

Non-executive directors are appointed on a contract with a three-month notice period. The terms and conditions of the appointment of the Non-executive directors are available for inspection from the company secretary. The executive directors are appointed on contracts with a 12-month notice period. 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 director who is subject for re-election in the coming year is Richard Blake. Biographies for each director can be found on the company's website.

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, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. 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. To discharge its governance function effectively, the board has laid down rules for its own activities in a governance process policy. Responsibility for implementing this policy is placed on the chairman. This policy covers

- the conduct of members at meetings
- the cycle of board activities and the setting of agendas
- the provision of timely information to the board
- board officers and their roles
- board committees, their tasks and composition
- qualifications for board membership and the process of the nomination committee
- the evaluation and assessment of board performance
- the remuneration of non-executive directors
- the process for directors to obtain independent advice
- the appointment and role of the company secretary
- approval of the annual budget and the regular update of forecasts

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Corporate governance (continued)

Board meetings are scheduled to take place monthly, with additional meetings to attend to urgent matters. The respective attendance record of each director during 2006 was as follows:

Directors' attendance

	Board		Audit		Remuneration	
	Attended	Possible	Attended	Possible	Attended	Possible
Michael Sinclair	13	13	n/a	n/a	n/a	n/a
Neil MacDonald	13	13	n/a	n/a	n/a	n/a
Robin Robbins	5	9	n/a	n/a	n/a	n/a
John Swingewood	11	13	n/a	n/a	n/a	n/a
Richard Blake	12	13	2	2	2	2
Leo Noe	1	7	n/a	n/a	n/a	n/a
Jeremy Fenn	11	13	2	2	2	2

To enable the Board to discharge its duties, the group managing director describes to the board how the expected outcome and goals are intended to be delivered through regular business plans, which also encompass an assessment of the group's risks. During the year, the board receives updates on progress towards these outcomes through actual and forecasted results.

The group managing director is obliged to review and discuss with the board all strategic projects or developments and all material matters currently or prospectively affecting the company and its performance. This key dialogue specifically includes any materially under-performing business activities, and material matters of a social responsibility, environmental or ethical nature.

The board also sets out how the group managing director's performance will be monitored and recognises that, in the multitude of changing circumstances, judgment will always be involved. The systems set out by the board are designed to manage, rather than to eliminate, the risk of failure to achieve the goals. They provide reasonable, rather than absolute, assurance against material misstatement or loss.

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

Remuneration committee

The Remuneration Committee, the report of which is on pages 13 and 14, comprises the non-executive directors, Richard Blake (Chairman of the Committee) and Jeremy Fenn. It is responsible for the terms and conditions and remuneration of the executive directors and senior management and the granting of share options to the Group's executive directors and employees. 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.

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Corporate governance (continued)

Audit committee

The Audit Committee comprises the non-executive directors Richard Blake (Chairman) and Jeremy Fenn. Biographies detailing the respective qualifications of the Audit Committee members are available for viewing on our website. The board considers that the membership of the Audit Committee as a whole has sufficient recent and relevant financial experience to fulfil its duties.

The committee is provided with sufficient resources to undertake its duties. It has access to the services of the company secretary, and all other employees. The committee may take legal or professional advice when it believes it necessary to do so.

The committee meets as required, but not less than two times a year. Other directors may also attend committee meetings by invitation, but the committee also meets privately for discussions with the external auditors who attend all its meetings.

The main roles and responsibilities of the committee are to

- monitors the integrity of the company's financial statements,
- review the company's internal financial controls and risk management systems, and
- oversee the company's relationship with the external auditors.

The main activities of the committee in 2006 were

- assessing the effectiveness of the significant financial reporting issues related to the preparation of the company's financial statements,
- assessing the effectiveness of the systems established to identify, assess, manage and monitor financial and non-financial risks,
- monitoring the integrity of the company's internal financial controls,
- reviewing with the external auditor the findings of its work and the effectiveness of the external audit process,
- reviewing arrangements for staff of the company to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters,
- reviewing the need for, and the feasibility of, an internal audit function, and
- reviewing the independence and objectivity of the external auditor.

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,

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Corporate governance (continued)

- 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 Directors believe that they have complied with the provisions of the Combined Code throughout the year ended 31 December 2006, 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. There were three executive directors and three non-executive directors for the first half of the year. The three non-executive directors then reduced to two for the remainder of the year. Details of appointments and resignations of directors can be found in the Directors' Report.

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Directors' remuneration report

The Remuneration Committee consists of the non-executive directors, Richard Blake (Chairman of the Committee) 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

Directors' remuneration

The following table of audited information summarises the remuneration receivable by the directors for the year to 31 December 2006

	Salary and fees £000	Benefits ⁽¹⁾ £000	Pensions £000	Sums paid to a third party for directors' services £000	2006 £000	2005 £000
Executive						
Michael Sinclair	121	7	19	113	260	325
Neil MacDonald	173	1	13	-	187	185
John Swingewood	126	-	-	-	126	124
Robin Robbins	-	-	-	52	52	49
Andrew Fearon	-	-	-	-	-	324
Jonathan Apps	-	-	-	-	-	222
Non-executive						
Richard Blake	30	-	-	-	30	30
Jeremy Fenn	35	-	-	-	35	25
Leo Noé	8	-	-	-	8	15
	<u>493</u>	<u>8</u>	<u>32</u>	<u>165</u>	<u>698</u>	<u>1,299</u>

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

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Directors' remuneration report (continued)

Directors' interests

The interests of the directors who held office during the year in the shares of the Company at 31 December 2006 were as follows

	Number of ordinary shares of 1p each		Number of deferred shares of 1p each	
	2006	2005	2006	2005
Michael Sinclair	26,700,660	26,700,660	206,555,940	206,555,940
Neil MacDonald	554,429	554,429	-	-
Richard Blake	30,128	30,128	46,152	46,152
John Swingewood	14,432,366	14,432,366	-	-
Jeremy Fenn	14,432,366	14,432,366	-	-
Leo Noé (resigned)	48,242,874	23,242,857	-	-
Robin Robbins (resigned)	-	-	-	-

Under the terms of the Unapproved and Approved Executive Share Option Scheme, the directors at 31 December 2006 have an interest in options over ordinary shares of 1p each of the Company as follows

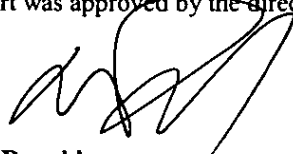
	Number of options				Date from which		
	1 January 2006	Granted in the year	Exercised in the year	31 December 2006	Exercise price	exercisable	Expiry date
Michael Sinclair	700,000	-	-	700,000	1 225p	29/11/2003	29/05/2013
Michael Sinclair	7,000,000	-	-	7,000,000	15p	23/06/2006	22/12/2014
John Swingewood	7,000,000	-	-	7,000,000	15p	23/06/2006	22/12/2014
Neil MacDonald	1,584,250	-	-	1,584,250	1p	23/06/2006	22/12/2014
Neil MacDonald	-	7,500,000	-	7,500,000	1 85p	22/06/2007	21/12/2014

The market price of the Company's shares at the end of the financial year was £0 01975 and the range of the market prices during the year was between £0 01 and £0 028

In addition Leo Noé (a former director) was granted 1,621,583 1 75p warrants on the 5 September 2006, and a further 1,621,583 1 75p warrants on the 10 October 2006

There are no performance conditions attached to the exercising of the options, as options are granted on the basis of the recipients' past performance

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



Neil MacDonald
Group Managing Director
29 June 2007

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Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of YooMedia plc

Year ended 31 December 2006

We have audited the consolidated financial statements of Group for the year ended 31 December 2006 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the related notes 1 to 32. 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985. The directors' report is consistent with the financial statements.

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 £25.5 million during the year ended 31 December 2006. This lack of profitability, 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 Group was unable to continue as a going concern as it is not practicable to determine or quantify them.

A handwritten signature in black ink, appearing to read 'Deloitte & Touche' followed by a stylized monogram or initials.**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

29 June 2007

YooMedia plc

Consolidated profit and loss account Year ended 31 December 2006

	Notes	2006 £000	2006 £000	2005 £000	2005 £000
Turnover	2		62,586		85,581
Cost of sales			(54,171)		(76,890)
Gross profit			8,415		8,691
Administrative expenses		(9,302)	(9,302)	(11,641)	(11,641)
Loss before Interest, Tax, Depreciation, Amortisation and Exceptionals			(887)		(2,950)
Depreciation	4	(1,276)		(2,127)	
Amortisation of deferred development costs	4	(1,252)		(675)	
Amortisation of goodwill	4	(2,668)		(2,323)	
Impairment of goodwill	4	(14,512)		-	
Provision for bad debts	4	(637)		-	
Exceptional items	5	(2,988)		(2,377)	
Total depreciation amortisation and exceptionals		(23,333)	(23,333)	(7,502)	(7,502)
Total administrative expenses		(32,635)		(19,143)	
Operating loss	4		(24,220)		(10,452)
Interest receivable and similar income	8		3		50
Interest payable and similar charges	9		(1,259)		(775)
Loss on ordinary activities before taxation			(25,476)		(11,177)
Tax recoverable on ordinary activities	10		-		-
Loss on ordinary activities after taxation			(25,476)		(11,177)
Equity minority interests			-		23
Loss for the financial year			(25,476)		(11,154)
Loss per share			Pence		Pence
- basic	12		(4 38p)		(2 37p)
- diluted	12		(4 04p)		(2 32p)

The above results are derived entirely from continuing operations

All recognised gains and losses in the current and prior period are included in the profit and loss account

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

There are no gains and losses other than those disclosed in consolidated profit and loss account Therefore statement of recognised gains and losses is not presented

YooMedia plc

Consolidated balance sheet Year ended 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Goodwill	13	24,768	43,980
Other intangible assets	13	1,378	1,925
Tangible assets	14	2,123	2,737
Investments	15	18	13
		<u>28,287</u>	<u>48,655</u>
Assets in the course of construction		360	-
Current assets			
Debtors	16	6,231	7,634
Cash and cash equivalents	30	139	117
		<u>6,370</u>	<u>7,751</u>
Creditors: amounts falling due within one year	17	<u>(9,536)</u>	<u>(15,076)</u>
Net current liabilities		<u>(3,166)</u>	<u>(7,325)</u>
Total assets less current liabilities		25,481	41,330
Creditors: amounts falling due greater than one year	18	(5,678)	(1,816)
Provisions for liabilities	20	(1,210)	(1,834)
Deferred income	21	<u>(2,271)</u>	<u>(881)</u>
Net assets		<u>16,322</u>	<u>36,799</u>
Capital and reserves			
Called up share capital	23	13,878	12,060
Shares to be issued	23	281	281
Share premium account	24	78,755	75,521
Equity component of convertible debt	24	304	-
Capital redemption reserve	24	455	455
Profit and loss account	24	<u>(77,351)</u>	<u>(51,875)</u>
Shareholders' funds	26	16,322	36,442
Equity minority interest		-	357
Net Equity		<u>16,332</u>	<u>36,799</u>

These financial statements were approved by the Board of Directors on 29 June 2007

Signed on behalf of the Board of Directors



Michael Sinclair
Chairman

Neil MacDonald
Group Managing Director



YooMedia plc

Company balance sheet 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	13	176	106
Tangible assets	14	24	86
Investments	15	29,651	31,197
		<u>29,851</u>	<u>31,389</u>
Current assets			
Debtors	16	2,818	21,661
Cash and cash equivalents		10	-
		<u>2,828</u>	<u>21,661</u>
Creditors: amounts falling due within one year	17	(2,101)	(3,816)
		<u>727</u>	<u>17,845</u>
Net current assets			
		<u>30,578</u>	<u>49,234</u>
Total assets less current liabilities			
Creditors: amounts falling due greater than one year	18	(5,437)	(355)
Provisions for liabilities	20	(1,210)	(1,363)
Deferred income	21	(2,191)	-
		<u>21,740</u>	<u>47,516</u>
Net assets			
Capital and reserves			
Called up share capital	23	13,878	12,060
Shares to be issued	23	281	281
Share premium account	24	78,755	75,521
Equity component of convertible debt	24	304	-
Capital redemption reserve	24	455	455
Profit and loss account	24	(71,933)	(40,801)
		<u>21,740</u>	<u>47,516</u>
Shareholders' funds			
		<u>21,740</u>	<u>47,516</u>

These financial statements were approved by the Board of Directors on 29 June 2007

Signed on behalf of the Board of Directors



Michael Sinclair

Chairman

Neil MacDonald

Group Managing Director



YooMedia plc

Consolidated cash flow statement 31 December 2006

	Notes	2006 £000	2005 £000
Net cash outflow from operating activities	28	<u>(294)</u>	<u>(8,334)</u>
Returns on investments and servicing of finance			
Interest received		3	50
Interest paid		(972)	(704)
Interest element of finance lease rental payments		<u>(32)</u>	<u>(71)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(1,001)</u>	<u>(725)</u>
Taxation		<u>-</u>	<u>-</u>
Capital expenditure and financial investment			
Payments to acquire intangible assets		(705)	(1,878)
Payments to acquire tangible fixed assets		(664)	(1,820)
Payments relating to assets in the course of construction		<u>(360)</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment		<u>(1,729)</u>	<u>(3,698)</u>
Acquisitions and disposals			
Purchase of subsidiary undertakings		(357)	(265)
Net cash received with subsidiary undertakings		<u>-</u>	<u>(1)</u>
Net cash outflow from acquisitions and disposals		<u>(357)</u>	<u>(266)</u>
Net cash outflow before management of liquid resources and financing		<u>(3,381)</u>	<u>(13,023)</u>
Management of liquid resources			
Decrease in short-term deposits with banks	29	<u>-</u>	<u>6,417</u>
Financing			
Issue of ordinary share capital		2,008	2,981
Issue of convertible loan notes		6,000	-
Loans and finance leases acquired with subsidiary undertaking		-	650
Repayment of loans		(1,000)	-
Repayment of capital element of finance leases and hire purchase contracts		<u>(117)</u>	<u>(371)</u>
Net cash inflow from financing		<u>6,891</u>	<u>3,260</u>
Increase/(decrease) in cash in the year	29	<u>3,510</u>	<u>(3,346)</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

1. Going concern

During the year ended 31 December 2006, the Group recorded a loss before interest, tax, depreciation, amortisation and exceptionals of £0.9 million and a net loss of £25.5 million, and at 31 December 2006 the Group had net current liabilities of £3.1 million. Net cash outflow from operating activities in 2006 was £0.3m. The directors consider that the results for the full year 2006 reflect both the impact and the benefits from the restructuring and repositioning activity undertaken across the entire business. Whilst the action taken has delivered significant improvements in operating margins, profitability and cost reduction, the benefits have only started to flow through into the financial results during the second half of the year. The Directors are confident that the hard work of 2006 has left the Company in a much stronger position to exploit its core markets and deliver continued improvement in 2007.

As part of their considerations of going concern, the directors have prepared working capital projections for the period to 31 December 2008. These projections assume growth in revenue above historic levels, further cost reductions and additional synergy benefits beyond those already actioned following the extensive restructuring referred to above. The projections, taken together with unaudited management accounts to date, show the Group becoming EBITDA and cash flow positive during 2008.

During the year, the Directors concluded a £2.9 million credit facility with Mentor Marketing & Investment Ltd, replacing the facilities previously provided by Lloyds. The Directors also secured additional funding for the Group through a share placing which raised £762,000, and further improve working capital. Additionally, the Group has a £1.25 million undrawn facility remaining on convertible debt of £7.5 million, which is available to draw down at any time. Since the present facilities are not sufficient to fund the Group's operations for at least the next twelve months, the Directors are in negotiations to grant an option, that would enable a third party to acquire the Games and Gambling division for an amount to be agreed by 31 October 2007.

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 realise its assets and discharge its liabilities in the normal course of business.

The statutory accounts for the year ended 31 December 2005 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2006 will be delivered to the Registrar of Companies following the Annual General Meeting.

2. Accounting policies

These financial statements have been prepared under the historical cost convention and are in accordance with applicable 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 dates of acquisition up to the year end.

YooMedia plc

Notes to the accounts Year ended 31 December 2006

2. Accounting policies (continued)

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. It is reviewed at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is calculated 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%

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.

YooMedia plc

Notes to the accounts Year ended 31 December 2006

2. Accounting policies (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Research and development expenditure

The Group has capitalised development costs incurred on the production of various interactive media softwares, where Directors are satisfied as to the technical, commercial and financial viability of individual projects. These development costs are included within intangible fixed assets. The capitalisation of development costs is due to a greater certainty of revenues being generated from these assets.

The policy of the Group is to amortise these capitalised development costs over their useful economic lives which is expected to be between one and three years. These costs are expensed through the profit and loss account.

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

Convertible debt

Convertible debt is regarded as a compound instrument, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

YooMedia plc

Notes to the accounts Year ended 31 December 2006

2. Accounting policies (continued)

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 22 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.

Share options issued to employees

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. The charge is notional in that there is no underlying cash flow or other financial liability associated with the charge, nor does it give rise to a reduction in net assets or shareholders' funds. In addition there is no impact on distributable profits.

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 following business segments, games and gambling, interactive and mobile services and dating services which arose in the United Kingdom. The turnover and gross profit contribution for each of these business segments is shown below.

	2006 Turnover £million	2006 Gross profit £million
Games and gambling	50.7	2.3
Interactive and mobile services	9.0	4.7
Dating	2.9	1.4
	<u>62.6</u>	<u>8.4</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

4. Operating loss

The operating loss is stated after charging the following

	2006 £000	2005 £000
Depreciation of owned assets	1,178	1,945
Depreciation of assets held under finance lease	98	182
Amortisation of deferred development costs	1,252	675
Restructuring costs	2,988	-
Amortisation of goodwill	2,668	2,323
Write-off of deferred development costs	-	680
Impairment of goodwill	14,512	-
Provision for bad debts	637	-
Employee share option expense	-	1,116
Auditors' remuneration - audit services	223	208
Auditors' remuneration - non-audit services	-	49
Operating lease charges	866	784

During the year the Group negotiated a permanent reduction in contractual liabilities relating to bandwidth and transmission costs of £1,745,000, which has been credited to cost of sales

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

	2006 £000	2005 £000
Recognised in arriving at operating loss:		
Restructuring costs ¹	2,781	-
Redundancy costs ²	106	437
Exceptional professional fees	101	144
Employee share option charge ³	-	1,116
Write-off of deferred development costs	-	680
	<u>2,988</u>	<u>2,377</u>

¹ Restructuring costs relate to the loss on restructuring of the Group's dating business and the loss on closure of YooPlay Ltd and MMTV Ltd

² Redundancy costs include all relevant taxes and other related costs of redundancy

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. The charge is notional in that there is no underlying cash flow or other financial liability associated with the charge, nor does it give rise to a reduction in net assets or shareholders' funds. In addition there is no impact on distributable profits

YooMedia plc

Notes to the accounts Year ended 31 December 2006

6. Directors' emoluments

	2006 £000	2005 £000
Aggregate emoluments of executive directors	585	982
Compensation for loss of office	-	173
Pensions and benefits	40	74
Sums paid to non-executive directors	73	70
	<u>698</u>	<u>1,299</u>

Emoluments payable to the highest paid director are as follows

	2006 £000	2005 £000
Aggregate emoluments	234	303
Company contributions to pension scheme and benefits	<u>26</u>	<u>22</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

7. Staff costs and employee information

	2006 £000	2005 £000
Wages and salaries	6,505	8,675
Social security costs	682	774
Other pension costs	137	135
Staff costs	<u>7,324</u>	<u>9,584</u>

The Group operates a defined contribution pension scheme. The outstanding amount of pension contributions accruing at the year end was £7,527 (2005: £1,973).

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

	2006 No.	2005 No.
By activity		
Office and management	37	57
Platform and development	103	117
Sales and marketing	94	100
	<u>234</u>	<u>274</u>

8. Interest receivable and similar income

	2006 £000	2005 £000
Bank interest receivable	<u>3</u>	<u>50</u>

9. Interest payable and similar charges

	2006 £000	2005 £000
Interest and finance charges on bank loans and overdrafts	1,179	684
Finance charges payable under finance leases and hire purchase contracts	32	71
Other interest payable	48	20
	<u>1,259</u>	<u>775</u>

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.

YooMedia plc

Notes to the accounts

Year ended 31 December 2006

10. Tax on loss on ordinary activities

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

	2006 £000	2005 £000
Loss on ordinary activities before taxation	(25,476)	(11,177)
Loss on ordinary activities multiplied by 30%	(7,643)	(3,353)
Effect of expenses not deductible for tax purposes	(59)	9
Depreciation in excess of capital allowances	345	638
Losses not recognised	7,357	2,706
Current year tax	-	-

Deferred taxation

Deferred taxation provided in the financial statements is nil (2005 £nil) and the amounts not recognised are as follows

Group	2006 £000	2005 £000
Accelerated capital allowances	(2,255)	(1,910)
Other timing differences	(222)	(222)
Losses	(18,630)	(16,180)
	(21,107)	(18,312)

Company	2006 £000	2005 £000
Accelerated capital allowances	(319)	(302)
Other timing differences	(222)	(222)
Losses	(8,399)	(6,500)
	(8,940)	(7,024)

Deferred tax asset

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 generate taxable income in the future.

11. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is £31.1m (2005 £5.6m)

YooMedia plc

Notes to the accounts Year ended 31 December 2006

12. Loss per share

The basic loss per share for 2006 of 4.38p has been calculated by dividing the net loss of £25.5m for the year (2005 £11.2m) by the weighted average number of 581,251,181 shares in issue during the year (2005 – 469,655,350). 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 2006 of 4.04p has been calculated in accordance with Financial Reporting Standard 22 Earnings per share, using 630,039,629 shares in issue during the year (2005 – 480,426,774). 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 assets

Group	Deferred development costs £000	Goodwill £000	Total £000
Cost			
At 1 January 2006	3,776	56,316	60,092
Capitalisation of development costs	705	-	705
Disposals	-	(14,841)	(14,841)
At 31 December 2006	4,481	41,475	45,956
Accumulated amortisation			
At 1 January 2006	1,851	12,336	14,187
Provided during the year	1,252	2,668	3,920
Disposals	-	(12,809)	(12,809)
Provision for impairment	-	14,512	14,512
At 31 December 2006	3,103	16,707	19,810
Net book value			
At 31 December 2006	1,378	24,768	26,146
At 31 December 2005	1,925	43,980	45,905

Included in the provision for impairment recognised in 2006 is £4,962,000 which relates to activities which were disposed of in the year.

In accordance with FRS11 '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 7.2% on a pre-tax basis (2005 9.7%).

YooMedia plc

Notes to the accounts Year ended 31 December 2006

13. Intangible assets (continued)

Company	Deferred development costs £000	Goodwill £000	Total £000
Cost			
At 1 January 2006	55	174	229
Capitalisation of development costs	501	-	501
At 31 December 2006	556	174	730
Accumulated amortisation			
At 1 January 2006	29	94	123
Provided during the year	408	23	431
At 31 December 2006	437	117	554
Net book value			
At 31 December 2006	119	57	176
At 31 December 2005	26	80	106

YooMedia plc

Notes to the accounts Year ended 31 December 2006

14. Tangible fixed assets

Group Cost	Short- leasehold improvements £000	Computer equipment £000	Office equipment £000	Fixtures and fittings £000	Total £000
At 1 January 2006	798	1,267	3,465	1,344	6,874
Additions	3	655	-	6	664
Disposals	-	-	(394)	-	(394)
At 31 December 2006	801	1,922	3,071	1,350	7,144
Depreciation					
At 1 January 2006	113	1,260	1,689	1,075	4,137
Provided during the year	79	539	387	271	1,276
Disposals	-	-	(392)	-	(392)
At 31 December 2006	192	1,799	1,684	1,346	5,021
Net book value					
At 31 December 2006	609	123	1,387	4	2,123
At 31 December 2005	685	7	1,776	269	2,737

Included in the net book value of tangible fixed assets are amounts of £708,366 (2005 £708,366) held under finance lease and hire purchase contracts. Depreciation of £150,621 (2005 £182,219) has been charged on these assets.

Company Cost	Short- leasehold improvements £000	Computer equipment £000	Office equipment £000	Fixtures and fittings £000	Total £000
At 1 January 2006	35	701	628	529	1,893
Additions	3	-	-	-	3
Disposals	-	-	(293)	-	(292)
At 31 December 2006	38	701	335	529	1,604
Depreciation					
At 1 January 2006	22	698	577	510	1,807
Provided during the year	10	2	38	15	65
Disposals	-	-	(292)	-	(292)
At 31 December 2006	32	700	323	525	1,580
Net book value					
At 31 December 2006	6	1	12	4	24
At 31 December 2005	13	3	51	19	86

YooMedia plc

Notes to the accounts Year ended 31 December 2006

15. Investments

Group	£000
Investment:	
Cost or valuation	
At 1 January 2006	13
Additions	5
	<hr/>
At 31 December 2006	18
	<hr/>
Amounts provided	
At 1 January 2006	-
During the year	-
	<hr/>
At 31 December 2006	-
	<hr/>
Net book value	
At 31 December 2006	18
	<hr/>
At 31 December 2005	13
	<hr/>
 Company	 £000
Investment:	
Cost or valuation	
At 1 January 2006	42,692
Additions	-
Disposals*	(3,987)
	<hr/>
At 31 December 2006	38,705
	<hr/>
Amounts provided	
At 1 January 2006	11,495
Provided during the year**	1,461
Disposals during the year*	(3,902)
	<hr/>
At 31 December 2006	9,054
	<hr/>
Net book value	
At 31 December 2006	29,651
	<hr/>
At 31 December 2005	31,197
	<hr/>

*Go-play Limited placed in administration,

**Impairment of Via Vision Limited due to the closure of the Coleman Street studios

YooMedia plc

Notes to the accounts Year ended 31 December 2006

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
Fancy a Flutter Limited	Ordinary shares	100%	Interactive TV services
Finlaw532 Limited	Ordinary shares	100%	Dating services
Yoomedia Dating Group Limited	Ordinary shares	100%	Dating services
Dateline Limited	Ordinary shares	100%	Dating services
Simply Love Limited	Ordinary shares	100%	Dating services
Whoosh Group Limited	Ordinary shares	100%	Mobile telephone technology provider
Digital Interactive Television Group Limited	Ordinary shares	100%	Interactive TV services
Digital Interactive Studio Centre Limited	Ordinary shares	100%	Interactive TV services
Digital Television Production Company Limited	Ordinary shares	100%	Interactive TV services
Digital Impact (UK) Limited	Ordinary shares	100%	Interactive TV services
Go Interactive TV Limited	Ordinary shares	100%	Interactive TV services
Digital Interactive Broadband Services Limited			
Interactive Television Infrastructure Limited	Ordinary shares	100%	Interactive TV services
The Gaming Channel Limited	Ordinary shares	100%	Interactive TV services
The Gaming Channel Bookmakers Limited	Ordinary shares	100%	Interactive TV services
Via Vision	Ordinary Shares	100%	Interactive TV services
Cheltrading 418 Limited	Ordinary Shares	100%	Dormant
YooMedia Mobile Limited	Ordinary Shares	100%	Dormant
Honeycone Limited	Ordinary Shares	50%	Mobile telephone technology provider
Broadband TV Group Limited	Ordinary Shares	50%	Broadband TV services

YooMedia plc

Notes to the accounts Year ended 31 December 2006

16. Debtors

	2006 £000	2005 £000
Group		
Trade debtors	1,867	3,196
Other debtors	1,198	488
Prepayments and accrued income	3,166	3,534
Taxation and social security	-	416
	<u>6,231</u>	<u>7,634</u>

Other debtors includes £190,065 (2005 £190,065) relating to rent deposits which are recoverable in more than one year

	2006 £000	2005 £000
Company		
Trade debtors	75	106
Amounts owed by subsidiary undertakings	-	18,896
Accrued income	2,173	2,350
Other debtors	360	112
Prepayments	210	197
	<u>2,818</u>	<u>21,661</u>

Other debtors includes £52,022 (2005 £52,022) relating to rent deposits which are recoverable in more than one year

17. Creditors - amounts falling due within one year

	2006 £000	2005 £000
Group		
Trade creditors	4,512	7,759
Other creditors	2,044	774
Taxation and social security	1,426	361
Accruals	1,286	2,534
Obligations under finance leases and hire purchase contracts	268	160
Bank loans and overdraft	-	3,488
	<u>9,536</u>	<u>15,076</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

17. Creditors - amounts falling due within one year (continued)

Company	2006 £000	2005 £000
Trade creditors	1,010	1,845
Accruals	579	192
Other taxation and social security	370	71
Other creditors	142	1,708
	<u>2,101</u>	<u>3,816</u>

18 Creditors - amounts falling due in more than one year

Group	2006 £000	2005 £000
Convertible debt	4,773	-
Other loan	664	-
Obligations under finance leases and hire purchase contracts	241	466
Bank loans and overdrafts	-	1,000
Other creditors	-	350
	<u>5,678</u>	<u>1,816</u>

The other loan relates to an on demand credit facility granted to the Group by Mentor. This attracts interest at a rate of interest of base plus 5%.

Company	2006 £000	2005 £000
Convertible debt	4,773	-
Other loans	664	-
Obligations under finance leases and hire purchase contracts	-	5
Other creditors	-	350
	<u>5,437</u>	<u>355</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

18. Creditors - amounts falling due in more than one year (continued)

Convertible loan debt

Convertible loan debt has been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows

	2006 £000	2005 £000
Group & Company		
Nominal value of convertible loan debt	5,077	-
Equity component of convertible debt	(304)	-
	<u>4,773</u>	<u>-</u>
 Group & Company	 £000	
Liability component at date of issue	6,000	
Interest charged	177	
Interest paid	-	
Conversions during the year	(1,100)	
	<u>5,077</u>	
Liability component at 31 December 2006	<u>5,077</u>	

The interest charged for the year is calculated by applying an effective interest rate of 5% per cent to the liability component

The convertible loans can be converted into ordinary shares in the Company any time until May 2008 subject to a maximum conversion rate of £1,000,000 a week

YooMedia plc

Notes to the accounts Year ended 31 December 2006

18. Creditors - amounts falling due in more than one year (continued)

Borrowings are repayable as follows

	Group		Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Convertible debt				
Between one and two years	4,773	-	4,773	-
	<u>4,773</u>	<u>-</u>	<u>4,773</u>	<u>-</u>
Bank loans				
On demand or within one year	-	2,488	-	-
Between one and two years	-	1,000	-	-
	<u>-</u>	<u>3,488</u>	<u>-</u>	<u>-</u>
Other loans				
On demand or within one year	664	-	664	-
	<u>664</u>	<u>-</u>	<u>664</u>	<u>-</u>
Other creditors				
Between one and two years	-	350	-	350
	<u>-</u>	<u>350</u>	<u>-</u>	<u>350</u>
Finance leases				
On demand or within one year	268	160	-	-
Between one and two years	241	466	-	5
	<u>509</u>	<u>626</u>	<u>-</u>	<u>5</u>
Total borrowings including finance leases				
On demand or within one year	268	3,648	664	-
Between one and two years	5,678	1,816	4,773	355
	<u>5,946</u>	<u>5,464</u>	<u>5,437</u>	<u>355</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

19. Obligations under finance leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts

	2006 £000	2005 £000
Group		
Amounts payable		
Within one year	268	160
In two to five years	241	466
	<u>509</u>	<u>626</u>

20. Provisions for liabilities

	Employers' National Insurance on share options £000	Provision for restructuring £000	Other £000	Total £000
Group				
At 1 January 2006	1,137	519	178	1,834
Charged during the year	-	-	12	12
Released during the year	-	(519)	(117)	(636)
At 31 December 2006	<u>1,137</u>	<u>-</u>	<u>73</u>	<u>1,210</u>

	Employers' National Insurance on share options £000	Provision for dilapidations £000	Other £000	Total £000
Company				
At 1 January 2006	1,137	79	147	1,363
Charged during the year	-	11	-	11
Released during the year	-	(17)	(147)	(164)
At 31 December 2006	<u>1,137</u>	<u>73</u>	<u>-</u>	<u>1,210</u>

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.

YooMedia plc

Notes to the accounts Year ended 31 December 2006

20. Provisions for liabilities (continued)

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. Under the terms of the lease the earliest that the Group can leave these premises is September 2008.

21. Deferred income

	2006 £000	2005 £000
Group		
Deferred income	2,271	881
Company		
Deferred income	2,191	-

22. 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

	Floating rate £000	2006 Fixed rate £000	Total £000	Floating rate £000	2005 Fixed rate £000	Total £000
	-	-	-	307	-	307
	-	-	-	307	-	307
Of which						
Cash at bank and in hand	-	-	-	117	-	117
Other debtors (rent deposit)	190	-	190	190	-	190
	190	-	190	307	-	307

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.

The Group had no undrawn committed facilities available at 31 December 2006 (2005 £nil).

YooMedia plc

Notes to the accounts Year ended 31 December 2006

22. Financial instruments (continued)

Interest rate risk profile of financial liabilities

	Floating Rate £000	2006 Fixed rate £000	Total £000	Floating rate £000	2005 Fixed rate £000	Total £000
	-	(5,946)	(5,946)	(3,488)	(626)	(4,114)
Of which						
Bank loans and convertible debt	-	(5,437)	(5,437)	(3,488)	-	(3,488)
Finance leases and hire purchase contracts	-	(509)	(509)	-	(626)	(626)
	-	(5,946)	(5,946)	(3,488)	(626)	(4,114)

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

For the maturity profile of the Group's financial liabilities at 31 December 2006 refer to the table in note 18

Undrawn committed borrowing facilities

The Group has undrawn committed facilities of £1.5 million available at 31 December 2006 (2005: £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

23. Share capital

	2006 No.	2006 £'000	2005 No.	2005 £'000
Authorised				
Ordinary shares of 1p each	1,200,000,000	12,000	900,000,000	9,000
Deferred shares of 1p each	900,000,000	9,000	900,000,000	9,000
	<u>2,100,000,000</u>	<u>21,000</u>	<u>1,800,000,000</u>	<u>18,000</u>
Allotted, called up and fully paid				
Ordinary shares of 1p each	696,964,276	6,970	515,123,615	5,152
Deferred shares of 1p each	690,822,639	6,908	690,822,639	6,908
	<u>1,387,786,915</u>	<u>13,878</u>	<u>1,205,946,254</u>	<u>12,060</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

23. Share capital (continued)

Shares

During the year the following share issues took place as follows

Date of Notice	Description	Funds Raised £000	Shares Issued No.	Nominal Value £000	Share Premium £000
February 2006	Dating MI acquisition	1,250	19,230,770	192	1,058
February 2006	Dating redundancy	220	3,376,924	34	186
May 2006	Placing	1,300	30,588,235	306	994
September 2006	Placing	700	35,000,000	350	350
			<u>88,195,929</u>	<u>882</u>	<u>2,588</u>

Share options exercised

During the year, a total of 787,783 share options were exercised at a price of £0.01 per share. The average market price on the dates of exercise was £0.02 per share.

YooMedia plc

Notes to the accounts Year ended 31 December 2006

23. Share capital (continued)

Debt conversion

During the year, the following conversions of convertible loans took place as follows

Date of Notice	Debt Converted £000	Shares Issued No.	Exercise Price £	Nominal Value £000	Share premium £000
14/07/2006	120	5,309,734	0.023	53	67
14/07/2006	120	5,309,734	0.023	53	67
21/07/2006	120	5,668,665	0.021	57	63
31/07/2006	120	6,013,990	0.020	60	60
24/08/2006	40	2,453,987	0.016	25	16
08/09/2006	120	7,475,293	0.016	75	45
11/09/2006	120	7,588,448	0.016	76	44
27/09/2006	60	3,571,428	0.017	36	24
27/09/2006	60	3,571,428	0.017	36	24
01/12/2006	100	10,000,000	0.01000	100	-
12/12/2006	120	10,894,235	0.01102	109	11
Total		67,856,942		680	421

During the year the Leo Noe lent the Company £500,000, this was repaid by the Company through the issue of ordinary shares as follows

Date of Notice	Debt Converted £000	Shares Issued No.	Exercise Price £	Nominal Value £000	Share premium £000
05/09/2006	290	14,478,417	0.02	145	145
03/10/2006	210	10,521,600	0.02	105	105
		25,000,017		250	250

Shares to be issued

This relates to deferred consideration in respect of the acquisition of Via Vision Limited, and is not payable until the completion balance sheet has been agreed. A total of 1,700,000 shares are contracted to be issued 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 £000
Via Vision Limited	1,700,000	16.5p	281

YooMedia plc

Notes to the accounts Year ended 31 December 2006

24. Reserves

Group	Capital redemption reserve £000	Equity component of convertible debt £000	Share premium account £000	Profit and loss account £000
At 1 January 2006	455	-	75,521	(51,875)
Loss for the financial year	-	-	-	(25,476)
Arising on debt issue	-	304	-	-
Arising on share issue	-	-	3,259	-
Share issue costs	-	-	(25)	-
At 31 December 2006	455	304	78,755	(77,351)

Company	Capital redemption reserve £000	Equity component of convertible debt £000	Share premium account £000	Profit and loss account £000
At 1 January 2006	455	-	75,521	(40,801)
Loss for the financial year	-	-	-	(31,132)
Arising on debt issue	-	304	-	-
Arising on share issue	-	-	3,259	-
Share issue costs	-	-	(25)	-
At 31 December 2006	455	304	78,755	(71,933)

YooMedia plc

Notes to the accounts Year ended 31 December 2006

25. 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 2006 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
240,002	13 5p	April 2002	April 2003	April 2012
1,400,000	1 225p	29 May 2003	29 November 2003	29 May 2013
1,000,000	31 2p	10 October 2003	10 April 2005	10 October 2013
1,680,000	48 75p	15 January 2005	16 July 2005	15 January 2014
14,500,000	15p	21 December 2005	23 June 2006	21 December 2015
372,458	1p	21 December 2005	23 June 2006	21 December 2015

During the year, a total of 787,783 share options were exercised at a price of £0.01 per share.

Options over 95,530 ordinary shares of 1p at an exercise price of 1p each lapsed during the year as a result of employees leaving the Company.

Options over 500,000 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 83,330 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 1,500,000 ordinary shares of 1p at an exercise price of 15p each lapsed during the year as a result of employees leaving the Company.

Options over 500,000 ordinary shares of 1p at an exercise price of 25p each lapsed during the year as a result of employees leaving the Company.

YooMedia plc

Notes to the accounts Year ended 31 December 2006

26. Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
Group		
Loss for the year	(25,476)	(11,154)
New shares issued	5,052	7,150
Equity component of convertible debt	304	-
Shares to be issued	-	281
Shares to be issued in prior year issued in current year	-	(3,047)
Net reduction in shareholders' funds	(20,120)	(6,770)
Opening shareholders' funds	36,442	43,212
Closing shareholders' funds	16,322	36,442

	2006 £000	2005 £000
Company		
Loss for the year	(31,132)	(5,689)
New shares issued	5,052	7,150
Equity component of convertible debt	304	-
Shares to be issued	-	281
Shares to be issued in prior year issued in current year	-	(3,047)
Net reduction in shareholders' funds	(25,776)	(1,305)
Opening shareholders' funds	47,516	48,820
Closing shareholders' funds	21,740	47,515

27. Financial commitments

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases expiring as follows

	Buildings	
	2006 £000	2005 £000
Group		
Within two to five years	500	237
Company		
Within two to five years	500	237

Leases of buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

YooMedia plc

Notes to the accounts Year ended 31 December 2006

28. Net cash outflow from operating activities

Reconciliation of operating loss to net cash outflow from operating activities

	2006 £000	2005 £000
Continuing operations		
Loss before tax	(25,476)	(11,154)
Interest payments	1,249	725
Minority interest	-	(23)
Depreciation charge	1,276	2,127
Amortisation and impairment of goodwill	17,180	2,323
Amortisation and impairment of deferred development costs	1,252	1,355
Loss on restructuring	2,988	-
Provision for National Insurance on share options	-	1,116
Movement in other provisions & Forex	(624)	(1,307)
Decrease in other non-current Assets	(5)	(13)
Decrease/(increase) in debtors	1,403	(1,617)
Increase/(decrease) in creditors	(928)	(1,340)
Decrease/(increase) in deferred income	1,391	(526)
Net cash outflow from continuing operations	<u>(294)</u>	<u>(8,334)</u>

29. Reconciliation of net cash flow to movement in net funds

	2006 £000	2005 £000
Increase / (decrease) in cash in the year	3,510	(3,346)
Decrease in short-term deposits with banks	-	(6,417)
Loans and finance leases acquired with subsidiary undertakings	-	(650)
Repayment of capital element on finance leases	117	371
Convertible loans	(6,000)	-
Repayment of loans	1,000	-
Equity component of convertible debt	304	-
Convertible debt conversions	1,110	-
Capitalisation of interest on convertible	(187)	-
Movement in net funds in the year	<u>(146)</u>	<u>(10,042)</u>
Net funds at beginning of the year	<u>(4,997)</u>	<u>5,045</u>
Net debt at end of the year	<u>(5,143)</u>	<u>(4,997)</u>

YooMedia plc

Notes to the accounts Year ended 31 December 2006

30. Analysis of net funds

	Cash flow		Non cash items				
	At 1 Jan 2006 £000s	£000s	Conversions £000s	Equity component of convertible debt £000s	Finance leases £000s	Interest £000s	At 31 Dec 2006 £000s
Cash at bank and in hand	117	22	-	-	-	-	139
Overdrafts	(3,488)	3,488	-	-	-	-	-
Cash	(3,371)	3,510	-	-	-	-	139
Liquid resources	-	-	-	-	-	-	-
Net cash and cash equivalents	(3,371)	3,510	-	-	-	-	139
Debt due within one year							
Finance leases	(160)	117	-	-	(225)	-	(268)
Debt due after one year							
Loans	(1,000)	1,000	-	-	-	-	-
Convertible loans	-	(6,000)	1,110	304	-	(187)	(4,773)
Finance leases	(466)	-	-	-	225	-	(241)
Total	(4,997)	(1,373)	1,110	304	-	(187)	(5,143)

The cash and cash equivalents balance as reported at 31 December 2006 comprise the net cash and cash equivalents reported above of £138,904. There were no overdrafts in any Group companies at the 31 December 2006.

31. Litigation

The company is currently undergoing litigation with Towergate Capital in respect of a dispute arising from the raising of the convertible debt in the year. The company has fully provided for this liability.

32. Post balance sheet events

On 24 January 2007, YooMedia plc launched a new free, fully functioning online dating service – letsdateforfree.com. This launch has been prompted by the growth in popularity of social networking sites such as MySpace and Facebook, which means that many basic online dating services will now have to be provided without charge. The site will derive its revenue instead from advertising.

The Company is currently in negotiations to grant an option to a third party which would enable the option holder to acquire the Group's Games and Gambling division. The ultimate consideration to be paid for the Games and Gambling division under the terms of the option has yet to be determined.