

World Television Group PLC

Report and Financial Statements

Year Ended 31 December 2006

Chairman's statement

Dear Shareholders,

When I joined the Board in September 2006, I could see that World Television offered the potential for substantial growth. I could also see that there was a gap in the market for a clear global leader in video communications.

World Television is in an almost unique position in a market to fill this role. There are very few suppliers with such an international scale and a broad range of services. It is my belief no other player in our market is as well positioned to establish itself as the global leader.

Our clients' communications needs are changing as the technology of the broadband Internet offers them new possibilities. Video is at the leading edge of the Internet and we enable our clients to get the business results they need from it. I believe that the rapid growth of video delivered by Internet technologies is here to stay and that we are well equipped to meet these demands.

There is more work to do before we can fulfil our potential and it hasn't all been plain sailing to date. After the merger of World Television Group Limited and Virtue Broadcasting PLC in August 2004, the company needed further financing as it sought to reduce its cost base from unsustainable levels. Thanks to the support of shareholders and the hard work and dedication of employees, our cashflow has improved, our costs continue to fall and we have moved closer to profitability. I believe we are now in a better financial position than at any time since the merger.

I am very encouraged that our market is growing fast in certain sectors, notably webcasting in which our revenues increased by 20%. But we need to continue the restructuring process begun in 2006 to align the Group more closely with the market. We aim to demonstrate consistent profitability, launch new products and make our business more efficient.

At the end of the year we made changes to the Board. Jim Hall joined from MultiVu as Chief Technology Officer to provide expertise on our technical strategy and operations. Jim's skills will help us to chart the course for our next generation products and continue our drive for greater business efficiency. Peter Sibley and Andy Booth became Non-Executive Directors after many years of outstanding service since they founded World Television in 1991. I would also like to thank all my colleagues at World Television for providing such outstanding service levels to our clients, and for ensuring the Group has the market understanding it needs to keep moving forward.

Our journey is not yet complete but after a year of progress through restructuring we are on track for an exciting year for the Group.



Stephen Kirk

Chairman

25 April 2007

Operational and financial review

2006 Group Summary of Activities

Our goals in 2006 were to focus on cashflow and profitability and we made good progress on both fronts. Trading net cash from operating activities improved from £(1.4)m in 2005 to £(63)k. The outflow in 2006 includes £199k of pre-2006 non-trading debts, and so the 2006 movement excluding this was an inflow of £136k. The loss before tax fell from £898k to £483k and EBITDA grew from £(37)k to £99k before exceptional items, share option expense and amortisation.

Underlying revenues, excluding non-recurring revenue in 2005 of £323k, were flat at £9.2m. However this overall performance masked strong growth in certain key businesses. Revenues in Spain grew 69%, in Switzerland 48%, in Sweden 34%, in British Satellite News ("BSN") 14% and in UK webcasting 8%. Overall revenue in our webcasting business grew by 20%. Weakness in our UK Corporate TV business, where a major client reduced spending for internal reasons, and to a lesser extent in sponsored programming combined to offset the growth elsewhere.

New client wins included the European Space Agency, Cadbury, the UK Department of Health, Barclays, Microsoft, Pfizer, Star Alliance, the International Air Traffic Association (IATA), Borealis, Countrywide, First Choice Holidays, European Centre for Disease Prevention and Control (ECDC), Sanofi Pasteur MS, Red Eléctrica de España (REE), Bolsa y Mercados Españoles and Shire Pharmaceuticals. At the end of the year we had approximately 300 clients worldwide. In January we established a partnership with PR Newswire Europe to provide broadcast PR services to PR Newswire's European customers.

The Group's cost base contracted as our restructuring programme continued to deliver results. Operating expenses (before exceptional items, share option expense and amortisation) fell by £488k from £9.99m in 2005 to £9.50m in 2006. Profitability in our underlying businesses (excluding non-recurring revenue and associated costs in 2005) improved from £(1)k EBITDA (before exceptional items, share option expense and amortisation) to £99k in line with falling costs. Our webcasting business made its first ever profit on the back of rising revenues.

As many of our divisions grew, the business risk in the Group became more widely spread. In 2005, two of our businesses generated annual revenues in excess of £1m. In 2006 this increased to four (BSN, Corporate TV, Sweden and Switzerland) and we expect this trend to continue in 2007. We are becoming less dependent on a small number of major clients as the overall client base expands.

In September we completed the disposal of the Group's 8% shareholding in Kamera Content AB ('Kamera') for a consideration of SEK 18,100 (approximately £1k). The Group received SEK 2,015,837 (approximately £150k) from Kamera as payment in full for its share of Kamera's revenues between 1 July 2005 and 30 June 2006.

In 2005 the Group received a tax claim from HM Revenue & Customs ("HMRC") in the UK concerning share options issued by Tornado Group PLC in 2000. We successfully appealed against the claim, which HMRC withdrew in 2006.

The Board obtained binding undertakings from holders of the Convertible Unsecured Loan Notes 2004 that they would not demand redemption or repayment of the Loan Notes until after 31 May 2007.

Group strategy

Our annual strategic review highlighted the need to focus our marketing on business areas as well as geographical territories. We have defined our business areas as investor relations, internal communications, public relations and sales and marketing, reflecting the ways in which our clients use the communications tools we provide. By the end of 2007 each business area will have a manager with profit and loss responsibility to ensure we remain responsive to international trends in our clients' needs. The business areas will add an extra dimension to our management, in addition to the geographical structure we have had in place for some time.

We also established a product development function to analyse market trends and identify profitable new market opportunities. This has resulted in a product launch plan for 2007 and 2008, which we expect to underpin revenue growth and profitability.

Key performance indicators

The Group uses 3 primary key performance indicators (KPI's) to measure and monitor the performance of the business effectively. They are net operating cashflow, profitability and underlying revenue.

The KPI's for the year ended 31 December 2006, with comparatives for the year ended 31 December 2005, are set out below:

Operational and financial review

	2006 £'000	2005 £'000
Underlying revenue	9,213	9,240
EBITDA (pre exceptional items, share option expense and amortisation)	99	(37)
EBITDA (pre exceptional items, share option expense and amortisation) per employee	1.00	(0.42)
Net operating cashflow (pre non-trading debts)	136	(1,402)

Business plan 2007

The Group has four key goals in 2007:

- To achieve profitability in 2007.
- To generate additional profitable revenues through new product launches.
- To focus management time on our growth businesses.
- To recruit business developers and salespeople in growth markets.

In order to achieve these goals, we are reviewing our technology investment strategy to support new products more effectively and to reduce running costs. Our restructuring programme has removed the distraction of certain non-core businesses and our focus is now firmly on developing our business assets through organic growth. The Board intends to increase sales capacity by strengthening its business development and sales functions at the same time keeping tight control of its general overheads.

Treasury Policy and financial risk management

The funding and treasury functions of the Group are managed centrally under guidelines approved by the Board. The treasury function raises all the funding for the Group and focuses on minimising interest rate and foreign exchange rate risk. The treasury positions are managed in a non-speculative manner. The main financial risks faced by the Group are funding and credit risk. The Board continually reviews the funding requirements of the Group and its exposure to liquidity risk. Credit risk is controlled by tight credit management policies. The Group does not enter into derivative instruments.

Accounting Standards

The group accounts are currently prepared under UK GAAP and are prepared on a consistent basis using accounting standards set out in the December 2005 Financial Statements. The Group has reviewed the impact of the transition to International Accounting Standards, which, if it remains an AIM-listed company, will be adopted for the financial year commencing 1 January 2007. The review has concluded that there should be no material adjustments resulting from the recognition of income and expenditure. The following areas have been identified as requiring potential adjustments, although this list is not exhaustive and may change as the more detailed work continues:

- *Goodwill amortisation* – will no longer be charged to the profit and loss account on an annual basis. Instead, an annual impairment review will be performed
- *Research and development* – development costs must be capitalised and amortised where stringent criteria are met, rather than choose to write off directly to the profit and loss account as under UK GAAP
- *Accounts classification* – changes to the layout of the accounts will follow IFRS guidelines, which differ from UK GAAP which is currently adopted.

The Group has adopted FRS20 'Share Based Payment' for the first time, whereby the fair value of any share-based payment transaction is expensed. Share options granted to employees and directors are covered by this Standard. Under transitional rules no expense is recognised for share options vested prior to 1 January 2006 and options granted during 2006 have been measured by reference to the fair value at the date of grant using the Black-Scholes model. A charge of £63k has been made for the year.

Operational and financial review

Outlook and Commercial Risk

Trading in the first quarter has continued the trends seen in 2006, with healthy demand for webcasting and streaming services but continuing weakness in the UK Corporate TV division. The Group's new products will focus on streaming services and are expected to have a beneficial impact on revenue growth in 2007.

The Directors consider that the principal commercial risk faced by the Group is the lack of business development capacity in Corporate TV and steps are being taken to address the gap as a priority. A secondary business risk is a possible global economic downturn and reduction in corporate profits, which would affect the Group's clients.



Steve Garvey
Chief Executive Officer



Evelyn Kimber
Chief Financial Officer

25 April 2007

Directors and advisors

Directors

Stephen Kirk
Non-Executive Chairman

Steve Garvey
Chief Executive Officer

Evelyn Kimber
Chief Financial Officer

Jim Hall
Chief Technology Officer

Andrew Booth
Non-Executive Director

Peter Sibley
Non-Executive Director

Anthony Bartlett
Non-Executive Director

Company Secretary

Evelyn Kimber

Registered office

8 Fitzroy Square
London W1T 5HN

Registered in England and Wales

03901656

Nominated advisor and nominated broker

Brewin Dolphin Securities Limited
5 Giltspur Street
London EC1A 9BD

Auditors

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

Solicitors

Taylor Wessing
Carmelite
50 Victoria Embankment,
Blackfriars
London EC4Y 0DX

Registrars

Capita Registrars
Bourne House
34 Beckenham Road,
Beckenham
Kent BR3 4TU

Corporate governance statement

The Company is listed on the Alternative Investment Market (“AIM”) and is therefore not required to comply with the provisions of the Principles of Good Governance and the Code of Best Practice (“the Combined Code”). Nevertheless the Board is committed to ensuring that proper standards of corporate governance operate throughout the Group and has followed the principles of the Combined Code so far as is practicable and appropriate for the nature and size of the Group.

Below is a brief description of the role of the Board and its Committees, followed by a statement regarding the Group’s system of internal controls.

The Board

The Board currently comprises the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Technology Officer and three Non-Executive Directors.

Key features of the Corporate Governance structure are:

- the Chairman is closely involved with the development of the corporate strategy and financing of the Group. He is also chair of the Remuneration Committee;
- the Chief Executive Officer exercises his delegated powers through the management team comprising the Chief Financial Officer, himself and senior members of management. The management team meets weekly; and
- the Non-Executive Directors provide a range of skills and experience in the Group. They bring independent judgement on issues of strategy, performance, risk and people through their membership of the Board and Remuneration Committee.

All directors have access to the advice and services of the Company Secretary, who ensures that the Board meets formally at least eight times per year, receives appropriate and timely information for decision making, that Board procedures are followed and that statutory and regulatory requirements are met. Any director, in order to fulfil his duties, may take independent professional advice at the Company’s expense.

Under the Company’s Articles of Association, one-third of the Board retires by rotation each year and all directors are required to offer themselves for re-election at least every three years.

The Company does not have a Nomination Committee, which is not in compliance with the Combined Code. The Board as a whole is responsible for its structure, size, composition and successional needs thereby keeping under review the balance between Executive and Non-Executive Directors, and the Board’s blend of skills and experience.

The principal standing Committees appointed by the Board are as follows:

Audit Committee

The Audit Committee meets at least twice per year with the external auditors to review the accounts and audit of the Group. There is at least one meeting where no Executive Directors will be present. The Committee reviews the Company’s accounting policies, financial reporting, internal control and risk management procedures. The Board seeks to ensure that its Annual Report and Financial Statements provide a balanced and concise assessment of the Company’s position. It also considers the appointment of the auditors and their remuneration.

Audit fees charged by BDO Stoy Hayward LLP and non-audit fees charged by BDO International member firms are below. Statutory disclosures required by the Companies Act 1985 of audit and non-audit fees are given in note 8.

Corporate governance statement

The Board (continued)

Audit Committee (continued)

	2006 £'000	2005 £'000
Audit services		
– statutory audit	85	87
– interim review report	5	5
	90	92
Tax services		
– compliance work	23	39

The Board and Audit Committee also review the independence of the external auditors. Outside regular briefings, the full Board meets twice a year with the external auditor.

The external auditors continue to operate procedures to safeguard against the possibility that the auditors' objectivity and independence could be compromised. This includes the use of an independent concurring partner, use of a technical review board and annual independence confirmations by all staff.

The auditors report to the Audit Committee on matters including independence and non-audit fees on an annual basis. In addition, the role of the audit partner is rotated on a periodic basis.

The Committee comprises:

Anthony Bartlett (Chairman of the Audit Committee)

Stephen Kirk

Remuneration Committee

The Remuneration Committee provides advice and recommendations to the Board regarding the framework for executive remuneration and the individual remuneration package for each director.

It consists of:

Stephen Kirk (Chairman of the Remuneration Committee)

Anthony Bartlett

Corporate governance statement

The Board (continued)

Risk assessment and internal control

The directors are responsible for risk assessment and the systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key elements of the Group's system of internal control are as follows:

Company management

The Chief Executive Officer chairs management boards for the Group comprising the senior management with responsibilities for sales, marketing, service support, technology, product development and finance. Additionally, there are regular meetings of product strategy forums where the future direction of the Group's product offerings and routes to market are considered.

Financial management

Detailed annual budgets are prepared for the Group and each operating company. These budgets are reviewed and agreed by the Board and actual performance is reported against these budgets on a regular basis. The Company has in place documented authority levels for approving purchase orders, invoices and all bank transactions. Further information concerning financial risk management is detailed in the Operational and Financial Review.

Quality management

The Company's businesses are focused on meeting the highest levels of customer satisfaction. Quality procedures for the development of the products, services and maintenance support are documented and reviewed frequently.

Internal audit

The Company does not operate an internal audit function; the Board feels this is appropriate due to the current size of the Group's business.

External audit

Executive management have a dialogue with the external auditors on matters arising from their work.

Dialogue with shareholders

The directors of the Company, together with their advisors, hold meetings with the key shareholders, thereby helping to ensure that there is a mutual understanding of objectives.

Remuneration report

Remuneration Committee

The Company's Remuneration Committee consists of the Chairman and one of the Non-Executive Directors, except that the Chairman has no involvement in any decisions relating to his own remuneration.

The Committee provides advice and recommendations to the Board regarding the framework for executive remuneration and the individual remuneration package for each director.

Policy on remuneration of directors

The success of the Company is dependent upon the skill and experience of motivated employees throughout all levels of the business. In determining remuneration policy the Committee's objectives are to recommend to the Board a reward framework that ensures that the Company is able to motivate, attract and retain executives capable of making a significant contribution to the success of the Group, with due regard to the Company's financial and commercial health. The main components of the remuneration of the Executive Directors comprise:

Salaries and benefits

Salaries and benefits for directors are reviewed annually. The salaries are set by the Committee after consideration of the Company's performance, market conditions, the level of increase awarded to employees throughout the business and the need to reward individual performance. Consistent with his part time status the Chairman's fee is pro-rated accordingly.

Bonus schemes

The Remuneration Committee has determined appropriate bonus schemes to incentivise and reward performance by the Executive Directors. These schemes are designed to reinforce the relationship between individual and corporate performance.

Share option schemes

Certain directors hold options to subscribe for shares in the Company at prices ranging from 0.6 pence to 3.0 pence under the Group's share option schemes. There are no performance criteria attached to the share options awarded before December 2005. Since January 2006, exercise of options are based on targets set by the Remuneration Committee.

Further details can be found in note 23.

Service contracts

The Executive Directors have service contracts with notice periods of six months. There are no contractual termination payments other than an option for the Company to make a payment in lieu of notice.

Remuneration report

Directors' remuneration

	2006 Salary and fees	2006 Bonus	2006 Benefits in kind ⁴	2006 Settlement payments ⁵	Total	2006 Pension contribution ⁶	2006 Total	2005 Pension contribution	2005 Total
£'000									
Executive Directors									
S Garvey	90	—	1	—	91	5	96	2	40
E Kimber	85	—	—	—	85	4	89	1	22
Total Executive Directors	175	—	1	—	176	9	185	3	62
Non-Executive Directors									
A Booth ³	75	—	—	100	175	4	179	4	84
P Sibley ³	75	—	—	103	178	4	182	4	84
M Neville ²	24	—	—	—	24	—	24	—	36
S Kirk ¹	12	—	—	—	12	—	12	—	36
A Bartlett	15	—	—	—	15	—	15	—	15
Total Non-Executive Directors	201	—	—	203	404	8	412	8	255
Total	376	—	1	203	580	17	597	11	317

¹ Remuneration for Mr Kirk is from the date of his appointment (1 September 2006).

² Remuneration for Mr Neville is to the date of his resignation (31 August 2006).

³ Remuneration for Mr Booth and Mr Sibley is for services in their capacity as Executive Directors and Vice-Chairmen.

⁴ Benefits in kind include medical insurance, life assurance and income protection.

⁵ Settlement payments represent amounts paid by the Group under compromise agreements relating to a change in role for Andy Booth and Peter Sibley. Compensation for loss of office payments of £40k were made in 2005.

⁶ Pension contributions are for money purchase schemes.

Remuneration report

Directors' share options

The table below sets out the interest of directors in share options of World Television Group PLC:

000's	At start of year	Granted/ Re-priced	Exercised/ Lapsed	At end of year	Exercise price (pence)	Exercise date	Lapsed date
M Neville	570	—	—	570	3.0	08/10/03	07/10/13
	3,250	—	(3,250)	—			
	3,820	—	(3,250)	570			
S Garvey	1,302	—	—	1,302	0.6	17/01/05	05/02/14
	1,302	—	—	1,302	0.6	01/08/05	05/02/14
	—	4,697	(4,697)	—	1.0	26/04/07	23/02/16
	—	4,697	—	4,697	1.0	24/04/08	23/02/16
	—	2,803	(2,803)	—	1.0	26/04/07	16/03/16
	—	2,803	—	2,803	1.0	24/04/08	16/03/16
	2,604	15,000	(7,500)	10,104			
E Kimber	—	5,000	(5,000)	—	1.0	26/04/07	23/02/16
	—	5,000	—	5,000	1.0	24/04/08	23/02/16
	—	10,000	(5,000)	5,000			
P Sibley	—	2,500	(2,500)	—	1.0	26/04/07	23/02/16
A Booth	—	2,500	(2,500)	—	1.0	26/04/07	23/02/16

The mid-market share price at 31 December 2006 was 0.41 pence. The range of mid-market prices during the year was a high of 1.30 pence on 21 April and 25 April 2006 and a low of 0.36 pence on 14 December 2006

On behalf of the Board



Stephen Kirk

Non-Executive Chairman

25 April 2007

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited Financial Statements for the year ended 31 December 2006.

Results and dividends

The results of the Group for the year are set out on page 19 and show a loss after tax of £0.5m (2005: £0.8m) after deducting amortisation of intangible assets of £299k, re-organisation expenses of £322k, share-based payment charges of £63k, and the write back of provision against Tornado of £496k (net of expenses of £50k). The loss for the year also includes a loss on disposal and liquidation of subsidiaries of £14k.

The directors do not recommend a final dividend.

Principal activities, review of business and future developments

World Television is an international corporate communications, broadcast news, webcasting and event production company. Multi-national companies, governments and campaigning organisations choose us to provide effective visual communications targeted at key audiences.

The Group is one of Europe's largest communication Groups, with offices in London, Stockholm, Madrid, Frankfurt, Zurich and Geneva. The Group also has representative offices in AsiaPacific in Sydney and Nelson.

A review of the Group's operations and future developments is included in the Chairman's Statement and the Operational and financial review on pages 1 to 4.

Research and development

The Group continues to invest in research and development. During the year, development costs of £80k have been capitalised in respect of the development of software platforms that will benefit the group in the medium to long term.

Post balance sheet events

Loan Notes

On 26 January 2007 the Company announced that it had agreed the terms of a refinancing, involving the issue of new convertible Loan Notes, to raise £1.935 million (before expenses) for the Company. The proceeds of this issue were used in part to replace the Loan Notes issued in November 2004, which were due for redemption on 31 May 2007 at a cost of £1.28 million, plus accrued interest from 30 November 2006.

The 2007 Loan Notes have a two year duration, have a zero coupon, and are redeemable at an amount of £2.25 million, and are convertible at any time, in aggregate, into 900,000,000 new ordinary shares at a conversion price of 0.25 pence per share.

On 25 April 2007 the Loan Note holders notified the Company to convert the nominal amount of their Loan Notes into ordinary shares in accordance with the terms of the 2007 Loan Notes agreement.

Disposal of Australian webcasting business

On 21 February 2007 the Company announced that it had disposed of its Australian webcasting business for US \$1.2 million (£615,000). The Group will continue to support its corporate TV production and broadcast PR clients in Australia and New Zealand.

De-listing

On 25 April 2007 the Board decided, after careful consideration and analysis, to recommend to shareholders that the Company cancel its listing on the AIM Market of the London Stock Exchange.

Changes to the Board

On 31 August 2006 Michael Neville resigned as Non-Executive Chairman and on 1 September 2006 Stephen Kirk was appointed as Non-Executive Chairman.

On 1 January 2007 Jim Hall was appointed as Chief Technology Officer.

On 1 January 2007 Peter Sibley and Andrew Booth relinquished their roles as Executive Directors and Vice-Chairmen and became Non-Executive Directors.

Report of the directors for the year ended 31 December 2006

Directors

The current directors of the Company are:

Stephen Kirk, Non-Executive Chairman

Stephen became Non-Executive Chairman in September 2006. He has extensive experience of creating and growing companies at the cutting edge of technology and service delivery. He founded both Cable London and Broadsystem, which pioneered premium rate telephony services for publishers and broadcasters in the UK. In 1990 he sold Broadsystem to News International and worked within the group to establish international subsidiaries, online services and discounted telephony services. Stephen is Non-Executive Chairman of Centric Telecom and Mobile Commerce and is also Non-Executive Director at Aggregator and broadcast publication company Shine.

Steve Garvey, Chief Executive Officer

Steve joined World Television as Head of News and Web operations worldwide in 2003. Before joining the Company, Steve spent 20 years in the television and film industry, concentrating on news, corporate television production and streaming technologies. He was responsible for establishing and directing Reuters Corporate Television internationally in the 1990s and was Director of Communications for Yes Television, a provider of video-on-demand solutions for IP-based telecommunication networks.

Evelyn Kimber, Chief Financial Officer

Evelyn joined World Television in October 2005. Evelyn previously worked for Yes Television PLC where she held the positions of Director of Finance and Company Secretary. Before joining Yes Television, Evelyn worked for Bell Cablemedia PLC and Jones Cable Group. Evelyn has over 15 years experience working in the television industry and was involved in the US and UK based investment in the cable sector. She was also involved in the winning of and acquisition of a number of cable TV franchises. This led to the first successful flotation of a UK cable company on NASDAQ in 1994.

Jim Hall, Chief Technology Officer

Jim joined the Board in January 2007 as Chief Technology Officer. He previously worked for MultiVu in New York, a company he helped launch in 2002. Jim was instrumental in developing the fledgling company into the second largest broadcast PR production company in the US in less than two years. Prior to establishing his career in broadcast PR, Jim worked for Pseudo Programs, Inc. a ground-breaking pioneer in video over the Internet, where he led production and streaming technology development for four years. He has over twelve years' experience in delivering latest technology solutions for audio and video online, ranging from the beta of RealAudio to video podcasting and broadcast quality video downloading.

Andrew Booth, Non-Executive Director

Andrew has been a Board Director since he co-founded the Company in 1991. He has worked in broadcast and new media communications and campaigns for 20 years. He was a main board director of Greenpeace International, where he was responsible for communications and campaigns worldwide, and has served as a senior communications consultant to the United Nations.

Peter Sibley, Non-Executive Director

Peter has been a Board Director since he co-founded the Company in 1991. He has had 20 years' experience in the global broadcast, corporate communications and new media sectors. He has been the Executive Producer of several award-winning television series and has delivered a wide range of complex international campaigns for many of the company's most visible and prestigious clients. Peter has also worked for Reuters, Greenpeace International and Ogilvy and Mather.

Anthony Bartlett, Non-Executive Director

Anthony is a Chartered Accountant and joined the Board in August 2004. He is currently CEO at Arden Partners PLC, an AIM listed stockbroking business. He was previously a partner at Coopers & Lybrand (now PricewaterhouseCoopers) and a director at Beeson Gregory Group PLC.

Report of the directors

for the year ended 31 December 2006

Directors' interests

The directors at the end of the year and their beneficial interests (unless otherwise stated) in the ordinary share capital of the Company are as follows:

Name	At 31 December 2006		At 31 December 2005	
	Numbers of shares held	Percentage of shareholding	Numbers of shares held	Percentage of shareholding
Peter Sibley	114,134,490	14.9%	115,934,490	15.5%
Andrew Booth	114,134,489	14.9%	115,934,489	15.5%
Steve Garvey	10,000,000	1.3%	—	—
Anthony Bartlett	8,681,347	1.1%	8,681,347	1.2%
Stephen Kirk	6,250,000	0.8%	—	—
Evelyn Kimber	—	—	—	—
Jim Hall	—	—	—	—

Details of share options are shown in the remuneration report on page 11.

No directors were or are materially interested in any contract, other than their service contract, subsisting during or at the end of the financial year that was significant in relation to the Group's business.

There have been no other changes in the above shareholdings between 31 December 2006 and 25 April 2007.

Major shareholders

As far as the directors are aware, as at 24 April 2007, the Company has been notified of the following interests in 3% or more of the Company's shares:

Name of shareholder	Numbers of shares held	Percentage of shareholding
Peter Sibley	114,134,490	14.9%
Andrew Booth	114,134,489	14.9%
Archdream Limited	82,472,796	10.8%
Rorke Investment Holdings Limited (Robert Newman ¹)	80,000,000	10.4%
Forest Nominees Limited ²	27,222,729	3.5%

¹ Robert Newman owns shares in Rorke Investment Holdings Limited and also 6,813,469 of the total shares of World Television Group PLC belong to Robert Newman (0.9% of the shareholding).

² Glenvil William Bisson has an interest in Forest Nominees Limited and also 745,000 of the total shares of World Television Group PLC belong to Glenvil William Bisson (0.1% of the shareholding).

Report of the directors for the year ended 31 December 2006

Employment of disabled persons and employee involvement

Every effort is made to keep all staff informed and involved in the operations and progress of the Group. This is achieved through the use of electronic communications and staff briefings.

The Company operates Approved, Unapproved and Enterprise Management Incentive employee share option schemes, in which certain of the Group's employees are invited to participate.

It is the Group's aim that recruitment and development of staff should be determined solely on ability and other relevant requirements of the job. Disabled persons and those who become disabled are given the same consideration as others and depending on their skills, will enjoy the same prospects as other staff.

World Television is committed to being a socially responsible employer and has an active policy of Equal Opportunities and Diversity & Inclusion. The Company embraces part-time and job-share opportunities and offers a health benefit scheme.

The Company aims to create an open and honest environment for employees. We aim to keep staff informed on operations and the progress of the Group.

Supplier payment policy

The Group agrees appropriate terms and conditions individually with its suppliers. It seeks to abide by these agreed terms provided that the supplier has also complied with them. The Company had 144 creditors days at 31 December 2006 (2005 – 69 days).

Donations

There were no political or charitable donations during the year (2005 – £Nil).

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

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

By order of the Board



Evelyn Kimber

Company Secretary

25 April 2007

Statement of directors' responsibilities

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the Financial Statements.

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

Company law required the directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss for the year to that date. In preparing those Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985 and the AIM rules. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the preparation of the directors' reports and other information in the Annual Report.

Financial Statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Report of the independent auditors

To the shareholders of World Television Group PLC

We have audited the Group and parent Company Financial Statements (the "Financial Statements") of World Television Group PLC for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and Company balance sheets, the consolidated cashflow statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the Directors' Report is consistent with the Financial Statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises the Chairman's Statement, the Operational and Financial Review, the Corporate Governance Statement, the Remuneration Report, the Directors' Report and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

Report of the independent auditors

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 December 2006 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

London

25 April 2007

Consolidated profit and loss account
for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover	3	9,213	9,563
Operating expenses before exceptional items, share option expense and amortisation		(9,500)	(9,988)
– Board restructuring and redundancy costs	9	(322)	(45)
– Share option expense	24	(63)	—
– Provision for bad debt	9	—	310
– Net amortisation of intangible fixed assets	13	(299)	(235)
– Tornado PAYE provision	9	446	(496)
Total net operating expenses	4	(9,738)	(10,454)
		(525)	(891)
Other operating income	7	84	72
Operating loss	8	(441)	(819)
Exceptional items – non-operating	9		
– Loss on sale and termination of operations		(14)	(81)
Loss on ordinary activities before interest		(455)	(900)
Net interest (payable)/receivable	10	(28)	2
Loss on ordinary activities before taxation		(483)	(898)
Taxation	11	—	81
Loss on ordinary activities after taxation		(483)	(817)
Minority interests		17	25
Loss for the financial year	25	(466)	(792)
Loss per share (pence)			
Basic and diluted	12	(0.1)	(0.1)

All amounts relate to continuing activities.

The notes on pages 25 to 54 form part of these Financial Statements.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2006

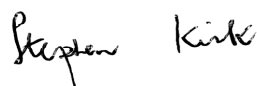
	2006 £'000	2005 £'000
Loss for the financial year	(466)	(792)
Exchange translation differences	(8)	(118)
Total recognised gains and losses for the year	(474)	(910)

The notes on pages 25 to 54 form part of these Financial Statements.

Consolidated balance sheet
at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Intangible assets	13		814		1,033
Tangible assets	14		359		473
Unlisted investments	15		—		1
			1,173		1,507
Current assets					
Debtors	17	1,783		2,406	
Cash at bank and in hand		42		230	
		1,825		2,636	
Creditors: amounts falling due within one year	18	(4,392)		(4,504)	
Net current liabilities			(2,567)		(1,868)
Total assets less current liabilities			(1,394)		(361)
Creditors: amounts falling due after more than one year	19		(45)		(85)
Provisions for liabilities and charges	21		(25)		(714)
Net liabilities			(1,464)		(1,160)
Capital and reserves					
Called up share capital	22		18,599		18,582
Share premium account	25		9,011		8,904
Capital redemption reserve	25		16,874		16,874
Merger reserve	25		(15,999)		(15,999)
Other reserves	25		2,428		2,365
Profit and loss account	25		(32,265)		(31,791)
Shareholders' deficit	26		(1,352)		(1,065)
Minority interests			(112)		(95)
			(1,464)		(1,160)

The Financial Statements were approved and authorised by the Board on 25 April 2007.





Stephen Kirk

Evelyn Kimber

Non-Executive Chairman

Chief Financial Officer

The notes on pages 25 to 54 form part of these Financial Statements.

Company balance sheet
at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Intangible assets	13		110		94
Investments	16		5,782		9,017
			5,892		9,111
Current assets					
Debtors – due in one year	17	56		92	
– due after more than one year	17	2,180		2,472	
		2,236		2,564	
Cash at bank and in hand		1		22	
		2,237		2,586	
Creditors: amounts falling due within one year	18	(1,841)		(1,736)	
Net current assets			396		850
Total assets less current liabilities			6,288		9,961
Provisions for liabilities and charges	21		(12)		(690)
Net assets			6,276		9,271
Capital and reserves					
Called up share capital	22		18,599		18,582
Share premium account	25		9,011		8,904
Capital redemption reserve	25		16,874		16,874
Other reserves	25		63		—
Profit and loss account	25		(38,271)		(35,089)
Shareholders' funds	26		6,276		9,271

The Financial Statements were approved and authorised by the Board on 25 April 2007.




Stephen Kirk

Non-Executive Chairman

Evelyn Kimber

Chief Financial Officer

The notes on pages 25 to 54 form part of these Financial Statements.

Consolidated cashflow statement
for the year ended 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Net cash outflow from operating activities	27		(63)		(1,402)
Returns on investment and servicing of finance					
Interest received		1		15	
Interest paid		(24)		(13)	
Net cash (outflow)/inflow from returns on investment and servicing of finance			(23)		2
Taxation					
Corporation tax			—		(174)
Capital expenditure and financial investment					
Payments to acquire intangible assets		(80)		(94)	
Payments to acquire tangible assets		(167)		(110)	
Receipt from sale of unlisted investment	15	1		—	
Receipts from sales of tangible assets		12		1	
Cash outflow from capital expenditure and financial investment			(234)		(203)
Acquisitions and disposals					
Cash disposed of with subsidiary undertaking		—		(2)	
Cash inflow/(outflow) from acquisitions and disposals			—		(2)
Cash outflow before financing			(320)		(1,779)
Financing					
Issue of ordinary shares		124		9	
Issue of loan finance		288		—	
Capital element of finance lease payments paid		(138)		(64)	
Cash inflow/(outflow) from financing			274		(55)
Decrease in cash			(46)		(1,834)

The notes on pages 25 to 54 form part of these Financial Statements.

Consolidated cashflow statement
for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Reconciliation of net cashflow movements in net debt			
Decrease in cash		(46)	(1,834)
Cashflow from (increase)/decrease in debts		(150)	64
Change in net debt resulting from cashflow		(196)	(1,770)
Interest charge on loan notes		(5)	—
New finance leases		(75)	(133)
Non-cash movements (foreign exchange)		(2)	—
Movement in net debt		(278)	(1,903)
Net (debt)/funds at the start of the year		(1,382)	521
Net debt at the end of the year	28	(1,660)	(1,382)

The notes on pages 25 to 54 form part of these Financial Statements.

Notes forming part of the Financial Statements

for the year ended 31 December 2006

1. Accounting policies

The Financial Statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

In preparing the financial statements the Group has adopted for the first time FRS 20 'Share Based Payments' and UITF 44 'Group and treasury share transactions'. Further details are given in note 2.

The following principal accounting policies have been applied:

Going concern basis

As at 31 December 2006 the Group had net liabilities of £1.5m and net current liabilities of £2.6m.

In January 2007 the Company issued new convertible Loan Notes ("the 2007 Loan Notes") to raise £1.935 million. The proceeds of this issue were used in part to replace the Loan Notes issued in November 2004 with a redemption value of £1.28 million included in current liabilities at 31 December 2006. The rest of the proceeds of the 2007 Loan Notes provides funds for strengthening the ongoing working capital position of the Group and for product development. The 2007 Loan Notes are redeemable at par and by any noteholder or the Company in whole or in part at any time on or after 31 January 2009.

On 25 April 2007 the Loan Note holders notified the Company to convert the nominal amount of their Loan Notes into ordinary shares in accordance with the terms of the 2007 Loan Notes agreement.

In February 2007 the Group disposed of certain assets of the Australian subsidiary's webcasting business for a consideration of £615,000.

In assessing the going concern of the Group, the directors have prepared forecast information for the period ending twelve months from the date of the approval of these Financial Statements. The forecast includes the net proceeds of the 2007 Loan Notes and the disposal of the Australian webcasting business. On the basis of these forecasts and the underlying assumptions, the directors believe that the Group should have sufficient funding to continue in operational existence for at least twelve months from the date of approval of these Financial Statements. On this basis, they consider that it is appropriate to prepare the Financial Statements on the going concern basis.

Basis of consolidation

The consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings as at 31 December 2006.

Undertakings in which the Group has a material interest are accounted for as subsidiaries where the Group exercises dominant influence. Unless otherwise stated the acquisition method of accounting has been adopted, under which the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition and interests sold are consolidated up to the date of disposal.

Under Section 230 of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year dealt with in the accounts of the Company was £3,182k (2005 – £6,955k).

Merger accounting

In relation to the merger of Virtue Group and World Television Group in August 2004, the consolidated Financial Statements have been prepared using merger accounting principles as set out in Financial Reporting Standard No. 6 – Acquisitions and Mergers ("FRS 6").

Where merger accounting is used the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid. In the consolidated Financial Statements merged subsidiary undertakings are treated as if they had always been a member of the Group. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

Notes forming part of the Financial Statements for the year ended 31 December 2006

1. Accounting policies (continued)

Foreign currencies

Foreign currency transactions of individual companies are translated at contracted rates or where no contract exists, at the average monthly rates. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas subsidiary undertakings are translated into sterling at the average rates of exchange during the year. The balance sheets are translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences arising on the translation of opening shareholders' funds and the profit and loss movement for the year are recorded as a movement on reserves.

Principal rate of exchange

£	2006 Year-end	2006 Average	2005 Year-end	2005 Average
Euro	1.485	1.467	1.453	1.463
Swiss franc	2.389	2.308	2.264	2.263
Australian dollar	2.485	2.447	2.358	2.388
Swedish kronor	13.427	13.579	13.702	13.577

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, is the difference between the fair value of purchase consideration and the fair value of the assets and liabilities acquired. In calculating goodwill, the total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the value of likely consideration payable is made. The contingent deferred consideration is re-assessed annually and a corresponding adjustment is made to the goodwill arising on acquisition.

Goodwill is capitalised and amortised through the profit and loss account over its expected useful economic life which is estimated at five years. Goodwill is denominated in the currency in which the acquisition is made and financed.

Research and development

Development expenditure meeting the criteria as set out in SSAP13 is capitalised and amortised over its useful economic life of three years, commencing in the year the Group starts to benefit from the expenditure.

All other research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less a provision for depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets in equal instalments over their expected useful economic lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Computer equipment and software	—	2–3 years
Specialist equipment	—	2–3 years
Fixtures, fittings and equipment	—	3–4 years

Notes forming part of the Financial Statements for the year ended 31 December 2006

1. Accounting policies (continued)

Impairment of fixed assets and goodwill

The carrying values of fixed assets are reviewed for impairment when a triggering event arises that indicates assets might be impaired. First year impairment reviews are conducted for acquired goodwill and intangible assets. Impairment is determined by the comparison of the carrying value of the asset against the higher of net realisable value and value in use. Any provision for impairment is charged to the profit and loss account in the year concerned.

Investments

Investments are stated at cost less any provision for impairment in value.

Long-term contracts and work in progress

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as work in progress balances within stock.

Turnover

The Group provides on-line corporate communication and webcasting services to large corporations. Turnover relating to webcasting is recognised when the webcasting services are performed, which is compliant with FRS 5 Application Note G. Turnover in respect of television programme production is recognised on the basis of the amount earned during the year in accordance with the contractual arrangements. Turnover excludes transactions between companies within the Group and VAT.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of past events and where the amount of the obligation can be readily estimated.

Restructuring costs are recognised in respect of the direct expenditures of a business re-organisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken by the balance sheet date.

Pension costs

The Company operates a stakeholder pension scheme which is made available to all employees. No contributions are payable by the Company. Contributions to a few employees own money purchase pension schemes were charged to the profit and loss accounts as incurred.

Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Notes forming part of the Financial Statements for the year ended 31 December 2006

1. Accounting policies (continued)

Property provisions

Where leased properties are surplus to requirements, both now and in the foreseeable future, provisions are made for the best estimates of the unavoidable net future costs.

Provisions for dilapidation charges that will crystallise at the end of the period of occupancy are provided for in full on empty properties and are charged to the income statement evenly over the period of the lease for occupied properties.

Finance costs

Finance costs of debts are recognised in the profit and loss account at a constant rate on the carrying amount over the life of the debt.

Deferred taxation

Provision is made for deferred taxation using the incremental liability approach and 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 substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed by the balance sheet date subject to the deferred tax assets being recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the total number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that will eventually vest.

When shares and share options are granted to employees of subsidiary companies, the fair value of the awards is treated as a capital contribution and spread over the period of performance relating to the grant. The corresponding entry is made in reserves.

Financial instruments

In relation to the disclosures made in note 20:

- short-term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures; and
- the Group does not hold or issue derivative financial instruments for trading purposes.

2. Changes in Accounting Policies

The Group has adopted FRS 20 'Share Based Payment' which is obligatory for periods commencing on or after 1 January 2006.

FRS 20 requires the recognition of share-based payments at fair value at the date of grant. Prior to the adoption of FRS 20, the Group recognised the financial effect of the share based payment in the following way: where options were granted at a price lower than their fair value at the date of grant, the difference was charged to the profit and loss account.

In accordance with transitional provisions of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as at 1 January 2006. There were no unvested options and the impact of the transitional provisions had no effect on the profit or loss account.

For 2006, the impact of share-based payments is a net charge of £63,000, which has been included within operating expenses.

Notes forming part of the Financial Statements for the year ended 31 December 2006

2. Changes in Accounting Policies (continued)

The Group has voluntarily adopted UITF 44 'Group and treasury share transactions' which is obligatory for accounting periods commencing on or after 1 March 2007.

UITF 44 requires that where share options are granted to employees of subsidiary companies, the charge is recharged to the subsidiary company. A recharge of £49,000 has been made to World Television Limited as a result of this adoption.

3. Segmental analysis

	Europe 2006 £'000	Australasia 2006 £'000	Total 2006 £'000	Europe 2005 £'000	Australasia 2005 £'000	Total 2005 £'000
Turnover	8,695	518	9,213	9,008	555	9,563
Operating expenses	(9,217)	(521)	(9,738)	(9,788)	(666)	(10,454)
	(522)	(3)	(525)	(780)	(111)	(891)
Other operating income	84	—	84	72	—	72
Operating loss	(438)	(3)	(441)	(708)	(111)	(819)
Exceptional items	(14)	—	(14)	(81)	—	(81)
Loss on ordinary activities before interest and taxation	(452)	(3)	(455)	(789)	(111)	(900)
Interest	(28)	—	(28)	37	(35)	2
Taxation	—	—	—	81	—	81
Loss on ordinary activities after taxation	(480)	(3)	(483)	(671)	(146)	(817)

Turnover between segments is immaterial. Geographical analysis is based on the territory in which the order is received. It would not be materially different if based on the territory in which the customer is located.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

3. Segmental analysis (continued)

	2006 £'000	2005 £'000
Net (liabilities)/assets		
Europe	(314)	555
Australasia	102	164
Group net liabilities	(1,294)	(1,967)
Net cash	42	88
Total	(1,464)	(1,160)

Group net liabilities comprise the liabilities of the combined Group operations, principally the head office.

4. Total net operating expenses

All operating expenses relate to administrative expenses and can be further analysed as follows:

	2006 £'000	2005 £'000
Staff costs (note 5)	4,822	4,789
Depreciation	276	316
Amortisation of intangible assets	299	235
Other operating expenses	4,341	5,114
	9,738	10,454

Notes forming part of the Financial Statements
for the year ended 31 December 2006

5. Employees

Group	2006 £'000	2005 £'000
Staff costs (including directors) consist of:		
Wages and salaries	4,163	4,089
Social security costs	532	557
Pension costs	103	120
Other costs	24	23
	4,822	4,789

	Number	Number
Average number of people employed (including directors):		
Sales	16	23
Operations	29	31
Administration	55	34
	100	88

Company	2006 £'000	2005 £'000
Staff costs (including directors) consist of:		
Non-Executive directors' fees	51	56

	Number	Number
Average number of people employed (including directors):		
Management	2	2

Notes forming part of the Financial Statements for the year ended 31 December 2006

6. Directors' remuneration

	2006 £'000	2005 £'000
Aggregate emoluments	377	528
Settlement payments	203	—
	580	528
Pension contributions	17	12
Compensation for loss of office payments	—	40
	597	580

Settlement payments represent amounts paid by the Group under compromise agreements relating to a change in role for Andy Booth and Peter Sibley

Contributions to 4 directors' own money purchase pension schemes was made in 2006 (2005: 5).

Further details of directors' remuneration are outlined in the Remuneration Report on page 10.

7. Other operating income

Foruso Communications GmbH

As part of the disposal of Foruso in 2005 the Company remains entitled to a 20% share of revenues in 2006 and 2007. The revenue share received during 2006 was £7,000.

Kamera Holding AB

As part of the disposal of certain assets of Kamera Holding AB the Group was entitled to 22.5% of the gross income generated during the year beginning 1 July 2005. The revenue relating to 2006 amounted to £77,000.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

8. Operating loss

	2006	2005
	£'000	£'000
This is arrived at after charging/(crediting):		
Depreciation of own assets	140	215
Depreciation of finance lease assets	136	101
Amortisation of intangible assets (note 13)	299	235
Exceptional operating expenses (note 9)	(61)	496
Operating leases:		
– Land and buildings	341	329
– Plant and machinery	17	26
(Profit)/loss on disposal of tangible fixed assets	(11)	6
Auditors' remuneration:		
– Fees payable to the company's auditor for the audit of the company's annual accounts	36	40
– Fees payable to the company's auditor and its associates for other services:		
– the audit of the company's subsidiaries, pursuant to legislation	47	47
– other services pursuant to legislation	5	5
– tax services	23	39
– valuation and actuarial services	2	—
Exchange loss/(gain)	27	(46)

Notes forming part of the Financial Statements
for the year ended 31 December 2006

9. Exceptional items

	2006 £'000	2005 £'000
Exceptional operating expenses:		
Board restructuring and redundancy costs ¹	322	45
Bad debt ²	—	(310)
Tornado PAYE provision (net of expenses) ³	(446)	496
Exceptional items (credited)/charged to operating profit:	(124)	231
Non operating exceptional items:		
Loss on sale and termination of operations ⁴	14	81
Total	(110)	312

¹ The Board restructuring and redundancy costs in 2006 relates to the restructuring of senior management. £308,000 of this amount is for settlement payments made, including £203,000 to Peter Sibley and Andrew Booth as a result in a change of role (as disclosed in the directors' remuneration report on page 10). The remaining £14,000 relates to legal costs in association with this restructuring.

The re-organisation expenses in 2005 relate to the disposal of certain assets relating to the subsidiary Kamera Holdings AB and the redundancy of former directors.

² The bad debt in 2005 relates to the write back of a bad debt provision made in respect of unpaid shares

³ In 2005 HMRC issued a claim relating to 1999/2000 and 2000/2001 against World Television Group PLC for employers' National Insurance contributions (NIC) relating to the exercise of share options by ex-employees of Tornado Group PLC (now World Television Group PLC) at the time of its flotation in March 2000. HMRC calculated that the Company's liability amounted to £183,000 which included the original unpaid NIC and interest from the date of exercise to the beginning of November 2005, but excludes penalty charges.

HMRC also informed the Company that it held the Company liable for unpaid PAYE contributions in respect of the same employees and the same transaction. HMRC's initial assessment of PAYE due was £313,000, excluding interest and penalties.

The Company appealed against the assessment of NIC and PAYE and sought to recover unpaid PAYE and other related charges from the former employees in question.

In June 2006 HMRC concluded that World Television Group PLC was not liable for the unpaid taxes, and the provision was written back.

Costs of £50,000 incurred by the Company in defending this claim are included within operating expenses.

⁴ The loss on sale and termination of operations relates to the liquidations of Kamera Interactive B.V. and Kamera Interactive AS. Further details can be found in note 29.

The loss on sale and termination of operations in 2005 related to a loss of £119,000 on the sale of Foroso Communications GmbH and a profit of £38,000 on the liquidation of Kamera Interactive SAS.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

10. Net interest (payable)/receivable

	2006	2005
	£'000	£'000
<hr/>		
Interest payable:		
On finance leases	(16)	(13)
On bank loans and overdrafts	(3)	—
On loan notes	(5)	—
Other	(4)	—
	(28)	(13)
<hr/>		
Interest receivable:		
On bank balances and deposits	—	15
	(28)	2
<hr/>		

Notes forming part of the Financial Statements
for the year ended 31 December 2006

11. Taxation

	2006 £'000	2005 £'000
Corporation tax		
Current tax charge	—	(81)
Prior year tax charge	—	—
	—	(81)
Deferred tax		
Origination and reversal of timing differences	—	—
	—	(81)
Factors affecting the tax charge		
Loss on ordinary activities before tax	(483)	(898)
Loss on ordinary activities before tax multiplied by the standard rate of corporate tax in the UK of 30% (2005 – 30%)	(145)	(269)
Effects of:		
Depreciation in excess of capital allowances for the period	24	(2)
Amortisation of intangible assets and goodwill	90	70
Non-deductible expenses	(185)	(1)
Deferred tax asset due to losses not recognised in the period	164	41
Utilised losses arising within foreign subsidiaries	52	161
Overprovision in prior years	—	(81)
Current tax charge	—	(81)

Deferred tax asset

A potential deferred tax asset of £2.1 million (2005 – £2.5 million) has not been recognised on losses available to carry forward against the Group in accordance with FRS 19. These losses may be offset in the future only against taxable profits generated by the entities concerned.

Also, a potential deferred tax asset of £168,000 (2005 – £100,000) has not been recognised in these financial statements relating to depreciation charged in excess of capital allowances.

Notes forming part of the Financial Statements for the year ended 31 December 2006

12. Loss per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares being those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. No diluted earnings per share has been presented as the Group has made losses.

Adjusted basic EPS has been calculated to exclude the effect of amortisation (£299,000), write-back of Tornado PAYE provision (net of expenses) (£446,000), share option expense (£63,000), other operating exceptional items (£322,000) and non operating exceptional items (£14,000). This has been calculated to allow shareholders a clearer understanding of the trading performance of the Group.

	2006 Earnings £'000	2006 Weighted average number of shares 000's	2006 Pence per share amount	2005 Earnings £'000	2005 Weighted average number of shares 000's	2005 Pence per share amount
Basic loss per share						
Earnings attributable to ordinary shareholders	(466)	759,099	(0.1)	(792)	749,781	(0.1)
Adjusted basic earnings per share						
Adjusted earnings attributable to ordinary shareholders	(214)	759,099	(0.0)	20	749,781	0.0

There is no material difference between the basic earnings per share and diluted earnings per share as the Group has been loss making in both periods. 77,489,741 potentially issuable shares have not been brought into the calculation of diluted earnings per share because they are antidilutive (2005 – 39,629,897).

Notes forming part of the Financial Statements
for the year ended 31 December 2006

13. Intangible assets

Group	Development costs £'000	Negative goodwill £'000	Positive goodwill £'000	Total £'000
Cost				
At 1 January 2006	94	(150)	4,765	4,709
Additions	80	—	—	80
At 31 December 2006	174	(150)	4,765	4,789
Amortisation				
At 1 January 2006	—	(150)	3,826	3,676
Charge for the year	64	—	235	299
At 31 December 2006	64	(150)	4,061	3,975
Net book value				
At 31 December 2006	110	—	704	814
At 1 January 2006	94	—	939	1,033
Development costs £'000				
Company				
Cost				
At 1 January 2006				94
Additions				80
At 31 December 2006				174
Amortisation				
Charge for the year and at 31 December 2006				64
Net book value				
At 31 December 2006				110
At 1 January 2006				94

Development costs relating to the development of webcasting application software have been capitalised during the year in accordance with SSAP 13. These costs will be amortised over their useful economic life of 3 years, commencing in the year the Group starts to benefit from the expenditure.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

14. Tangible assets

Group	Fixtures, fittings and equipment £'000	Computer equipment and software £'000	Specialist equipment £'000	Website £'000	Total £'000
Cost					
At 1 January 2006	614	1,271	636	31	2,552
Exchange differences	21	(11)	—	3	13
Additions	35	63	68	1	167
Disposals	—	(3)	—	—	(3)
At 31 December 2006	670	1,320	704	35	2,729
Depreciation					
At 1 January 2006	464	1,057	546	12	2,079
Exchange differences	19	(4)	—	2	17
Charge for the year	163	59	49	5	276
Disposals	—	(2)	—	—	(2)
At 31 December 2006	646	1,110	595	19	2,370
Net book value					
At 31 December 2006	24	210	109	16	359
At 1 January 2006	150	214	90	19	473

The net book value of tangible fixed assets for the Group includes an amount of £141,000 (2005 – £198,000) in respect of assets held under finance lease agreements.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

15. Unlisted investments

Group	Unlisted investments £'000
Cost	
At 1 January 2006	1
Disposals	(1)
At 31 December 2006	—

On 24 October 2006 World Television disposed of its stake in Kamera Content AB, for a total consideration of £1,000.

16. Investments

Company	Investment in Group undertakings £'000	Loans to Group undertakings £'000	Total £'000
Cost			
At 1 January 2006	13,239	892	14,131
Share options granted to subsidiary employees	49	—	49
At 31 December 2006	13,288	892	14,180
Provision			
At 1 January 2006	5,114	—	5,114
Provision for impairment	3,284	—	3,284
At 31 December 2006	8,398	—	8,398
Net book value			
At 31 December 2006	4,890	892	5,782
At 1 January 2006	8,125	892	9,017

Notes forming part of the Financial Statements
for the year ended 31 December 2006

16. Investments (continued)

The principal undertakings in which the Company interest at the year-end is 20% or more are as follows:

Company	Previous name	Country of incorporation and operation	% owned and voting rights	Main activity
World Television (Switzerland) Limited		Great Britain/ Switzerland	100% *	Streaming services
Virtue Corporate Services Limited		Great Britain	100%	Streaming services
World Television Pty Limited	Virtue Broadcasting Pty Limited	Australia	83%	Streaming services
World Television Deutschland GmbH	Unit.Net Deutschland	Germany	100% *	Streaming services
Virtue Communications Limited		Great Britain	100% *	Streaming services
World Television Spain S.L.	Unit.Net Streaming Spain SA	Spain	100% *	Streaming services
Virtue Broadcasting (Holdings) Limited		Great Britain	100%	Holding company
World Television Sweden Holding AB		Sweden	99.1%	Holding company
Virtue Broadcasting Limited		Great Britain	100%	Holding company
World Television Limited		Great Britain	100% *	Television production

* indirect holding

Notes forming part of the Financial Statements
for the year ended 31 December 2006

17. Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Amounts receivable in one year:				
Trade debtors	1,229	1,696	—	—
Other debtors	127	477	55	92
Prepayments and accrued income	386	192	1	—
Deferred tax	41	41	—	—
	1,783	2,406	56	92
Amounts receivable after more than one year:				
Amounts due by Group undertakings	—	—	2,180	2,472

18. Creditors: amounts falling due within one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank loans and overdraft	288	142	—	—
Convertible loan stock (note 20)	1,282	1,277	1,282	1,277
Trade creditors	1,039	1,300	168	281
Amounts owed to Group undertakings	—	—	243	—
Other taxes and social security	382	644	—	—
Other creditors	290	181	48	42
Accruals and deferred income	1,024	851	100	136
Finance lease creditors	87	109	—	—
	4,392	4,504	1,841	1,736

Bank loans and overdrafts are secured by fixed and floating charge over the assets of the Company.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

19. Creditors: amounts falling due after more than one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Finance lease creditors	45	84	—	—
Other	—	1	—	—
	45	85	—	—

20. Financial instruments

The Operational and Financial Review on page 3 sets out details of the Group's treasury and financial risk management policy.

a) Short-term debtors and creditors

As permitted by FRS 13, short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

b) Interest rate profile

Financial assets

The only significant financial asset the Group has is cash at bank. Cash is held either on current or on short-term deposits at floating rates of interest determined by the relevant bank's prevailing base rate.

Financial liabilities

The Group's financial liabilities as at 31 December 2006 consist of the following:

The convertible Loan Notes of £1,110,000 are interest-free and are redeemable at the rate of £1.15 for every £1.00 nominal amount by any Noteholder or by the Company in whole or in part at any time after May 2007. These Loan Notes were redeemed in January 2007.

Finance leases to the value of £132,000 are outstanding at the year-end. The interest rates for finance leases range from 3.9% to 7.5%.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

20. Financial instruments (continued)

c) Maturity profile of Group's financial liabilities

	2006 Bank loans and overdraft £'000	2006 Finance leases £'000	2006 Other financial liabilities £'000	2006 Total £'000	2005 Bank loans and overdraft £'000	2005 Finance leases £'000	2005 Other financial liabilities £'000	2005 Total £'000
In one year or less or on demand	288	87	1,282	1,657	142	109	1,277	1,386
In more than one year but not more than two years	—	40	—	40	—	66	1	67
In more than two years but not more than five years	—	5	—	5	—	18	—	18
Total	288	132	1,282	1,702	142	193	1,278	1,471

d) Currency profile

	2006 £'000	2005 £'000
Financial assets		
Sterling	23	62
Australian dollar	37	31
Swiss franc	54	20
Swedish kronor	94	27
Euro	73	90
Total	281	230

Deposits comprise rent deposit monies, which are charged against performance under operating leases for the Company's properties until satisfaction of the operating lease and earn interest based on LIBID. Floating rate cash deposits earn interest based on LIBID.

Financial liabilities

The Group's financial liabilities as at 31 December 2006 are denominated in sterling.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

20. Financial instruments (continued)

e) Borrowing facilities

The Group has no undrawn committed borrowing facilities (2005 – £Nil).

f) Fair value of financial assets and liabilities

In the directors' opinion there is no material difference between the book value and current value of any of the Group's financial assets and liabilities (2005 – £Nil).

g) Currency risk

There were no significant net foreign currency monetary assets or liabilities at the end of the balance sheet date (2005 – £Nil). Matched assets and liabilities are those that generate no gain or loss in the profit and loss account either because they are denominated in the same currency as the Group operations to which they belong or because they qualify under SSAP 20 as a foreign currency borrowing providing a hedge against a foreign equity investment.

h) Hedges

Other than the above, the Group has no material hedged transactions or positions in the period (2005 – £Nil).

21. Provisions for liabilities and charges

Group analysis of provisions for liabilities and charges

Group	Property provisions £'000	PAYE provision £'000	Total £'000
At 1 January 2006	218	496	714
Credited to profit and loss account	—	(496)	(496)
Utilised in the year	(193)	—	(193)
At 31 December 2006	25	—	25

Company	Property provisions £'000	PAYE provision £'000	Total £'000
At 1 January 2006	194	496	690
Credited to profit and loss account	—	(496)	(496)
Utilised in the year	(182)	—	(182)
At 31 December 2006	12	—	12

Following the merger in August 2004 the Company relocated its operations to the World Television offices in Fitzroy Square, London. Accordingly full provision was made in 2004 for the lease costs of the former head office in Commercial Street, London which was vacant.

The lease was terminated in September 2006 and the remaining provision relates to costs associated with vacating these premises.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

21. Provisions for liabilities and charges (continued)

Group analysis of provisions for liabilities and charges

In October 2004 an agreement was entered with the landlord, Curb Records Limited, to surrender the lease of the premises previously occupied by Kamera Interactive UK Limited at 45 Guildford Street. Under the agreement, Kamera Interactive UK Limited committed to pay £20,000 in 22 instalments to the landlord commencing in November 2004. This amount was fully provided for as at 31 December 2005. Payments were completed during 2006 and no provision remains.

Other provisions of £13,000 are not detailed but include property dilapidations across the Group.

For details of the Tornado PAYE provision, see note 9.

22. Share capital

	2006 Number of ordinary shares 000's	2006 Nominal value £'000	2005 Number of ordinary shares 000's	2005 Nominal value £'000
Authorised				
Ordinary shares of 0.1p each	40,000,000	40,000	40,000,000	40,000
Deferred shares of 2.4p each	743,005	17,832	743,005	17,832
Allotted and fully paid				
Ordinary shares of 0.1p each	767,052	767	749,850	750
Deferred shares of 2.4p each	743,005	17,832	743,005	17,832

The shares of 2.4p have no voting rights and no rights to dividend.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

22. Share capital (continued)

	Number of ordinary shares 000's	Nominal value £'000
In issue at 1 January 2006		
Ordinary shares of 0.1p each	749,850	750
Deferred shares of 2.4p each	743,005	17,832
11 January 2006		
Issue of new ordinary shares of 0.1p each at 0.6p each	1,302	1
23 February 2006		
Issue of new ordinary shares of 0.1p each at 1.0p each	6,400	7
20 September 2006		
Issue of new ordinary shares of 0.1p each at 0.8p each	6,250	6
9 October 2006		
Issue of new ordinary shares of 0.1p each at 1.0p each	3,250	3
In issue at 31 December 2006		
Ordinary shares of 0.1p each	767,052	767
Deferred shares of 2.4p each	743,005	17,832
		18,599

Notes forming part of the Financial Statements for the year ended 31 December 2006

23. Share options

Certain employees hold options to subscribe for shares in the Company at prices ranging from 0.1 pence to 6.5 pence under the Group's share option schemes. The Group operates Approved, Unapproved, Enterprise Management Incentive and Employee Benefit Trust schemes for selected employees under a contract of employment to be granted options to acquire ordinary shares in the Company. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2005 Number 000's	Issued Number 000's	Exercised /Lapsed Number 000's	2006 Number 000's
2002	6.5	2002-2012	1,092	—	—	1,092
2003	3.0	2003-2012	5,126	—	—	5,126
2004	0.6	2004-2014	26,912	—	13,890	13,022
2004	0.1	2004-2014	6,500	—	3,250	3,250
2006	1.0	2006-2016	—	65,000	36,750	28,250
			39,630	65,000	53,890	50,740

Details of options held by directors are set out in the Remuneration Report on page 11.

The weighted average exercise price of share options exercised during the year was 0.24p.

24. Share Based Payment

The following relates to the 2006 share options only, as all other options vested prior to 1 January 2006 and therefore the FRS 20 charge does not apply.

World Television Group PLC operates three equity-settled share based remuneration schemes for employees: an approved EMI share option scheme and two unapproved International share option schemes for executive directors and certain senior management.

Under the EMI and International share option schemes, options vest if certain non-market conditions are met. There are no vesting conditions attached to the International Share Option Scheme (Sweden).

All options lapse if the individual leaves the company within twelve months of satisfying these criteria.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

24. Share Based Payment (continued)

	EMI Share Option Scheme		International Share Option Scheme		International Share Option Scheme (Sweden)	
	Weighted average exercise price (pence)	Number 000's	Weighted average exercise price (pence)	Number 000's	Weighted average exercise price (pence)	Number 000's
Granted during the year	1.00	38,394	1.00	22,606	1.00	4,000
Lapsed during the year	1.00	(18,947)	1.00	(17,803)	—	—
Outstanding at the end of the year	1.00	19,447	1.00	4,803	1.00	4,000

The exercise price of options outstanding at the end of the year was 1.0p and their weighted average contractual life was 2.8 years.

Of the total number of options outstanding at the end of the year, 4,000,000 had vested and were exercisable at the end of the year.

No share options were exercised during the year.

The weighted average fair value of each option granted during the year was 0.41p.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled based remuneration schemes operated by World Television Group PLC.

	EMI and International share options schemes	International Share Option Scheme (Sweden)
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	0.83	0.70
Exercise price (pence)	1.00	1.00
Weighted average contractual life (years)	4.0	1.5
Expected volatility	70%	74%
Expected dividend growth rate	0%	0%
Risk-free interest rate	5%	5%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of monthly share prices over the last 12 months.

A charge of £63,000 has been recognised during 2006 in relation to these share options.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

Notes forming part of the Financial Statements
for the year ended 31 December 2006

25. Reserves

Group	Share premium £'000	Other reserves £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2006	8,904	2,365	(15,999)	16,874	(31,791)
Share option expense	—	63	—	—	—
Shares issued during the year	107	—	—	—	—
Loss for the financial year	—	—	—	—	(466)
Exchange differences	—	—	—	—	(8)
At 31 December 2006	9,011	2,428	(15,999)	16,874	(32,265)

Company	Share premium £'000	Other reserves £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2006	8,904	—	16,874	(35,089)
Share option expense	—	63	—	—
Shares issued during the year	107	—	—	—
Loss for the financial year	—	—	—	(3,182)
At 31 December 2006	9,011	63	16,874	(38,271)

Notes forming part of the Financial Statements
for the year ended 31 December 2006

26. Reconciliation of movements in shareholders' (deficit)/funds

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Loss for the financial year	(466)	(792)	(3,182)	(6,955)
Foreign exchange adjustments	(8)	(118)	—	—
Waived share capital	—	(334)	—	(334)
Share issue	124	9	124	9
Share option expense	63	—	63	—
Net reduction to shareholders' funds	(287)	(1,235)	(2,995)	(7,280)
Opening shareholders' (deficit)/funds	(1,065)	170	9,271	16,551
Closing shareholders' (deficit)/funds	(1,352)	(1,065)	6,276	9,271

There were no transaction costs in association with the share issues.

27. Reconciliation of operating loss to net cash outflow from operating activities

	2006 £'000	2005 £'000
Operating loss	(441)	(819)
Depreciation of tangible fixed assets	276	316
Amortisation of intangible assets	299	235
Decrease/(increase) in debtors	624	(826)
Decrease in creditors	(182)	(492)
(Profit)/loss on disposal of fixed assets	(11)	6
(Decrease)/increase in provisions	(689)	297
Movement in share option expense	63	—
Foreign exchange	(2)	(119)
Net cash outflow from operating activities	(63)	(1,402)

Notes forming part of the Financial Statements
for the year ended 31 December 2006

28. Analysis of net (debt)/funds

	At 1 January 2006 £'000	Cash flow £'000	Non-cash flows £'000	At 31 December 2006 £'000
Cash in hand and at bank	230	(188)	—	42
Overdraft	(142)	142	—	—
	88	(46)	—	42
Bank loans	—	(288)	—	(288)
Convertible loan stock	(1,277)	—	(5)	(1,282)
Finance leases	(193)	138	(77)	(132)
Total	(1,382)	(196)	(82)	(1,660)

29. Acquisitions and disposals

Kamera Interactive AS

On 29 September 2006, Kamera Interactive AS was liquidated. A loss on disposal has been calculated as follows:

	£'000
Cash proceeds	—
Net assets disposed of:	
Creditors (including intercompany)	(399)
	399
Write-off of intercompany balances	(402)
Loss on disposal	(3)

Notes forming part of the Financial Statements
for the year ended 31 December 2006

29. Acquisitions and disposals (continued)

Kamera Interactive B.V.

On 28 December 2006, Kamera Interactive B.V. was liquidated. A loss on disposal has been calculated as follows:

	£'000
Cash proceeds	—
Net assets disposed of:	
Creditors (including intercompany)	(277)
	277
Write-off of intercompany balances	(288)
Loss on disposal	(11)

30. Commitments under operating leases

As at 31 December 2006, the Group had annual commitments under non-cancellable operating leases as set out below:

	2006 Land and buildings £'000	2006 Other £'000	2005 Land and buildings £'000	2005 Other £'000
Operating leases which expire:				
Within one year	82	1	296	28
In two to five years	263	14	146	1
Over five years	—	—	—	—
Total	345	15	442	29

Notes forming part of the Financial Statements for the year ended 31 December 2006

31. Related parties

At 31 December 2006 the following directors have convertible Loan Notes in the Company and therefore constitute related party transactions.

P Sibley	£150,000
A Booth	£150,000
A Bartlett	£100,000

These amounts are unchanged from 2005.

In January 2007 the above directors subscribed for new convertible Loan Notes to refinance the business. The proceeds of the issue were used in part to replace the Loan Notes outstanding at 31 December 2006. The 2007 Loan Notes subscribed by these directors is:

P Sibley	£248,633
A Booth	£248,633
A Bartlett	£202,703

32. Employee Benefit Trust

The Group has included interests in own shares at £Nil (2005 – £Nil). This investment represents 1,000,000 of the Company's 0.1p ordinary shares acquired in December 2001 of which 560,000 have been transferred to employees. These shares were gifted by a former director to a trust for the benefit of directors who are not founder shareholders and employees. The historic cost of the remaining 440,000 (2005 – 440,000) shares at 31 December 2006 was £4,620 (2005 – £4,620) over which the trust has awarded options over 250,000 shares (2005 – 250,000).

The EBT is not consolidated in the group accounts, due to immateriality.

33. Post balance sheet events

Loan Notes

On 26 January 2007 the Company announced that it had agreed the terms of a refinancing, involving the issue of new convertible Loan Notes, to raise £1.935 million (before expenses) for the Company. The proceeds of this issue were used in part to replace the Loan Notes issued in November 2004, which were due for redemption on 31 May 2007 at a cost of £1.28 million, plus accrued interest from 30 November 2006.

The 2007 Loan Notes have a two year duration, have a zero coupon, and are redeemable at an amount of £2.25 million, and are convertible at any time, in aggregate, into 900,000,000 new ordinary shares at a conversion price of 0.25 pence per share.

On 25 April 2007 the Loan Note holders notified the Company to convert the nominal amount of their Loan Notes into ordinary shares in accordance with the terms of the 2007 Loan Notes agreement.

Disposal of Australian webcasting business

On 21 February 2007 the Company announced that it had disposed of its Australian webcasting business for US \$1.2 million (£615,000). The Company will continue to support its corporate TV production and broadcast PR clients in Australia and New Zealand.

De-listing

On 25 April 2007 the Board decided, after careful consideration and analysis, to recommend to shareholders that the Company cancel its listing on the AIM Market of the London Stock Exchange.