ADVANCED DIGITAL BROADCAST HOLDINGS S.A.

ANNUAL REPORT 2006

Contents

2006 : a technology year

Business Highlights

Revenue growing 5% to US$ 262 million

Record half-year revenue at US$ 164.3 million

6 new Set-Top Box customers

Hansenet (Germany, IPTV), Island Media (US, Satellite), ITI Neovision (Poland, Satellite), Telefonica O2 Czech Republic (Czech Republic, IPTV), Telecom Project 5 (Russia, Terrestrial), Jazztel (Spain, IPTV)

Shift to high-end: HD-MPEG4 products at 20% of 2006 Revenue

First significant sales in Americas

6% of the Group's full-year revenue

Long-term strategic partnership with ITI Neovision of Poland

encompassing full-fledge collaboration, exclusivity and financial arrangements

IPTV up 41%, Satellite up 140%, SW & Services up 220%

compensated weak Italian DTT market and technical delays

Awarded in Europe's 500 - Entrepreneurs for Growth

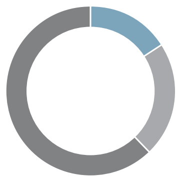
ranked 173 of 500 companies selected amongst 28 countries, for having achieved 58% annual compound average growth rate and the creation of more than 190 jobs, primarily in Europe, over 2002-2005

EUROPE'S 500 Job creating companies
2006 Winning Company

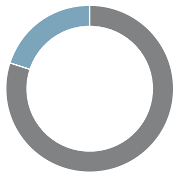
Strengthening High-End Focus

IN % OF 2006 DIGITAL TV EQUIPMENT SEGMENT REVENUE

MPEG2 SD, Others	62%
MPEG4 SD	16%
MPEG4 HD	22%



PVR HD+SD	20%
Non-PVR, others	80%



Reacting rapidly to challenges

- From MPEG2 to MPEG4 and from Standard Definition to High Definition resolution in 2006: an industry-wide revolution causing product introduction delays
- ADB Group impacted in first-half, causing revenue growth delay, reinforced by Italian DTT market weakness
- Rapid reaction and execution in response to challenges:
  - Technical issues resolution and volume production ramp-up in three months drive those new products to 20% of 2006 full-year revenue
  - No customer lost, technical advance of the Group confirmed by industry awards
  - New customers gained
  - Return to profitability in second half, with highest-ever half-year revenue
  - Share buy-back programme launched on 3 October 2006

ADB Group : a technology leader

HD products in Italian RAI and UK BBC HD trials

World's first hybrid, single-chip, advanced video coding, HD IPTV set-top boxes delivered to Telefonica

3800TW HD-MPEG4 Hybrid IPTV decoder receives two major industry awards: 'Best Consumer Premise Technology' by 'Cable and Satellite International', 'Best IPTV Customer Premise Equipment Technology' at 'IPTV World Series Awards'

Vidiom Systems introduces a series of tools and services to support the industry's adoption of OCAP™

Osmosys' MHP™ now deployed in more than 2.5 million STBs in Terrestrial, Satellite and Cable applications

Strong high-end products positioning

To Our Shareholders

Ladies and Gentlemen,

The year 2006 has been one of the most technologically challenging years of the broadcast industry in a very long time. A truly peculiar combination of events took place: a real take-off of high definition television, driven by rapidly falling prices of flat panel displays, demanded a revolutionary change of a digital compression technology. This, in turn, stimulated an explosion of the Internet Protocol TV (IPTV) – a truly full-screen, high quality television image, both in standard and high definition, delivered over a telephone wire. All that happened under the pressure of a major media event, namely the football World Cup.

Such a major change as migration to new compression technology, from so-called MPEG2 to MPEG4, is an event that happens perhaps once a decade, if not less frequently. A dramatic improvement of TV screen resolution when moving from the standard to high definition (HD), calls for even more radical technology changes, as standard definition has been in place since the early days of analogue television, more than fifty years ago. These two changes impact all elements of the digital television value chain: image generation and encoding, modulation, transmission, security, decoding technology and its display-related techniques. In short: a very new television, both from the technology and viewer experience points of view.

Similar to all other members of our industry, ADB Group had to face a culmination of those technological challenges in a very short period of time, at the end of the first half of the year. I believe that we have been able to address them faster than many of our competitors, as already in August we had resolved all related technical issues and were in a position to re-initiate the ramp-up of our new generation of products. At the same time, our competitive position remained intact, and we have gained new customers. We have also delivered our record-level revenue in the second half of year 2006, and, in fact, our record revenue for the full year as well.

On 28 June 2006, a date which will remain in my memory for a long time, and on 10 August 2006 we made several commitments to you, our shareholders, and to ourselves. These were:

- to solve technical issues by the end of July 2006
- to obtain necessary certifications, and launch trial production at the end of July and in August
- to ramp-up the volumes in September and October
- to launch a share repurchase programme
- to maintain or strengthen our market position
- to meet our revised guidance.

By end of year we delivered on all these promises.

Today, I am pleased to report that despite the difficulties we experienced in the first half, we managed to achieve a 5% revenue growth over the year 2005, reaching US$ 262 million of revenue for the whole year 2006. We ended this year with around a third of our second-half revenue generated by highly advanced HD-MPEG4 products, a significantly increased customer portfolio, an important strategic partnership with a key customer, and a clear demonstration of our Group's ability to react swiftly and effectively to challenges. After losses incurred in the first half of the year, we also returned to profitability in its second half.

We have strengthened our overall position, both in terms of our geographical presence and of the performance of our business segments, by reducing further our country-specific dependency, and, for the first time in our history, by generating 6% of our revenue in the American region. This performance is primarily attributable to our strategic decision to acquire the business of Vidiom Systems Corporation, but also to the fact that we gained a new customer – Island Media - for our satellite set-top boxes and related software products. Finally, we have also delivered field trial quantities to well-advanced prospect customers in Latin America. I am pleased with the development of our American business, which is clearly poised to grow further in year 2007 and beyond. The top ten customers represented around 78% of our revenue, up from 73% in year 2005. This slight increase is due to the delayed ramp-up of new generation products scheduled for deliveries to several new customers. However, the distribution of revenue among these top ten improved over 2005, with no customer representing more than 14% of revenue. Our growth continues to be fuelled by Internet Protocol TV (IPTV), up 41% over 2005, but was also significantly supported by Software and Services, up 220% (contributed mainly by Vidiom Systems), and by Satellite, up 140%, as a result of a strategic partnership we have established with ITI Neovision of Poland.

Our profitability suffered, of course, primarily as a result of the delays we experienced, but also because of the weak market for terrestrial digital TV products in Italy. Despite the extent of these difficulties, we managed to achieve a gross margin in the high end of our revised expectations, delivering 32.2% for the full year, and 32.7% in the second half. Gross margin performance has been impacted by the consequences of the technical delays, negative effect of the United States Dollar/Euro exchange rate on foreign exchange hedging results, and by unfavourable pricing of certain semiconductor components (in comparison to 2005). On the other hand, I am pleased to report that 2006 has been the third year in a row in which we have seen an increase of the average selling price (ASP) of our set-top boxes. This demonstrates the success of our strategy that positions the company in the high-end of the products' spectrum, and clearly indicates that we do not operate in a "commodity", but in feature - and technology - driven products and markets.

The positive earnings before interest and tax (EBIT) we generated in the second half did not compensate, unfortunately, for the losses of the first half, most of which were however related to exceptional items. Therefore, we ended the year 2006 with a negative EBIT of US$ (5.1) million, which translates into losses for the year of US$ (6.3) million, or US$ (1.03) per share.

As ADB Group is a technology and growth company, however, I believe the two key indicators of our business performance are innovation and new customer addition. Year 2006 has been positive with respect to both.

We acquired six new customers in various business segments and geographies, and started shipping our products to all of them: Hansenet (Germany, IPTV), Island Media (US, Satellite), ITI Neovision (Poland, Satellite), Telefonica O2 Czech Republic (Czech Republic, IPTV), Telecom Project 5 (Russia, Terrestrial), and Jazztel (Spain, IPTV). I believe our pipeline of new opportunities is quite strong. We also announced, in February 2007, an agreement with US - based Border States, for distribution of our IPTV set-top box in the markets of the Independent Operating Companies (telecom operators). There are also several other opportunities, already in advanced stage of development.

At this time, I would like to say a word on the partnership we entered into with ITI Group, a leading media conglomerate in Poland. This five-year partnership facilitates ADB Group's participation in the launch of ITI Group's new HDTV digital satellite platform, called "n". It encompasses close technical and commercial cooperation in various areas such as business development and supply of set-top boxes, software products and related technical services. All the expertise we have in our business segments of Digital TV Equipment, Software and Services, and New Initiatives will contribute to this venture. ITI Group and "n" have also granted ADB Group a status of exclusive partner and supplier for the partnership's duration, while ADB Group has agreed to support the launch of "n" by providing the first phase of interest bearing, 60 month partial set-top boxes financing until full external financing is obtained. I am enthusiastic about this partnership, as it (i) demonstrates that a fully integrated technical solution (including set-top boxes, middleware, applications, and system integration) is a powerful instrument in the process of preparing a major new offering for a customer, (ii) gives us an opportunity to further improve this process by working with a true leader in the field.

In terms of innovation, 2006 was a rich year as well. Just to mention a few items: ADB Group's technology enabled RAI's world-first live, High Definition DVB-T broadcast of the Torino Winter Olympics; Vidiom introduced a range of OCAP-based products and services; Simple won contracts for providing multimedia content to a telecom operator and a television broadcaster, and recorded its first revenue; ADB Group supplied HD set-top boxes for Starhub's field trial in Singapore, the first cable-based HDTV trial in South East Asia. Finally, our 3800TW HD-MPEG4 Hybrid IPTV decoder received the "Best Consumer Premise Technology" award by "Cable and Satellite International" and "Best IPTV Customer Premise Equipment Technology" at "IPTV World Series Awards 2007". Both demonstrate a good return on our historically strong investment in R&D, which is the source of our differentiation and high-end positioning.

This year again, I would like to take this opportunity to express my gratitude to all the employees of ADB Group. The whole Group was under a tremendous pressure, when the difficult product development delays occurred; from sales and marketing, to engineering and operations. Our people have reacted quickly - and delivered at unprecedented performance levels in the second part of last year. Suffice to say that close to 40% of our units volume was produced and shipped in the last 3 months of the year, which is no doubt an outstanding operational performance and a spectacular display of a true teamwork.

Operational performance, or "execution", as we like to call it, is definitely one of the keys to success in our industry. We are a part of a very dynamic market, which frequently presents opportunities for fast growth. Not only is the penetration of the worldwide digital television at a mere 30% level, but we also witness quickly accelerating technology evolution. The global market is expanding more rapidly in the high-end segment, which is our segment of choice. The "basic", low-feature set-top boxes represent about 15% of the market value, while mid- and high-end make the remaining 85%. Certain industry analysts anticipate the market share of high-end products to migrate from the current 35% to around 60% in the next five years. We are perfectly positioned for this opportunity, having already 22% of our 2006 revenue generated by the high-end products, a share that we see at well above 50% as early as in 2007.

From the business segments perspective, our revenue relies to a significant extent on the fastest growing areas: IPTV and cable, which represent respectively 23% and 38% of our 2006 sales. These are the two segments that are expected to enjoy fastest growth in value in the near future. Further, open standards are progressively gaining recognition and taking significant share, which is also positive for our Group, particularly for our Software and Services segment. Approximately 32% of the set-top boxes we shipped in year 2006 were equipped with Osmosys' MHP, be it for cable, satellite, terrestrial or hybrid IPTV/Terrestrial broadcast. Already we see MHP gaining new grounds, such as in Austrian terrestrial TV for example, and getting also an attention of the IPTV world. In addition, the US cable market will undergo a significant revolution, due to the new FCC mandate that demands all set-top boxes sold in the US for cable broadcast after 1 July 2007 to deploy "removable security" architecture. This will open the market to competition and new entrants, and will represent significant opportunities for Vidiom's OCAP-related business, as well as for the Group's set-top boxes business.

From a geographical point of view, our market is growing in all regions of the world, but particularly strongly in those areas where we are either already well positioned or where we have been focusing our business development efforts. Such regions include Central and Western Europe, Asia-Pacific, and the North and Latin America.

Ladies and Gentlemen, on behalf of the Board of Directors and of the entire Group I would like to thank you, our shareholders, for your support and trust in the ADB team, especially during those difficult periods of the year. Our industry is strong, our market position consolidated and grew during the year, and we demonstrated our capability to react to challenges, learn, and deliver on promises. Building on solid assets and a dynamic industry, the entire Board of Directors and I are fully committed to leading the Group to the highest standards of performance, corporate governance, transparency, ethical business practices, and further growth of the shareholders value.

I therefore look with confidence into the years ahead, while putting execution as the Group's priority in 2007.

Yours sincerely,

Andrew N. Rybicki
Chairman and CEO


OK

business, operations and strategy

2006 Business Review

General Overview

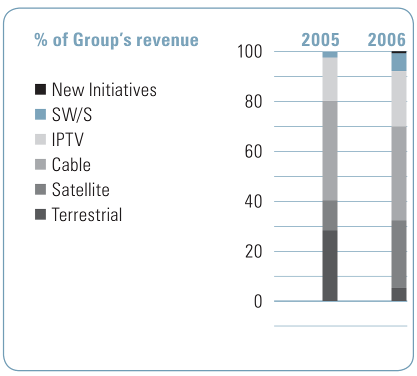
Revenue Growth Limited by First Half Delays and Italian Market

ADB Group's revenue grew 5% in year 2006 to US$ 262 million, a growth limited by new product introduction delays experienced in the first half and the by Italian DTT market weakness throughout the year. The new HD-MPEG4 products that suffered from delays in the first half of the year reached however 33% of the Group's revenue in the second half, demonstrating rapid resolution of the technical issues, strong demand for these products and the Group's execution capabilities. Key drivers of the Group's revenue in year 2006 were:

- IPTV - revenue grew 41%
- Satellite - revenue grew 140%
- Software and Services - revenue grew 220% (incl. contribution of Vidiom Systems).

Cable revenue was flat over year 2005, and Terrestrial in strong decrease due to the Italian DTT market weakness.

Revenue from high-end products was strong: MPEG-4 set-top boxes represented 38% of the Digital TV Equipment segment revenue, out of which 22 percentage points came from High Definition products; Personal Video Recorders (PVRs) represented 20% of the Digital TV Equipment segment revenue. This resulted, for the third year in a row, in an increase of the Group's blended Average Selling Price for the Digital TV Equipment segment. This increase in year 2006 was around 10%.



The Group's gross margin suffered from consequences of the technical delays, from the negative impact of the US Dollar/Euro exchange rate on foreign currency hedging results, and from unfavourable pricing of certain semiconductor components compared to year 2005. However, it benefited from an increased contribution of the Software and Services segment and an improved product mix and ASP.

Losses before interest and tax were principally due to the negative impact of the technical delays on revenue growth and gross margin, which the Group experienced in the first half of year 2006. R&D and SG&A expenses increased respectively by 22% and 36% over year 2005, to US$ 47.9 million and US$ 41.1 million, or 18.3% and 15.7% of revenue respectively. This increase was driven primarily by the integration of Vidiom Systems, by the start up of the New Initiatives segment as well as by some non-recurring charges provided in Note 5 of the Consolidated Financial Statements.

Finance costs increased 18% to US$ 4.0 million from US$ 3.4 million in year 2005 as a result of increased cost of credit insurance of certain receivables as previously announced by the Group. Interest income increased 6% to US$ 2.2 million from US$ 2.1 million in year 2005.

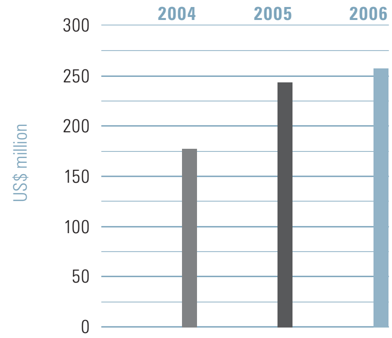
Most importantly, the Group returned to profitability in the second half of the year, with EBIT and Net Profit for the period of 1.7% and 1.2% of revenue respectively.

Change of Interest Income Accounting Policy

Starting with its year 2006 results, the Company has decided to report interest income separately from revenue and below EBIT. Financials of previous years have been adjusted according to the new policy. Financial comparisons are done between numbers consistent with the new accounting policy. This new policy does not affect profit before tax, profit for the year and earnings per share. A reconciliation detailing the impact of this change for the last three years is provided in the following table

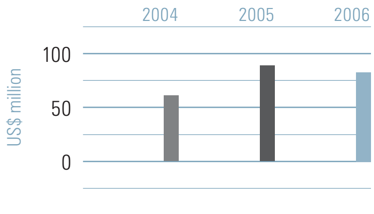
US$ million		2004	2005	2006
Revenue	After policy change	175.9	249.9	262.3
	Before policy change	176.4	252.0	264.5
Gross profit	After policy change	59.2	88.7	84.4
% of sales		33.6%	35.5%	32.2%
	Before policy change	59.7	90.8	86.7
% of sales		33.8%	36.0%	32.8%
EBIT	After policy change	11.4	19.0	(5.1)
% of sales		6.5%	7.6%	-2.0%
	Before policy change	11.9	21.1	(2.9)
% of sales		6.8%	8.4%	-1.1%
Interest income		0.5	2.1	2.2
Profit for the year	No impact of policy change	8.1	14.3	(6.3)
% of sales		4.6%	5.7%	-2.4%

Revenue and Growth



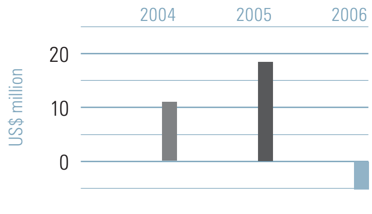
	2004	2005	2006
Revenue	**175.9**	**249.9**	**262.3**
Growth	113%	42%	5%

Gross Profit and Margin



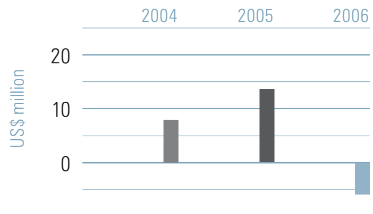
	2004	2005	2006
Gross Profit	**59.2**	**88.7**	**84.4**
Gross Margin	33.6%	35.5%	32.2%

EBIT & EBIT Margin



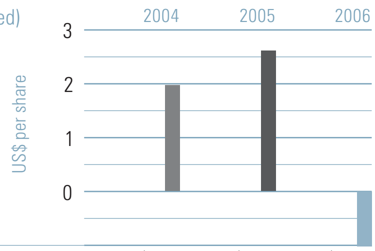
	2004	2005	2006
EBIT	**11.4**	**19.0**	**(5.1)**
EBIT Margin	6.5%	7.6%	-2.0%

Profit & Net Margin



	2004	2005	2006
Profit for the year	**8.1**	**14.3**	**(6.3)**
Net Margin	4.6%	5.7%	-2.4%

EPS (basic and fully diluted)



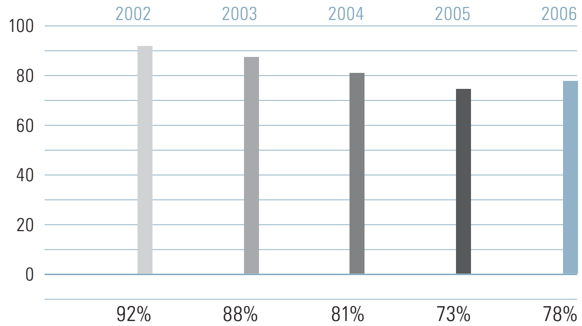
	2004	2005	2006
EPS	$1.99	$2.58	($1.03)

Revenue Distribution

The Group's top ten customers share of revenue increased from 73% to 78% in year 2006, such increase being primarily linked to the delays experienced in the first half of the year, resulting in delayed ramp-up of new customers. However, unlike in year 2005, no customer represented more than 14% of revenue in year 2006.

From a geographical perspective, year 2006 saw the Group's first significant revenue in the Americas region. This is primarily attributable to the integration of the acquisition of the business of Vidiom Systems, although the Digital TV Equipment segment also recorded its first significant revenue from this region. The Group's revenue was therefore better distributed by region than in the past, with a decreasing weight of Europe and Middle-East & Africa (Israel).

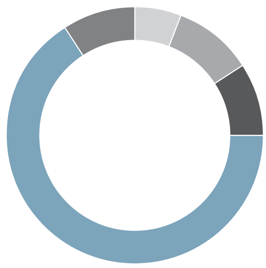
Top 10 Customers as a Percentage of Total ADB Group Revenue



Customer and Product Group	End Market	
Auna (Cable)	Spain	
Austar (Satellite)	Australia	
Cablecom (Cable)	Switzerland	
HOT (Cable)	Israel	
ITI Neovision (Satellite)	Poland	
StarHub (Cable)	Singapore	
Telefonica (IPTV)	Spain	
Telenet (Cable)	Belgium	
UBC (Cable & Satellite)	Thailand	
ZAP (DTT)	Italy	
Total top 10 customers	**$204m**	**78%**
Other customers / revenue	$58m	22%
Total 2006 revenue	**$262m**	**100%**

The Geographical Revenue Distribution

Americas	6%
Asia	10%
Australia & New Zealand	9%
Europe	66%
Middle East & Africa	9%



Business Segments Review

Digital TV Equipment

IPTV

After a steep ramp-up in year 2005, the Group's IPTV business line continued to grow, at the rate of 41%, reaching 23% of the Group's 2006 revenue, and driven principally by the addition of new customers. While continuing significant shipments to Telefonica de España, the Group initiated shipments to its four new IPTV customers: Fastweb (Italy), Hansenet (Germany), Telefonica O2 Czech Republic (Czech Republic) and Jazztel (Spain). In addition, the Group delivered field trial quantities to prospective customers in the Americas region.

All digital IPTV equipment products shipped in 2006 were MPEG-4-based products, and almost all were hybrid IPTV/Terrestrial.

In February, the Group announced an agreement with US-based Border States for the distribution of IPTV set-top boxes which target specifically the Independent Operating Companies (IOCs) of the US telecommunications industry. The first model to be launched under this agreement will be the ADB-3800W, a US version of ADB's award winning ADB-3800TW, a unit previously successfully deployed by a number of IPTV networks in Europe.

ADB's 3800TW HD-MPEG4 Hybrid IPTV decoder received in year 2006 the "Best Consumer Premise Technology" award at the "Product of the Year Awards" hosted by "Cable and Satellite International". It also received the "Best IPTV Customer Premise Equipment Technology" at "IPTV World Series Award" early 2007. All IPTV products the Group shipped in 2006 deployed MPEG4 technology and almost all had hybrid IPTV/Terrestrial architecture.

According to industry market research firms, the IPTV segment will grow significantly in the coming years. ADB Group has already shipped several hundreds of thousands of set-top boxes to numerous telecommunications operators, which ensures its strong market position, built on the Group's advanced technology capabilities. Therefore, IPTV will remain the Group's focus segment, which is expected to continue delivering important contribution to the Group's further growth.

Terrestrial

After the boom of year 2004 and a very strong year 2005, the Group's revenue from the Terrestrial business line declined sharply, to 5% of its overall 2006 sales. This rapid fall was caused by much weaker than expected Italian Digital Terrestrial TV (DTT) market and excessively high inventories in the distribution channels during the first half of the year. In the second half, however, as a result of improved market situation and disposal of the excess inventory, the Group re-started its sales in this market.

The Group is currently introducing a range of advanced products and services that include Push Video-on-Demand (Push-VOD), a PVR, and a High Definition TV (HDTV) set-top box. The Group had also conducted two field trials of HD-DTT: a live broadcast during the Torino 2006 Winter Olympic Games, in collaboration with RAI, and a live broadcast of the football games during the World Cup 2006, in cooperation with the BBC. The Group has also acquired a new DTT customer: Telecom Project 5 of Russia.

Most of the DTT revenue in year 2006 was generated through the retail distribution channels, under the Group's i-CAN brand (www.i-can.tv).

Consistent with its strategy, ADB Group continues to focus on those DTT markets that demand highly differentiated products with innovative features, such as MHP-based decoders designed for advanced Pay-per-View services in Italy and hybrid IPTV-DTT receivers. The Group decided not to address the digital terrestrial markets where broadcasters opted to deploy simple, non-interactive and thus low cost receivers. An extreme price pressure generated by heavy competition selling simple products cannot guarantee the margins the Group's strategy demands. However, even in those markets the Group can be present through the sales of its Software & Services segment products: Osmosys, for instance, the Group's MHP systems & middleware company, sells its software products to a set-top box supplier that will deliver terrestrial set-top boxes to the Austrian market.

i-CAN™

Satellite

The market for satellite decoders was substantially stagnant until year 2005, having reached a saturation plateau and experiencing no significant technology breakthrough. As the Group anticipated, this trend changed with new developments that were material enough to trigger the next "discontinuity": HDTV broadcast with advanced compression (H.264, MPEG4), Push-VOD and hybrid satellite-IPTV reception. In year 2005, the Group had invested in the development of several products that proved to be very successful in the year 2006, helping to add two new customers to its portfolio: ITI Neovision of Poland and Island Media of the US.

Strategic Partnership with ITI Neovision

Advanced Digital Broadcast S.A. (Digital TV Equipment segment), Osmosys S.A. (Software and Services segment) and Advanced Digital Broadcast Holdings S.A. (ADB Holdings SA, the holding company of the Group) announced that following a significant product shipments in the second half of year 2006, all three had entered into a long-term partnership with ITI Group, a leading Polish media and entertainment conglomerate, and with ITI Neovision, its affiliate operating a new generation satellite TV service called "n", the first broadcaster in Poland which offers its TV content in High Definition format.

This five-year partnership encompasses close technical and commercial cooperation in various areas such as business development and the supply of set-top boxes, software products and related technical services. ADB Group will contribute all its expertise in Digital TV Equipment, Software and Services and New Initiatives to the successful development of "n" and the partnership.

ITI Group and "n" have also granted ADB Group a status of exclusive partner and supplier for the duration of the partnership, while ADB Group has agreed to support the launch of "n" by providing the first phase of interest bearing, 60 month partial set-top boxes financing until the full external financing is obtained.

ITI Neovision, to which the Group started shipping products in the fourth quarter of 2006, became one of the Group's top ten customers in the first months of product deliveries.

ADB Group enjoys also a good position with its stable customer base, which includes historical customers such as Austar (Australia), UBC (Thailand) and DBS (Israel). In year 2006, the Group's satellite business grew 140%, representing around 27% of its total sales, up from 12% in year 2005.

Cable

Over the years, the Group has also developed a broad range of expertise and delivered several innovative products for the digital cable TV market.
The Group's cable business has been driven mainly by quick and efficient market introduction of technological innovation, resulting in a complete offer of products and systems based on open-standard middleware (OCAP and MHP) or proprietary middleware:

- a complete MHP system, with several software products and MHP-based set-top boxes for Telenet, Belgium's leading cable TV operator, and for Naxoo of Geneva, Switzerland
- a complete interactive TV system based on OpenTV middleware with custom-tailored applications and set-top boxes for StarHub, Singapore digital cable TV operator. The set-top boxes ADB Group delivered in 2006 to StarHub for the cable HD trial were the first such products deployed in South-East Asia
- an XTV-DOCSIS PVR set-top box for HOT (Israel), also the world's first such a product
- and several others.

Although the Group's cable TV customers (such as Auna, Cablecom, HOT, StarHub, UBC) performed well in year 2006, the overall cable business was flat in year 2006, which has been expected after its more than 80% growth in year 2005. Total contribution of the Digital Cable segment to the Group's 2006 revenue was 38%.

In the US, ADB Group has conducted intense business development activities, stimulated to a large extent by the US cable industry's recently announced shift to OCAP-based platforms. The acquisition of Vidiom Systems Corporation's business, combined with the Group's already well-established leadership in various open standard middleware solutions, created a very strong platform for development of the Group's American business. In addition, a new FCC mandate that will take effect on 1 July 2007 is expected to provide significant opportunities for qualified suppliers to the American digital cable TV for several years to come. This mandate, known in the industry as "707 Mandate", requires all set-top boxes sold in the US for the American cable TV market to be equipped with so-called removable security. This rule will practically open the US market to non-incumbent set-top box providers and facilitate development of the retail sales of such products. This, in turn, will foster a need for standardisation of the middleware through the deployment of OCAP – an open standard widely accepted and in the US.

The Group believes it is perfectly positioned to benefit from these significant developments, both through its Digital TV Equipment and its Software & Services segments.

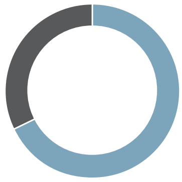
cablecom HOT ONO StarHub UBC

Software and Services

A significant factor that differentiates the Group from its competitors is its ability to deliver complex software and system integration services. In year 2006, external sales of the Software and Services business segment amounted to approximately 7% of the Group's revenue, versus 2% in year 2005, as a result of the acquisition of the business of Vidiom Systems.

2006 Digital TV Equipment Shipments by Middleware

Other	68%
MHP based	32%



Osmosys

Osmosys was the world's first company that commercially deployed MHP technology in material volumes. The Multimedia Home Platform (MHP™) is an open standard developed by Geneva-based Digital Video Broadcast (DVB) industry consortium. Osmosys' "MHP stack", related development tools and several applications, represent today a full line of products that the company first introduced in large volumes in the Italian DTT market. These products have also become important enablers of the Group's business: 32% of the set-top boxes that ADB Group shipped in year 2006 were equipped with MHP. Following its initial success in Italy, Osmosys expanded its business to the other markets: today its products are present in the Austrian DTT set-top boxes, in ITI Neovision (Poland) and American Island Media satellite set-top boxes and in the cable decoders that ADB Group sells to Telenet in Belgium and Naxoo in Switzerland. Osmosys' end-to-end solutions such as a turn-key Video-on-Demand system contribute to the business of such leading companies as ITI Neovision in Poland or Telenet in Belgium.

Osmosys is also involved in a significant industry effort aimed at promoting MHP technology to the IPTV industry. As IPTV's middleware technology is currently fairly fragmented, ADB Group believes that adoption of a common, open standard middleware such as MHP would significantly contribute to and accelerate further the development of the IPTV market. In response to a similar middleware standardisation effort undertaken by the American Cable Laboratories of Louisville, CO (CableLabs®), a US cable industry technology standardisation body, Osmosys has also developed a product offer based on the OCAP™ specification. Cable Labs created the OCAP, or Open Cable Application Platform, primarily for the American cable industry. ADB Group has been active in those markets and intends to strengthen its position there, as mentioned in other sections of this report.

One of Osmosys' key activities in the consumer electronic area has been the formation of a strategic "Blu-ray collaboration" with HitachiSoft, announced also during the year 2006. This effort combines Osmosys Blu-ray Disc (BD-J) Java engine with Hitachi embedded software products, resulting in a powerful interactive software solution for the Blu-ray DVDs. It fosters also a combination of the broadcast television middleware and consumer electronic embedded software technologies, which is expected to significantly accelerate the deployment of Blu-ray DVD - a DVD with an interactive HD TV capability. Consequently, it creates a base for the development of the next generation media devices that will include Blu-ray DVD, set-top box and PVR capabilities.

Based on the research of qualified independent parties, ADB Group believes that Osmosys' is the most deployed MHP middleware worldwide.

HD MHP-based user interface

MHP-based MP3 player

Vidiom Systems

On 31 January 2006, ADB Group closed the acquisition of the business of Vidiom Systems Corporation. Vidiom Systems has strong software integration and service ability, an attractive customer base that includes the top US cable operators (such as Comcast, Time Warner Cable, Cox) and has therefore become a valuable addition to the Group's Software and Services business, complementing Osmosys activity and extending the Group's American base.

In the first half of year 2006, one of Vidiom Systems' customers called ODL, a joint venture between Time Warner Cable and Comcast, the two largest US cable TV operators, was ranked among the Group's top ten customers.

After joining ADB Group, Vidiom Systems accelerated the development of its product line that targets OCAP - based cable industry, complementing in this way its traditional services business. In year 2006 the company introduced the following products:

- Vision Workbench, the industry's only complete OCAP application development environment
- vCert, a pre-configured OCAP Automated Test System that reduces test time of OCAP-based digital TV products, thus accelerating their development cycle and time-to-market
- OCAP test laboratory and services, that are available to consumer electronic manufacturers and application developers, for testing and certifying a variety of OCAP-based devices and applications.

The Group believes that Vidiom Systems is an undisputed leader in OCAP-based technologies.

OCAP-based user interface

vCert Automated OCAP Test System

New Initiatives

Late in year 2005, the Group decided to launch certain new initiatives in the domain of advanced content and applications, with the intent to address emerging markets that are enabled by significant evolutions of broadcasting technology and multimedia distribution.

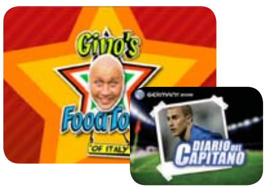
The activities of those "new initiatives" are closely linked to the Group's core business, and respond to demand born from the evolution of traditional single-platform, one-way broadcasting towards a multi-platform, interactive content environment. The Group believes that technology and specific content become increasingly dependent on one another: new technology platforms facilitate generation of new content forms, which in turn creates requirements for devices and systems with greater and/or entirely new capabilities

Simple

SIMPLE S.r.l. in Italy (www.simple.tv) is the Group's wholly owned subsidiary focusing on development of innovative digital contents, "formats" and services for the new digital multimedia terminals and platforms. Simple's products target both interactive IPTV decoders and portable platforms, such as DVB-H and similar. Simple serves major telecommunication operators and broadcasters with a combination of new technologies, applications and original or repackaged contents for TV and new media environments.

Simple aims to:

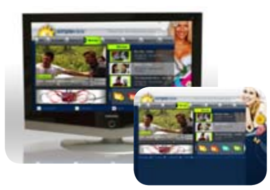
- create innovative contents to quickly answer the new market trends
- develop technology that maximizes content production benefits
- produce easy access contents for multi-platform distribution.



Formats creation

Formats packaging

Peer-to-peer applications technologies



Multiplatform portal technologies

tele.DOM

tele.DOM (www.teledom.tv) is the Group's integrated high-value added services platform currently based on a digital cable television network. Through a set-top box remote control and a wireless key board, the consumer can access a selection of such services as e-mail, instant messaging, general information, banking and similar directly on his/her TV screen and in an easy-to-use manner.

Focus on High-Growth, Technology Intensive Opportunities

ADB Group Positioning

ADB Group is a group of companies focused on developing software and hardware required to view and interact with digital TV broadcast through cable, satellite, terrestrial and telecommunications networks. The Group is a leader in the development and delivery of consumer premise devices, including set-top boxes and associated software, ranging from real-time kernels and drivers to middleware and interactive applications. The Group offers also complete interactive systems for digital TV along with related integration and support services.

The Group operates in three business segments:

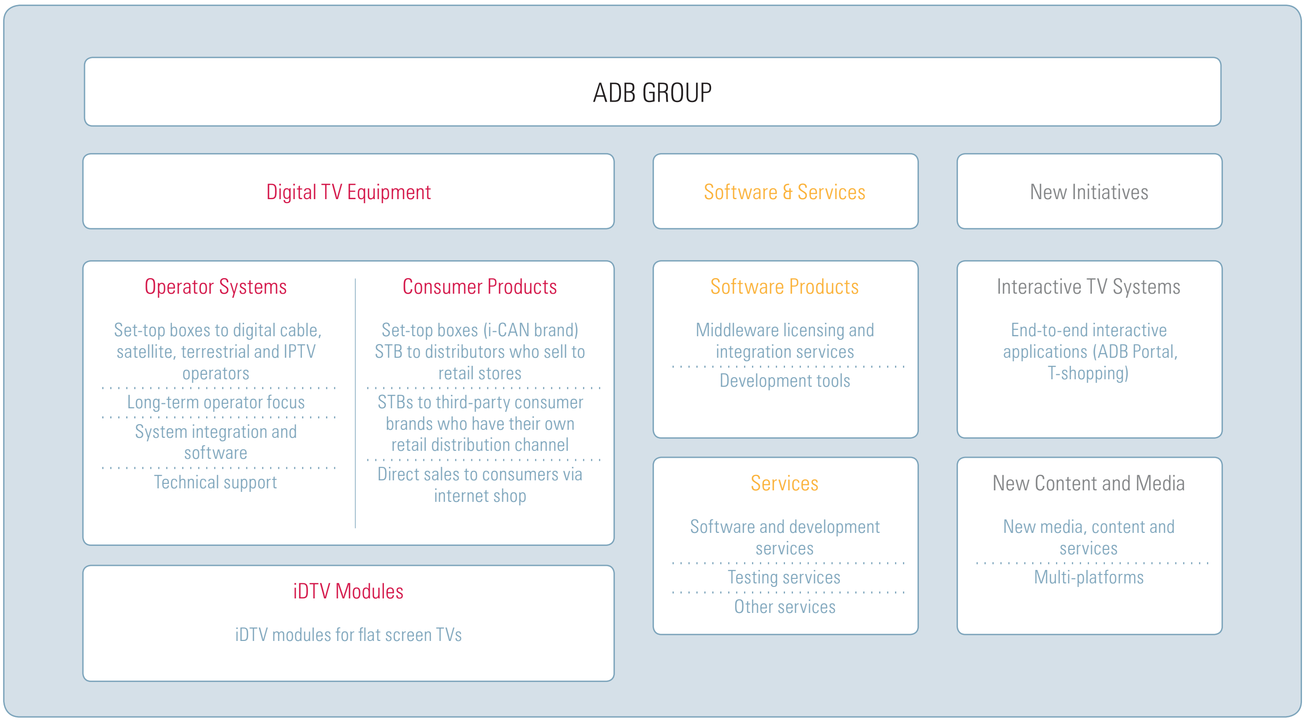
- Digital TV Equipment: design, manufacture, marketing and sale of consumer premise equipment, including set-top boxes. Revenue from Digital TV Equipment in year 2006 was US$ 243.7 million, or 92.9% of the Group's overall revenue and it was essentially flat in comparison to year 2005
- Software and Services: open-standard middleware development and licensing and related software and services. Revenue from Software and Services in year 2006 was approximately US$ 17.5 million, or 6.7% of the Group's total revenue, up 220% from year 2005, primarily as a result of the acquisition of the business of Vidiom Systems Corporation
- New Initiatives: interactive applications, new media, content and services. Revenue from the New Initiatives segment was approximately US$ 1.1 million, or 0.4% of the Group's total revenue.

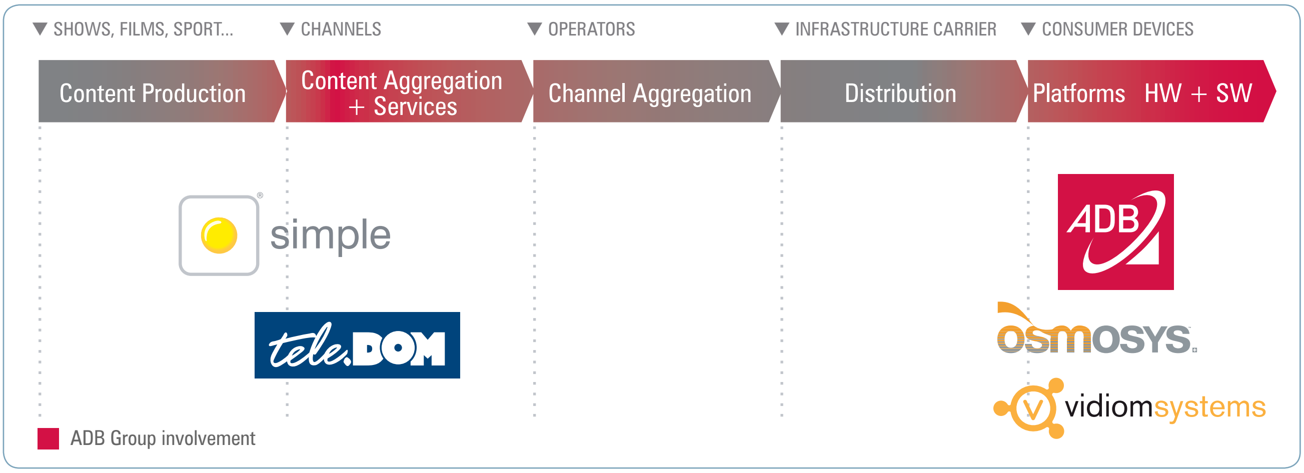
The Group sells its consumer premise devices to digital cable, satellite, terrestrial and telecommunications operators as well as to distributors and sometimes to consumer electronics companies. It also supports its operator customers with extensive engineering and system integration services from the early architecture design stage through custom software design, on-site installation and debugging to after-sales maintenance and future upgrades.

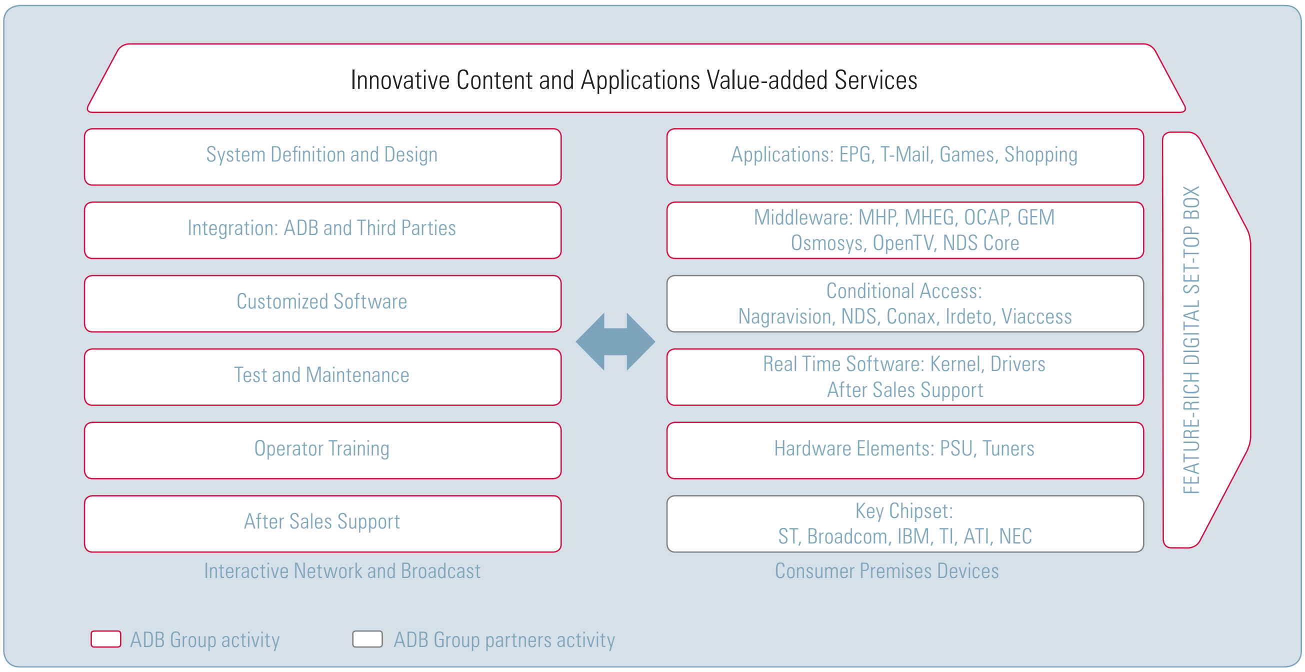
The Group believes it was "first to market" with several products and technologies. It has received four international technical design awards for its MHP set-top boxes from the Cable and Satellite International Product of the Year Awards, including "Best Interactive TV Technology" (2003), "Best Customer Premise Technology" (2004), the "Best Consumer Premise Technology" (2006) and the "Best IPTV Customer Premise Equipment Technology" award in early 2007, the last two for the 3800TW HD-MPEG4 Hybrid IPTV set-top box.

Two most important aspects of the Group's strategy are (i) its constant focus on identification of market discontinuities and its subsequent ability to efficiently exploit them and, (ii) its ability to develop, maintain and grow close, mutually beneficial relationships with both the suppliers and the customers, the latter being mainly digital TV system operators and broadcasters. Further, the Group seeks to maintain and grow its competitiveness through focusing on high margin, technically challenging products and projects. It also leverages its operational efficiency by optimising the geographical placement of its key functions: research and development in Eastern and Central Europe (partially also in the US), marketing and sales in each major market and/or area. This policy applies also to the Group's operations that include management of contract manufacturing, strategic components sourcing, quality control, customer support and after sale service – all of them located in Asia-Pacific and Eastern Europe.

The Group believes that the emergence of new technologies, business models and new regulatory environments creates constant opportunities for becoming a new supplier to established broadcasters and thus rapidly penetrate those new markets. Therefore, the Group's management constantly focuses on first-class market intelligence, supported by efficient R&D capability and effective overall execution. The Group also actively exploits a number of potential opportunities arising from significant discontinuities present in less mature, fast growing markets, such as delivery of video and audio content via telecommunications networks (IPTV) and emergence of new digital television platforms – cable, satellite and IPTV – either being newly created, such as ITI Neovision in Poland, or converted from the existing analogue networks, e.g. Telenet in Belgium. The Group's ability to offer a complete, end-to-end solution based on highly advanced product technology is the most important value that attracts such customers.


ADB GROUP
Digital TV Equipment
Software & Services
New Initiatives
Operator Systems
Set-top boxes to digital cable, satellite, terrestrial and IPTV operators
Long-term operator focus
System integration and software
Technical support
Consumer Products
Set-top boxes (i-CAN brand) STB to distributors who sell to retail stores
STBs to third-party consumer brands who have their own retail distribution channel
Direct sales to consumers via internet shop
iDTV Modules
iDTV modules for flat screen TVs
Software Products
Middleware licensing and integration services
Development tools
Services
Software and development services
Testing services
Other services
Interactive TV Systems
End-to-end interactive applications (ADB Portal, T-shopping)
New Content and Media
New media, content and services
Multi-platforms


SHOWS, FILMS, SPORT...
CHANNELS
OPERATORS
INFRASTRUCTURE CARRIER
CONSUMER DEVICES
Content Production
Content Aggregation + Services
Channel Aggregation
Distribution
Platforms HW + SW
simple
tele.DOM
ADB
osmosys
vidiomsystems
ADB Group involvement


Innovative Content and Applications Value-added Services
System Definition and Design
Integration: ADB and Third Parties
Customized Software
Test and Maintenance
Operator Training
After Sales Support
Interactive Network and Broadcast
Applications: EPG, T-Mail, Games, Shopping
Middleware: MHP, MHEG, OCAP, GEM Osmosys, OpenTV, NDS Core
Conditional Access: Nagravision, NDS, Conax, Irdeto, Viaccess
Real Time Software: Kernel, Drivers After Sales Support
Hardware Elements: PSU, Tuners
Key Chipset: ST, Broadcom, IBM, TI, ATI, NEC
Consumer Premises Devices
FEATURE-RICH DIGITAL SET-TOP BOX
ADB Group activity
ADB Group partners activity

Digital TV: a High-Growth, Technology-Driven Market

Digital TV represents a combination of a popular demand for more and better services with the natural progression of technology that facilitates such a demand. Market demand and developers' efforts have begun significantly influencing the patterns of consumer behavior and have created an entirely new industry through a process similar to the growth of the PC industry in the early 1980s. Digital content creation, its protection and delivery, interactive services and smart yet user-friendly, software-based consumer premise devices drive today the evolution of digital TV, creating significant business opportunities for the next decades.

It is estimated that over 1.2 billion households worldwide have at least one TV set (Source: IMS) and that less than 30% of these are digital, in the sense of having at least one TV set receiving a digital TV signal. While the TV market is expected to remain stable, the trend towards digital reception pushes the digital TV market upwards and is expected to result in an almost 20% worldwide growth each year until year 2011, when more than 700 million households will be digital, representing a penetration of more than 50% households (Source: IMS).

Digitalisation of TV has also stimulated an explosive growth of computer-generated content: static and animated information screens, education, games, computer generated movies and various interactive consumer services. This has created an entirely new industry of interactive services designed for digital TV, which, according to industry analysts, is poised to grow at high double-digit rates in the next years.

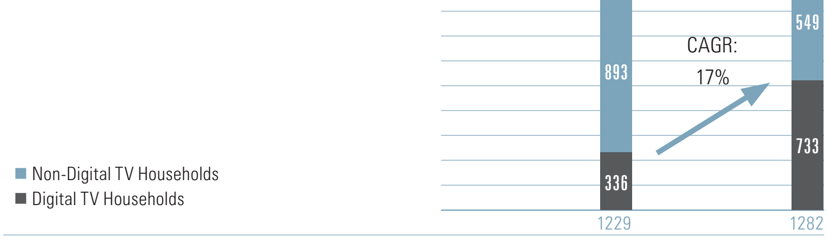
The growth of those interactive services has been fuelled by two areas of the software technology: (i) middleware and (ii) applications. Digital TV middleware acts as an intermediate layer between a consumer premise device and the software applications. Digital Video Broadcast of Geneva, Switzerland (DVB), and Cable Laboratories Inc. (CableLabs, Colorado, US) have defined middleware open standards called Multimedia Home Platform (MHP) and Open Cable Application Platform (OCAP), respectively. Both standards are open to implementation by qualified developers. In practice, only a few companies succeed in the creation of such implementations because of the high complexity and continuous evolution of the specifications. ADB Group, through its software arms Osmosys and Vidiom, has positioned itself as a leader in these software technologies.

Early digital set-top boxes were simple in function, complex in implementation and limited in functionality as they were used solely for reception and conversion of digital TV signals transmitted over satellite, cable or terrestrial transmission media. However, additional functionality-enhancing features are constantly being introduced, such as:

- flexible and highly secure conditional access for subscription services with the ability to selectively decrypt pay TV signals. Such function is usually based on very sophisticated encryption technologies
- Digital Video Recorder (DVR) that enables consumers to record content on a hard disk, thus allowing customers to defer and repeat viewing. Some set-top boxes also offer archiving of such recorded content on a recordable DVD
- HDTV capability– a major improvement of image quality and viewer's experience
- data and voice reception capability enabling a user to access internet as well as telephone services over the cable TV
- interactive TV features and services such as electronic program guides, polling, home shopping, video on demand, gaming, interactive education and many others.

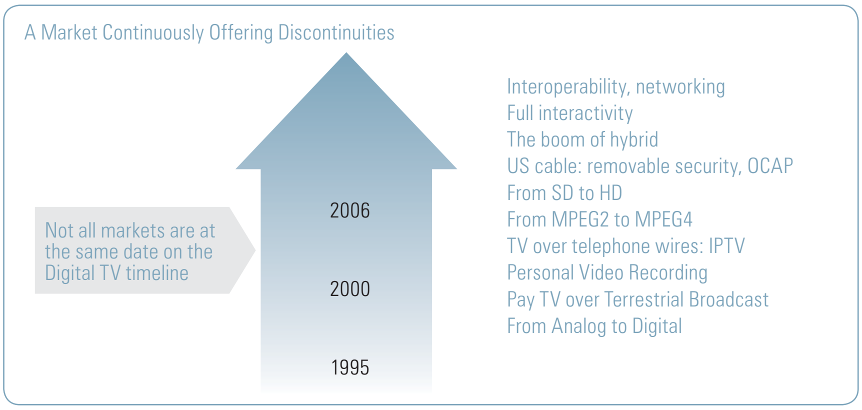
With the addition of new features, digital set-top boxes become predominantly software-driven, with open-standard middleware playing a key role. This results in their greater flexibility, scalability and multifunction capability, making a set-top box a centerpiece of home entertainment. Despite their high level of complexity, the software and high level of integration of key integrated circuits facilitate the sale of such devices to consumers at affordable prices. IMS estimates worldwide digital set-top box shipments to grow from more than 100 million units in

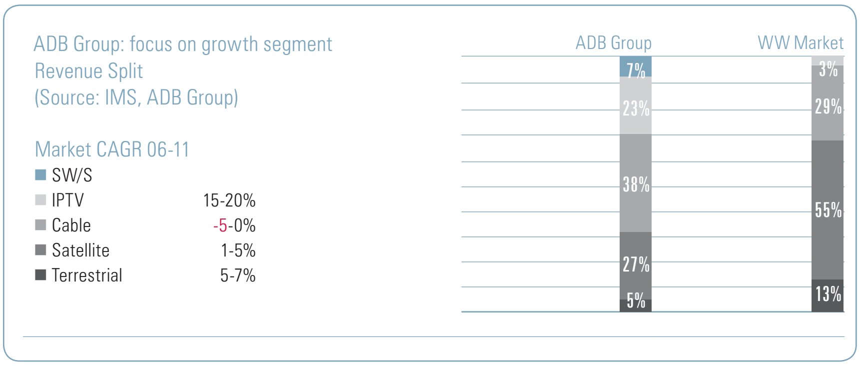
1.2 Billion TV households worldwide are being equipped with digital reception (Source: IMS)



year 2006 to over 170 million units in 2011, with terrestrial, IP and other advanced set-top boxes expected to be the main growth drivers.

Digital TV market is both large and fast growing. It is also driven by innovation and quickly moving technology, facilitating introduction of new features and functions. Each such event creates yet another "discontinuity", representing a new opportunity that ADB Group is perfectly positioned to seize.





Commitment to Excellence: Technology, Customer Service and Operations

Research and Development - Distinctive Capabilities

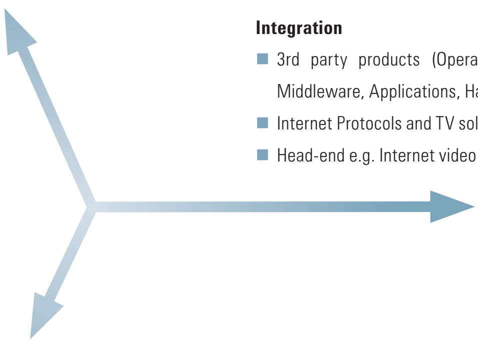
Since its inception, the Group has focused on the research and development of innovative products and solutions related to the broadcast and reception of digital TV signals. It possesses technical capabilities encompassing three distinct engineering fields: (i) computer and digital signal processing sciences, (ii) television broadcast and reception technologies and (iii) applications and related software for multimedia broadcast. ADB Group's research and development department works closely with key component vendors, licensors of specific technologies and, most importantly, with customers. Such close cooperation enhances the Group's ability to more accurately predict technology trends and better define its research and development priorities. The Group has a record of bringing technologically innovative, high quality products to the market ahead of competitors.

Approximately 62% of the Group's employees are engaged in research and development activities, which cover all disciplines necessary to successfully develop digital TV products.

ADB Group's Distinctive Capabilities

Design and implementation

- Entire set-top box (from specification to product)
- Head-end system elements
- Audio/video compression - new standards
- Videoconferencing and VoIP
- Interactive systems



Integration

- 3rd party products (Operating Systems, Drivers, Conditional Access, Middleware, Applications, Hardware platforms)
- Internet Protocols and TV solution
- Head-end e.g. Internet video and middleware server

Testing/verification

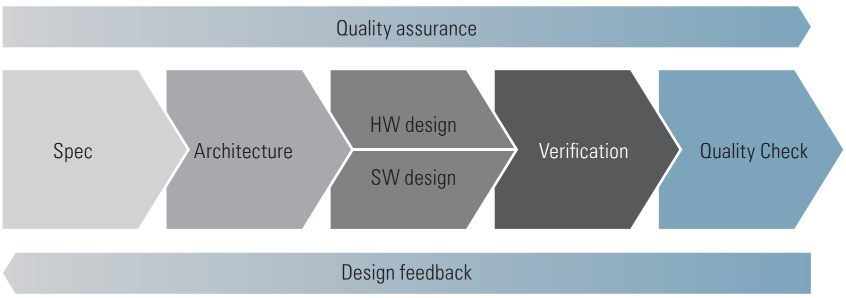
- Conformance to specifications and standards
- Proprietary test suites
- Automation

Differentiated Products and Customer Service

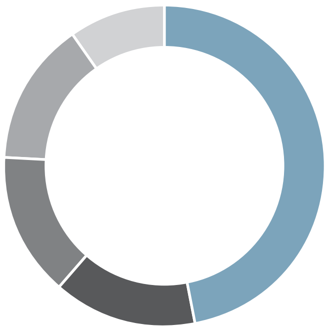
The core of the Group's differentiation lies in its software-related skills. In spite of being a complex hardware device, a digital set-top box functionality and performance depends heavily on its software. Therefore, the Group believes that mastering each and every software layer is the key to differentiation and performance. In particular, critical software such as low-level drivers, real-time Linux-based operating system and middleware are fundamental. The Group estimates that no more than around 15% of the development effort resides in hardware development, while 45% lies in advanced software, the rest being made of architecture design, tests and verification, and a strong quality assurance.

The Group maintains also close working relationships with its customers – the operators of digital TV satellite and cable systems, telecom IPTV operators, and terrestrial digital TV broadcasters. Practically each digital television system is custom-tailored according to the operator's initial requirements, and then frequently modified and upgraded, to meet the operator's constantly changing needs. Therefore, the Group's technological capabilities and system integration skills have led, over time, to several close and enduring business relationships with its operator customers. These capabilities distinguish ADB Group from traditional set-top box vendors that just build their products according to known specifications and deliver them to already existing system(s). The Group believes that its cooperative approach to working with digital TV operators and broadcasters has helped to develop strategic alliances that significantly enhance the Group's competitiveness and help secure its business in the long term.

The Group also maintains close commercial and technical relationships with key digital TV semiconductor component vendors, and works actively with them, assisting them to refine their new products by contributing to the definition of such products and then testing and debugging them before their release to for volume production and the market. This cooperation enables the Group to access new components and technologies before they are released to the broad market, thereby accelerating its own products time-to-market.



Allocation of Development Resources



SW design	45%
HW design	15%
Verification	15%
QA/QC	15%
Architecture	10%

Operational Excellence

The Group outsources its entire manufacturing, while retaining procurement of key components, total quality management ("TQM"), logistics and production planning and control. This allows it to control key aspects of the manufacturing process and to ensure high quality of products, without the capital investment and management requirements of a fully integrated manufacturing operation.

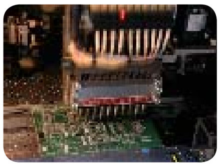
In year 2006 ADB Group ramped-up shipment of products manufactured at a new manufacturing facility in western Poland, managed by SONO Polska Sp. z.o.o. The benefits from European manufacturing include a diversification of the manufacturing sources, a production site close to the Group's research and development centres, to its European customer base, and within the borders of the European Union. Approximately 20% of the Group's overall products volume was manufactured at SONO in year 2006. This share is expected to increase significantly in year 2007.

The Group's headquarters and central marketing functions are located in Chambésy, Geneva, Switzerland. The research and development departments are located in Zielona Gora, Poznan, Wroclaw and Katowice, Poland, Kharkov, Ukraine, Denver, Des Moines and Portland, US, and in Milan, Italy, while the industrial engineering group resides in Taipei, Taiwan. At 31 December 2006, the Group employed around 730 persons, of which close to 450 were engaged in research and development activities.

ADB Group's optimised geographical allocation of resources provides several competitive advantages. In particular:

- contract manufacturing, in-house TQM, and procurement of key components in Asia allow to maintain low inventory levels and low investments in fixed assets, while ensuring fully scaleable production capacity, high manufacturing efficiency and optimised cash management
- the majority of research and development and product management functions are located in Poland, Ukraine and the US The Group believes that Poland and Ukraine will continue to be competitive locations for its research and development activities as they enjoy a relatively high level and quality of education in basic sciences, a motivated base of engineers, a relatively competitive cost and are close to the important European customer base. The Group's American R&D centres, in turn, facilitate necessary contact with the largest digital TV customers worldwide and with some of the most advanced technology suppliers and competence centres of the entire industry
- marketing and sales functions are headquartered in Switzerland, in close proximity to the Group's main markets and give direction to the two other regional marketing centres in Asia Pacific and the US.

The Group believes that the strength of its management team and the low rate of employee turnover provide a significant competitive advantage. The members of the management team have strong backgrounds in the television and semiconductor industries, with an average industry-related professional experience of more than 20 years. Most team members had prior professional relationships with one another well before joining the Group. This management team has steered the Group through its expansion phases, through the industry-wide downturn of the high-tech sector during years 2001 and 2002 and through the difficult evolution of technology of year 2006. Throughout this complete economic cycle, the Group has not made any employee redundant for economic reasons, nor did the Group cancel or downsize any major product development or marketing project. Employee turnover rate was below 5% in year 2006, which the Group regard as relatively low compared to other companies in the industry. The Group attributes the stability of its employee base to the provision of a performance-oriented remuneration (including the employee stock ownership plans of years 2004 and 2006), a quality working environment, well defined career plans, training activities, incentive trips, and other benefits, each of which the Group regards as highly competitive.



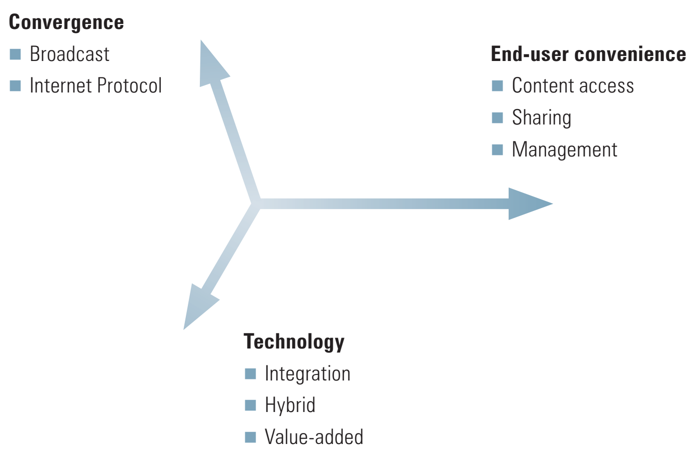
Leverage Core Strengths to Invest in Long-term Sustainable Growth

Building on its key technology capabilities, its in-depth understanding of digital TV broadcasting and its expertise in interactive digital TV systems,

ADB Group permanently seeks innovation aimed at ever-challenging combination of convergence of service, technology and end-user convenience:

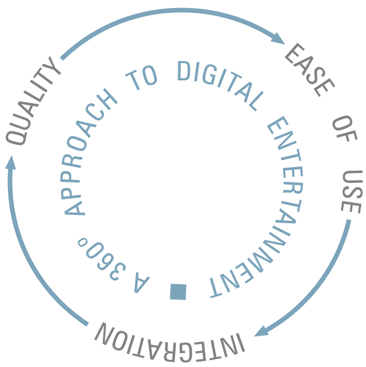
- end-to-end applications such as Video-On-Demand
- home networking
- broadcast network-based applications: videoconferencing, instant messaging, gaming, electronic program guides
- advanced contents and applications such as the ones proposed by tele.DOM and Simple.

A Space of Opportunities



Consumers increasingly demand an easy access to content and services of their choice – anytime, anywhere, through any media. The Group believes that its specific capabilities allow it to help satisfying such appetites, through offering to its operator customers its portfolio of products and services ranging from consumer premise devices and a variety of software products, to system integration and interactive digital content.

Ultimately, the Group aims at developing a 360° approach to digital entertainment.



corporate governance

Note regarding this corporate governance report

This report details the principles governing the management and control mechanisms of the ADB Group, as required in order to comply with the Directive on Information Relating to Corporate Governance issued by the SWX Swiss Exchange, which entered into force on 1 July 2002. Unless otherwise mentioned, it has been prepared to reflect the situation at 31 December 2006.

Group Structure and Shareholders

Group Structure

Operational Group Structure

ADB-Advanced Digital Broadcast Ltd. was founded in year 1995 as a digital TV software company and subsequently expanded into the design and sale of digital TV equipment. Since its inception, it has grown its business and established offices in Australia, Italy, Poland, Taiwan (Republic of China), Spain, Switzerland, the United Kingdom, Ukraine and the United States of America. Over the years, it has developed into a group of companies ("ADB Group" or the "Group"), whose growth has been financed by capital provided by the founders and by cash generated from operations. The Group did not rely upon external sources of equity prior to the Initial Public Offering ("IPO") of the shares of its holding company in April 2005.

In year 2003, the MHP-based middleware development activities were separated from ADB-Advanced Digital Broadcast Ltd. and contributed to Osmosys, which was established to continue the development and marketing of open-standard middleware and to capitalise on the Group leadership position in MHP-based middleware by making it available to third parties, including operators, semiconductor manufacturers and other consumer electronics equipment vendors.

At end of year 2005, ADB Group started two companies with the aim to develop new business initiatives in interactive contents and applications: SIMPLE S.r.l. in Italy and tele.DOM Sp. z.o.o. in Poland.

On 31 January 2006, ADB Group acquired the business of US-based Vidiom Systems Corporation.

Advanced Digital Broadcast Holdings S.A. ("ADB Holdings" or the "Company") was incorporated in July 2004 in Geneva, Switzerland, and became the holding company of the Group with effect from 1 January 2005 through its merger with ADB-Advanced Digital Broadcast Ltd.

ADB Holdings registered office:
Route de Lausanne 319
1293 Bellevue
Geneva
Switzerland

ADB Group worldwide headquarters:
Avenue de Tournay 7
1292 Chambésy
Geneva
Switzerland

ADB Holdings' shares are listed on the SWX Swiss Exchange since 29 April 2005 under the symbol ADBN, ISIN CH0021194664. At 31 December 2006, the total market capitalisation was approximately CHF 495 million and approximately 65% of ADB Holdings shares were considered to be "free float" on the SWX Swiss Exchange.

ADB Holdings manages the Group and its holdings and performs all Group general management, treasury and financing, budgeting, control and strategic duties. Group's affiliates operate under management and control of ADB Holdings.

ADB Group has conducted three principal business segments in year 2006:

- Digital TV Equipment: development, design, contract manufacture, marketing and sale of consumer premises equipment, including set-top boxes. This segment operates essentially under the Group's ADB and i-CAN brands
- Software and Services: software products including middleware development, licensing, development tools, and services including testing, integration and other services. This segment operates essentially under the Group's Osmosys and Vidiom Systems brands
- New Initiatives: interactive applications, new media, content and services. This segment operates essentially under the Group's tele.DOM and Simple brands.

The business segments are supported by three main functional organisations:

- manufacturing and logistics are conducted in Taiwan under the operational management of the Digital TV Equipment Regional President of Asia Pacific. Assembly is subcontracted to companies operating in Thailand, China and Poland
- research and development is performed in Poland, Ukraine, US and Taiwan under the supervision of the Group's Chief Technology Officer and of the local operational management
- all operations in the main regions are supported by and are under the operational management of the respective Digital TV Equipment Regional Presidents and the affiliates' Managing Directors and CEOs.

Additional information on the business segments is provided in Note 32 of the Consolidated Financial Statements.

The Group and its Affiliates

ADB Holdings owns, directly or indirectly, 100% of all the ADB Group companies. Note 1 of the Consolidated Financial Statements provides details of each Group company. Except for ADB Holdings, no company of the Group is publicly listed on a stock exchange.

Significant Shareholders

Pursuant to the Swiss Federal Act on Stock Exchanges and Security Trading (SESTA) and to the SWX Swiss Exchange Listing Rules and Directives, whosoever, directly, indirectly or in concert with third parties, acquires or sells, for his own account, in a company incorporated in Switzerland whose equity securities are listed, in whole or in part in Switzerland and thereby attains, falls below or exceeds the following threshold percentages of the voting rights, whether or not such rights may be exercised, shall be obliged to notify the Company and the SWX Swiss Exchange:

- 5% of the share capital (or 309,527 shares)
- 10% of the share capital (or 619,054 shares)
- 20% of the share capital (or 1,238,108 shares)
- 33⅓% of the share capital (or 2,063,514 shares)
- 50% of the share capital (or 3,095,271 shares)
- 66⅔% of the share capital (or 4,127,028 shares).

To the knowledge of the Board of Directors of ADB Holdings, only one group of shareholders owns directly and indirectly more than 5% of the Company's shares. This group is composed of Mr. Andrew N. Rybicki and members of his family. The members of Mr. Rybicki's family in this group are: Maria Rybicki, Katherine Rybicki-Justo, Sofia Justo, Krystyna Turska-Krotofil, Magdalena Turska, none of whom individually holds 2% or more of the Company's shares and all of them collectively holding not more than 5% of the Company's shares. There is no shareholder agreement in place between the members of this shareholder group.

On 31 March 2006 this group of shareholders sold some of its ADB Holdings shares through a secondary share offering organised with an accelerated book building process, reducing its stake in the Company to 2,100,647 shares or 34.1% of the Group's issued shares at that time. After the secondary offering, this group of shareholders has increased its stake in the Company with several purchases of ADB Holdings shares to finally own 2,129,981 shares representing 34.4% of the Company's issued shares.

Despite not acting as a group of shareholders, three co-founders and more than 400 other employees of the Group own respectively around 6% and 7% of the Company's issued shares. The Company owns 134,280 of its own shares in treasury, or approximately 2% of its issued shares.

Cross-Shareholdings

There are no cross-shareholdings in place within the Group.

Capital Structure

At 31 December 2006, the share capital of the Company is as follows:

Total outstanding shares	6,190,542
of which	
shares held in treasury	134,280
shares in circulation	6,056,262
of which	
free-float	4,060,561
Authorised Capital shares	584,935
Conditional Capital shares	424,523

Capital

The Company has one class of ordinary shares, which carry no right to fixed income. The share capital of ADB Holdings amounts to CHF 1,547,635 and is composed of 6,190,542 fully paid-in registered shares with a par value of CHF 0.25 each.

On 3 October 2006, pursuant to a decision of its Board of Directors, the Company has launched a share repurchase programme of the following nature:

- Maximum of US$ 12 million or 200,000 shares
- Purchases on the market, no second trading line open
- Maximum duration: until 31 March 2007
- Repurchased shares will be held in treasury by the Company and available for purposes such as employee incentive plans, acquisitions, or any other future use in the Company's interests.

At 31 December 2006, the total number of shares purchased by the Company was 100,000.

Additional information on the share capital is provided in Note 21 of the Consolidated Financial Statements and Note 9 of the Statutory Financial Statements.

Authorised Capital

Maximum Increase and Duration

At the extraordinary shareholders' meeting held on 24 March 2005, it was resolved to create an authorised capital of CHF 562,500, consisting of up to 2,250,000 registered shares of CHF 0.25 nominal value each, allowing the Board of Directors to increase the share capital in one or several steps until 24 March 2007.

In connection with the IPO on 29 April 2005, the Board of Directors decided to increase the share capital of ADB Holdings in one step by CHF 395,500, being 1,582,000 fully paid-in registered shares with a nominal value of CHF 0.25 each.

As a result, the remaining authorised capital at 31 December 2005 amounted to CHF 167,000 consisting of 668,000 shares with a nominal value of CHF 0.25 each.

As part of the consideration paid for the acquisition of the business of Vidiom Systems Corporation in January 2006, the Board of Directors resolved to increase the share capital of ADB Holdings by CHF 20,766, being 83,065 shares with a nominal value of CHF 0.25 each. In relation to this transaction, Credit Suisse as the sole book-runner and lead manager of the IPO, has waived the applicable lock-up restrictions that the Company entered into in relation to its IPO in April 2005. The shares are listed on the SWX Swiss Exchange and freely tradable, subject to the restrictions described in the section "Limitations on transferability and nominees registration".

As a result, the remaining authorised capital at 31 December 2006 amounted to CHF 146,234 consisting of 584,935 shares with a nominal value of CHF 0.25 each. It is the Board of Directors intention to propose an extension of the authorised capital beyond 24 March 2007 at the next General Meeting of Shareholders .

Beneficiaries

Beneficiaries can be new or current shareholders of ADB Holdings. Statutory pre-emptive rights to which existing shareholders of ADB Holdings are entitled under Swiss law are to be excluded if capital increase is effected for the purpose of the takeover of enterprises, divisions thereof or participations in companies, the financing and refinancing of the acquisition of enterprises, divisions thereof or participations or of newly-planned investments or strategic investments of and with business partners.

Terms and Conditions of Issuance

The Board of Directors can increase the share capital of ADB Holdings by any amount of the authorised capital at its discretion. The Board of Directors sets the date of issuance, the price of issuance, the manner in which the shares shall be paid-up, the conditions of the exercise of the pre-emptive rights and the time from which rights to dividend apply. To this effect, the Board of Directors can issue shares through a bank or a consortium subscription. Any share for which the pre-emptive right has not been exercised shall be available to the Board of Directors which shall be entitled to sell it at market price.

Conditional Capital

Maximum Increase and Duration

At the extraordinary shareholders' meeting held on 24 March 2005, it was resolved to create a conditional capital of CHF 112,500, consisting of up to 450,000 registered shares with a nominal value of CHF 0.25 each, allowing the Board of Directors to increase the share capital in one or several steps.

Such conditional capital was still unused at 31 December 2005. In the course of year 2006, the Board of Directors decided to increase the share capital of ADB Holdings by CHF 6,369, being 25,477 shares with a nominal value of CHF 0.25 each. These 25,477 shares will be registered with the Swiss Commercial Registry during the beginning of year 2007 in accordance with the provisions of Swiss law.
As a result, the remaining conditional capital at 31 December 2006 amounted to CHF 106,131 consisting of 424,523 shares with a nominal value of CHF 0.25 each.

The conditional capital does not bear a time limit.

Beneficiaries

ADB Holdings' share capital may be increased through the issuance of fully paid-in shares, in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of ADB Holdings or affiliated companies. Existing shareholders' preferential subscription rights are excluded.

Terms and Conditions of Issuance

The Board of Directors shall establish employee participation schemes (employee stock option plans and employee stock ownership plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the option rights shall be set by the Board of Directors. Issuance at a price below the market price is authorised.

Details on the Company's equity compensation plans are available in the section "Content and method of determining the compensation and the share-ownership programmes" of this Corporate Governance report and in Note 31 of the Consolidated Financial Statements.

Changes in Capital over the Last Three Financial Years

Note 9 of the Statutory Financial Statements provides details on the historical changes in capital of the Company.

Shares and Participation Certificates

Each of the 6,190,542 registered shares carries one vote at shareholders' meetings, which may be exercised only after a shareholder has been registered in the Group's share register as a shareholder with voting rights.

All shares carry dividend rights. ADB Group did not declare any dividend payable in year 2006, and the Board of Directors does not intend to propose a dividend to the next General Meeting of Shareholders.

As registered shares, the shares are in collective custody with a depository institution (SIS SegaInter-Settle AG, Olten) in book-entry form only, without any right for shareholders to request printed share certificates.

All the issued share capital is fully paid-in.

Profit Sharing Certificates

ADB Holdings has not issued any non-voting equity security such as participation certificates or profit sharing certificates.

Limitations on Transferability and Nominees Registration

ADB Holdings' shares are registered shares, the transfer of which (for as long as they are book-entry shares) is effected by use of a share registration form and by a corresponding entry in the books of a bank or a depositary institution following an assignment in writing by the selling shareholder and notification to ADB Holdings of such assignment.

There are no transfer restrictions with regard to the shares. The Board of Directors will update the share ledger after receiving the respective request of a shareholder to be entered as a shareholder into ADB Holdings' share ledger. A purchaser of shares will be recorded in ADB Holdings' share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address and gives a declaration that it has acquired the shares in its own name and for its own account. Failing such registration, a shareholder may not vote at or participate in a shareholders' meeting but still be entitled to receive dividends and other rights with financial value such as pre-emption rights.

Nominees and fiduciary holders registration in the shareholders register is permitted without quantitative limitation, but such registration is done without voting rights.

No action has been or will be taken in any jurisdiction other than Switzerland that would permit a public offering of ADB Holdings' shares or the possession, circulation or distribution of any material relating to the shares in any jurisdiction where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and no offering material or advertisements in connection with the shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

ADB Holdings had agreed not to offer or sell any shares, or securities that are exchangeable or exercisable for such shares, without the prior written consent of Credit Suisse, global coordinator, until twelve months after the IPO. Certain of ADB Holdings' pre-IPO shareholders have also entered into arrangements designed to "lock-up" such shareholders for twelve months after the IPO. Accordingly, those shareholders have severally agreed not to offer or sell any shares, or securities that are convertible into or exchangeable or exercisable for such shares, without prior written consent of Credit Suisse until twelve months after the first day of listing, i.e. 28 April 2006.

In addition to the above, 900,000 shares held by employees and management of the Group at IPO were restricted from trading according to the provisions set by the Company at their grant. Restrictions are as follows: for management, one third of shares are available for sale one year after IPO, one third after two years and one third after three years. For employees one third of shares are available for sale one year after IPO, one third after eighteen months and one third after thirty months. Of these 900,000 shares, approximately 400,000 are still resticted.

Pursuant to the terms of the transaction, the shares issued in connection with the acquisition of the business of Vidiom Systems Corporation are subject to the following trading restrictions:

- 75% of the shares, or 62,299, were locked-up until 31 January 2007
- 25% of the shares, or 20,766, were tradable immediately, subject to a limit of the daily trading volume calculated as a percentage of the overall daily trading volume average of ADB Holdings shares; all of these shares were sold by the sellers of the business of Vidiom Systems Corporation during year 2006.

On 30 March 2006 Credit Suisse has allowed certain pre-IPO shareholders and certain employees and managers of the Group to sell shares through a secondary offering organised with an accelerated book building process. The total number of shares sold pursuant to this offering was 882,000, and no selling shareholder sold more than a third of its holdings. In connection with this offering, certain participating shareholders have agreed to an extension of six months of the IPO-related lock-up bearing on the reminder of their shares, i.e. until 28 October 2006.

Convertible Bonds and Warrants/Options

ADB Holdings has not issued any convertible bonds or other equity derivative instruments at 31 December 2006.

Changes since 31 December 2006

The 62,299 shares held by the sellers of the business of Vidiom Systems Corporation at 31 December 2006 and locked-up until 31 January 2007 have been sold by the respective owners on 26 February 2007.

The Company's share repurchase programme terminated on 31 March 2007 as planned. The total number of shares repurchased under the program was 143,720 for a total amount of CHF 11,138,392 net of taxes and commissions.

Therefore as of the date of this report, the share capital of the Company is as follows:

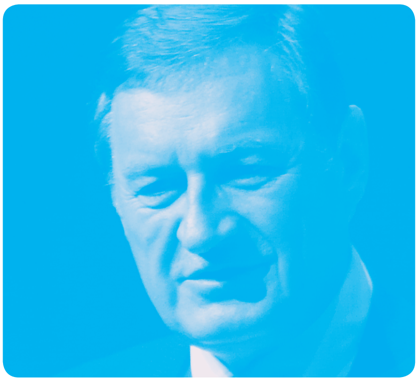
Total outstanding shares	6,190,542
of which	
shares held in treasury	178,000
shares in circulation	6,012,542
of which	
free-float	4,060,561
Authorised Capital shares	584,935
Conditional Capital shares	424,523

Board of Directors

Members of the Board of Directors of the Company

Andrew N. Rybicki is Chairman of the Board of Directors, Chief Executive Officer and President of the Group. He founded the Group in 1995. Prior to that, Mr. Rybicki held several technical, business and marketing positions at Nokia Corp. and Salora OY between 1974 and 1978, Blonder-Tongue Laboratories Inc. between 1979 and 1988, and was an engineering director at General Instruments Corp. between 1988 and 1990. From 1990 to 1996, Mr. Rybicki served as marketing director for STMicroelectronics' Asia Pacific region where he initiated and led the effort of business and product development of the world's first highly integrated, complete chipset for digital TV set-top boxes. He earned an MSc in Electronics Engineering from Technical University of Poznan, Poland in 1973.

Philippe Lambinet, Vice Chairman of the Board of Directors and Executive Vice President, Chief Marketing and Strategy Officer (CMO) of the Group, joined the Group in 2001 as Regional President, Europe, Middle East and Africa; he was appointed Executive Vice President, Chief Operating Officer (COO) of the Group and became a member of the Board of Directors in 2005. Mr. Lambinet has held several positions in the computer, semiconductor and electronics industries where he worked with Control Data Corp. from 1979 to 1980 and Thomson from 1981 to 1987. He worked from 1987 until 2000 at SGS-THOMSON (subsequently STMicroelectronics). His last position was Group Vice President, General Manager of the digital video division which he helped establish as the world leader in chipsets for digital set-top boxes. Mr. Lambinet earned an MSc in electronics from the Ecole Supérieure d'Electricité, Paris in 1979.



Name	Year of Appointment	Year of Birth	Nationality	Executive/ Non-Executive	Position
Andrew N. Rybicki	2004	1948	U.S.A.	Executive	Chairman of the Board of Directors, CEO & President of the Group
Philippe Lambinet	2005	1957	France	Executive	Vice Chairman of the Board of Directors, CMO of the Group
Jean-Christophe Hocké	2004	1969	Switzerland	Non-executive	Member of the Board of Directors
Simon Lin	2005	1952	Taiwan	Non-executive	Member of the Board of Directors
Thomas Steinmann	2004	1961	Switzerland	Non-executive	Member of the Board of Directors

Jean-Christophe Hocké is a member of the Board of Directors since 2004. Since January 2004 Mr. Hocké is a partner of the Geneva based law firm Python & Peter where he has been working since 1994. In 1993 and 1994, he worked as a legal trainee with GOLENBOCK, EISEMANN, ASSOR, BELL & Partners, New York. Mr. Hocké holds a law degree from the University of Geneva (1993).

Jean-Christophe Hocké has, from time to time, provided legal advice to ADB Group, the terms and conditions of which were at arm's length. Mr Hocké has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.

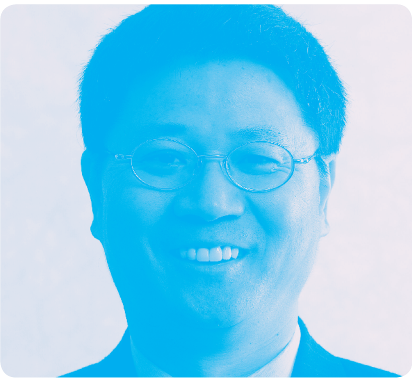
Hsien-Ming "Simon" Lin is a member of the Board of Directors since 2005. Mr. Lin worked as a design engineer for the research and development division of Sinotek Engineering Company from 1977 to 1979, when he joined Acer as a regional sales manager. Mr. Lin held numerous key positions at Acer including President and CEO of Acer Inc. from 1997 to 2001. Since 2001, Mr. Lin has managed the split of Wistron Corporation from Acer Inc. and established a company with over US$ 6.8 billion in revenue focusing on OEM/ODM services. Mr. Lin is the Chairman and CEO of Wistron Corporation, where he directed the public listing of the shares on the Taiwan Stock Exchange. He earned a Bachelor of Science degree from the National Chiao Tung University in 1975.

Wistron Corporation has not been in the past, is not at present and is not currently planned by the Group Management to become a supplier of material relevance to the Group. Mr Lin has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.

Thomas Steinmann is a member of the Board of Directors since 2004. Mr. Steinmann has been a partner with the Geneva based law firm Python & Peter since 1995, where he previously worked as an associate from 1990 to 1994. In 1990 and 1991 he worked as an associate with Gibson, Dunn & Crutcher, New York. He holds bachelor's degrees in law and in political science from the University of Lausanne (1983) and a doctorate in law from the University of Lausanne (1991). Since 1995, Mr. Steinmann has been a Professor in legal and tax aspects of international transactions at the Business School of the University of Lausanne (HEC). He is the author or co-author of numerous publications.

Thomas Steinmann has, from time to time, provided legal advice to ADB Group, the terms and conditions of which were at arm's length. Mr Steinmann has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.

In 2006, Marc Odendall, a member since 2005, resigned from the Board of Directors to pursue other personal opportunities after having accompanied the Company for more than 15 months through the IPO, where his contribution was instrumental.



Other Activities and Vested Interests

	Outside ADB Group	Inside ADB Group
Andrew N. Rybicki	Sole shareholder and CEO of ■ Alliance Technology Ltd. ■ Broadcast Software Systems International Ltd. ■ East Bridge Management Ltd. 33.8% shareholder of Waxess Inc. Member of the Board of Directors of TVN S.A. (a related party of a major customer of the Group)	Member of the Board of Directors of ■ Advanced Digital Broadcast Spain S.L.U. ■ Advanced Digital Broadcast (UK) Ltd. ■ Advanced Digital Broadcast Ltd. ■ Vidiom Systems Inc. ■ SIMPLE S.r.l.
Philippe Lambinet	None	Member of the Board of Directors of ■ Advanced Digital Broadcast (Australia) Pty Ltd. ■ Advanced Digital Broadcast (UK) Ltd. ■ Advanced Digital Broadcast Italia S.r.l. ■ ADB Services S.A. ■ Osmosys S.A. ■ Vidiom Systems Inc. ■ SIMPLE S.r.l. CEO of Advanced Digital Broadcast S.A. Supervisor of Advanced Digital Broadcast Ltd.
Jean-Christophe Hocké	Member of the Board of Directors of ■ Cycladic Capital Management Ltd. ■ Frick Capital S.A. ■ Byron Investments Services S.A. ■ Even Wealth Management S.A. ■ Even Capital S.A.	Member of the Board of Directors of ■ Advanced Digital Broadcast S.A. ■ Osmosys S.A. ■ ADB Services S.A.
Simon Lin	Chairman & CEO of Wistron Corp., Taiwan Chairman of ■ AOpen Inc. ■ Wistron NeWeb Corp. ■ AnexTEK Global Inc. ■ Wistron Information Technology & Services Corp. ■ PlayCoo Corp. ■ Wistron Optronics Corp.	None
Thomas Steinmann	Member of the Board of Directors of ■ Synthesis Bank	Member of the Board of Directors of ■ Advanced Digital Broadcast S.A. ■ ADB Services S.A.

Other than the above, the members of the Board of Directors do not hold other offices or carry out other principal activities which are of importance to the Group.

Elections and Terms of Office

According to the Articles of Association of the Company, the Board of Directors consists of at least three members who are elected individually for a term of one year, their mandate expiring at the ordinary shareholders' meeting following the end of such one year term. Members may be re-elected. ADB Holdings' Board of Directors currently consists of five members.

According to the Company's Organisational Regulations, a member of the Board of Directors, Group Management, Audit Committee or Nomination and Compensation Committee shall resign with effect from the end of the business year during which he celebrated his 70th birthday.

	First election to the Board of Directors	Last election	Expiry date
Andrew N. Rybicki	20 July 2004	9 June 2006	Next shareholders' meeting
Philippe Lambinet	29 March 2005	9 June 2006	Next shareholders' meeting
Jean-Christophe Hocké	20 July 2004	9 June 2006	Next shareholders' meeting
Simon Lin	29 March 2005	9 June 2006	Next shareholders' meeting
Thomas Steinmann	20 July 2004	9 June 2006	Next shareholders' meeting

Internal Organisational Structure

Allocation of Tasks Within the Board of Directors

The Board of Directors' non-transferable and inalienable duties according to Swiss law include the ultimate strategic management and the supervision of ADB Group. The Board of Directors appoints the Group Management.

The Board of Directors is comprised as a minimum of the Chairman, the Vice-Chairman and at least one other Director. The Board of Directors may pass resolutions on all matters that are not reserved for the shareholders' meeting by law or by the Articles of Association. According to the Articles of Association, the adoption of resolutions by the Board of Directors requires the absolute majority of the votes made. In case of a split vote, the Chairman has the casting vote. To validly pass a resolution, the majority of the members of the Board of Directors is required to be present. No quorum is required for a resolution implementing capital increases and the amendments of the Articles of Association in connection with these capital increases pursuant to art. 651a, 652g and 653g of the Swiss Code of Obligations. Moreover, the Board of Directors may delegate the management and representation of ADB Group, either in whole or in part to one or several of its members (delegates) or to third parties in accordance with the Organisational Regulations. The Board of Directors entrusts the running of day-to-day business matters to the Group Management under the chairmanship of the CEO, who is responsible for the operative management of the Group and for all affairs, which do not lie within the responsibility of the Board of Directors by law, statute, and Organisational Regulations.

The Board of Directors meets at least once a quarter. At the invitation of the Chairman, the members of Group Management and/or other employees and third parties may attend the meetings of the Board of Directors to report information. The Committees report on their activities and consequent results to the Board of Directors. They prepare information to the Board of Directors in their respective areas but do not have any decision-making authority with the exception of the Audit Committee for imminent threats or danger, or unless such authority has been conferred on them specifically. In all such cases, they decide together with the Chairman of the Board of Directors. The overall responsibility of the Board of Directors is not reduced by the Committees.

The Chairman has the power to sign individually for ADB Holdings. All other members of the Board of Directors have the power to represent ADB Holdings by signing jointly with the Chairman, to the exception of members of the Board of Directors that are domiciled in Switzerland and are non-executive who have the power to represent ADB Holdings by signing jointly in two.

At 31 December 2006, the allocation of functions within the Board of Directors is as follows:

- Chairman: Mr. Andrew N. Rybicki
- Vice-chairman: Mr. Philippe Lambinet
- Secretary: Mr. Thomas Steinmann.

Members List, Tasks and Area of Responsibility for Each Committee of the Board of Directors

Audit Committee

In accordance with its Organisational Regulations, the Board of Directors has formed an Audit Committee to support its work. The Audit Committee consists of at least three members of the Board of Directors, the majority of which are non-executive. The Chairman is appointed by the Board of Directors. The term of office is one year. The Audit Committee meets at least once per year and provides an annual report on its activities to the Board of Directors. It may invite to its meetings any person whom it deems necessary to hear, within the scope of its competence.
The Audit Committee is currently composed of MM. Thomas Steinmann and Simon Lin. At its meeting of 9 August 2006, the Board of Directors has resolved to appoint Mr. Claude Romy as advisor to the Audit Committee, following the resignation of Mr. Marc Odendall, a member of the Audit Committee.

The main task of the Audit Committee is to review the Company's annual and other accounts and issue recommendations to the Board of Directors regarding the acceptance thereof. The Group's auditors also report at least once a year to the Audit Committee regarding audits and thereafter the Audit Committee suggests improvements of the auditing process if this should prove necessary.

The Audit Committee is also responsible for evaluating the independent auditors as well as the internal control, risk management and compliance systems on behalf of the Board of Directors.

The Audit Committee does not have any decision making authority with the exception of imminent threats or danger, or unless such authority has been conferred on it specifically. In such case, it decides together with the Chairman of the Board of Directors. The overall responsibility of the Board of Directors is not limited by the Audit Committee.

In year 2006, the Audit Committee met three times and the independent auditors participated to two of these meetings. The meetings last typically three to five hours.

At 31 December 2006, the allocation of functions within the Audit Committee is as follows:
- Chairman: Mr. Thomas Steinmann.

Nomination and Compensation Committee

In accordance with its Organisational Regulations, the Board of Directors has formed a Nomination and Compensation Committee ("NCC") to support its work. The NCC consists of at least three members of the Board of Directors, the majority of which are non-executive. The Chairman is appointed by the Board of Directors. The term of office is one year. The NCC meets at least once per year and provides an annual report on its activities to the Board of Directors.

The NCC is currently composed of MM. Andrew N. Rybicki, Jean-Christophe Hocké and Simon Lin. The main tasks of the NCC are:
- preparing the resolutions to be brought before the shareholders' meeting with regard to electing and dismissing members of the Board of Directors
- preparing the personnel decisions to be made by the Board of Directors, such as human resources planning, proposals for the nomination and dismissal of the members of the Group Management
- proposing adjustments in the compensation structure for the Board of Directors and the Group Management
- periodically reviewing the measures taken to retain and promote top management
- administering employee share compensation plans.

In addition, the NCC has been assigned by the Board of Directors the duties of Related Parties Transaction Committee. The main tasks under such duties are assessing all transactions entered into by the Group with related parties. This includes evaluating their appropriateness and ensuring that such transactions are at arm's-length, fair and at conditions not unfavourable to the Group with respect to conditions that could be obtained from unrelated third parties.

The NCC does not have any decision making authority.

In year 2006, the NCC met two times. The meetings last typically one to two hours.

At 31 December 2006, the allocation of functions within the NCC is as follows:
- Chairman: Mr. Andrew N. Rybicki.

Work Methods of the Board of Directors and its Committees

In year 2006, the Board of Directors and its Committees met as follows:
- Board of Directors: eight times (three times in person, one time by phone, four times by e-mail)
- Audit Committee: three times
- Nomination and Compensation Committee: two times.

The average attendance to the Board of Directors meetings and Committees meetings, either in person, by telephone or by e-mail, was more than 80%. The meetings last typically 1 to 9 hours, depending on the complexity of the agenda. The subjects covered at the Board of Directors meetings and Committees meetings included among others:
- Board of Directors: delegation of powers to management, company reorganisations, review of financial statements and approval, evaluation of various risks, amendment of the bylaws, strategic initiatives, and compensation matters
- Audit Committee: review the financial accounts, review of the directives to and reports of the independent auditors, Internal Control Systems and Risk Management policies and actions
- Nomination and Compensation Committee: compensation policies, human resources policies, related-parties transaction assessment.

At each meeting, the Board of Directors or the Committee requires the Group Management to present on specific topics.
The CEO, CMO, CFO, CAO and EVP Corporate Development are requested to participate to every meeting of the Board of Directors and report on applicable activities on behalf of the Group Management.
The CFO is requested to participate to every meeting of the Audit Committee.
The CAO is requested to participate to every meeting of the Nomination and Compensation Committee.

In year 2006, the independent auditor was required to participate to two meetings of the Board of Directors and two meetings of the Audit Committee.

The minutes of each meeting, which typically also contains the list of presence, agenda and duration, are prepared by the secretary, approved by all members of the Board or the Committee as applicable, signed by the Chairman of the meeting and the secretary, and filed in the Company's archives.

Definition of Areas of Responsibility

The Board of Directors decides on all Group activities for which it is responsible under Swiss law (especially art. 716a of the Swiss Code of Obligations on non-transferable and inalienable duties of the Board of Directors), the Articles of Association, and the Organisational Regulations. The Board of Directors has sole authority for the following:

- to carry out the overall management of the Company and establish the necessary instructions
- to establish the organisation of the Company
- to establish the accounting and financial control principles as well as the financial plan to the extent that it is necessary for the management of the Company
- to appoint and remove the persons charged with the management and representation
- to carry out the supervision of the persons responsible for the Group Management, notably in order to ensure that they observe the law, the Articles of Association, the Organisational Regulations and the given instructions
- to establish the annual report, prepare the shareholders' meeting and execute its decisions
- to inform the judge in case of over-indebtedness.

In addition, the Board of Directors decided not to delegate, and therefore has exclusive power to adopt resolutions on the following matters:

- to examine, if required, the professional qualifications of the specially qualified auditor
- to hire and dismiss the Chief Executive Officer and to fix his full compensation
- to keep the shareholders' register
- to approve the Company's 3 year business plan as well as the annual financial plan and budget
- to decide on any single financial commitment of the Company in excess of US$ 1 million other than those contemplated in the business plan and/or budget, except the Group Management's decision to invest the IPO proceeds in a secure financial instrument offered by an internationally recognised financial institution and convert the currency in which the proceeds are held
- to create, acquire, sell or dissolve subsidiary companies or divisions of the Company
- to sign credit or loan agreements on behalf of the Company whether as lender or as borrower, in excess of US$ 1 million, or to enter into off-balance sheet agreements for a notional value in excess of US$ 1 million other than those contemplated in the business plan and/or budget
- to enter into guarantee or security agreements of any kind for an amount in excess of Euro 50 million
- to enter into continuing contracts exceeding a period of 5 years
- to enter into any contract of an amount exceeding US$ 50 million
- to make individual investments in excess of US$ 1 million other than those contemplated in the business plan and/or budget, except the Group Management's decision to invest the IPO proceeds in a secure financial instrument offered by an internationally recognised financial institution and convert the currency in which the proceeds are held
- to appoint the members of the Group Management, the Audit Committee, and the NCC
- to initiate and settle judicial and administrative proceedings and disputes exceeding US$ 4 million.

The Chairman has the power to sign individually for the Company. All other members of the Board of Directors have the power to represent the Company by signing jointly with the Chairman, to the exception of the members of the Board of Directors that are domiciled in Switzerland and are non-executive who have the power to represent ADB Holdings by signing jointly in two.

The Board of Directors has delegated the operational management to the Group Management.

Information and Control Instruments vis-à-vis the Group Management

The Board of Directors monitors and controls Group Management and the Group's operations through the following instruments:

- the Board of Directors adopts the Company's Organisational Regulations, which in particular govern the organisation, deliberations, powers and duties of the Group Management
- the Board of Directors delegated internal audit to the Group Management under the supervision of the Audit Committee
- regular meetings of the Board of Directors and its Committees, where the Group Management reports about the evolution of business of the Group, financials, risk management system, Management Information Systems, as well as other business matters
- the CEO, CMO, CFO, CAO and EVP Corporate Development are requested to participate to every meeting of the Board of Directors and report on applicable activities on behalf of the Group Management. The CFO is requested to participate to every meeting of the Audit Committee. The CAO is requested to participate to every meeting of the Nomination and Compensation Committee
- pursuant to the Company's Organisational Regulations, each member of the Group Management reports immediately any extraordinary event and any change within the Company to the Chairman and CEO
- pursuant to the Company's Organisation Regulations, the Board of Directors reviews and approves, amongst other things, changes in ADB Group's structure and organisation, as well as significant transactions, including acquisitions, major commercial contracts and major investments
- the Group Management is not empowered to delegate the powers that have been delegated to it by the Board of Directors
- the periodical monitoring and assessment by the Board of Directors and the Group Management of various risk factors bearing on ADB Group and its business. The Audit Committee and the Board of Directors can request specific audit assessments at their discretion, for example to evaluate specific risks factors
- additional management instruments for the monitoring of management processes include annual budgeting and semi-annual forecasts. Regular reports are presented to the Board of Directors and the Audit Committee on topics such as deviation from budget and forecast, legal issues and risk management
- the documentation and implementation by ADB Group Management, if applicable upon Board of Directors request, of policies regarding Group control and compliance with the Organisational Regulations of ADB Holdings and with regulations of all ADB Group's subsidiaries. Such policies are available to the Board of Directors and its Committees at any time. The Board of Directors or the Audit Committee can request an internal audit on the Group's compliance to its policies at any time
- the Board of Directors, or other governing bodies as applicable, of all subsidiaries of the Group include one or more members of the Group Management or of the Company's Board of Directors

- the Company's finance department provides the Group Management with a monthly report that includes the consolidated balance sheet and income statement of the whole Group and the income statement of the Group's business segments and main subsidiares. This report is reviewed by the Group Management who makes decisions and issues directives to the responsibles of each company and organisation within the Group. The Audit Committee receives a copy of the report from the Company's finance department.

Pursuant to the Company's Organisational Regulations, each member of the Board of Directors may request information about all matters of the Company. During the meetings, each member of the Board of Directors may request information from the other members of the Board of Directors, as well as from the Group Management. Apart from the meetings, each member of the Board of Directors may request from the Group Management information concerning the course of the business and, with the authorisation of the Chairman, about specific matters. To the extent necessary for the performance of his duties, each member of the Board of Directors may request from the Chairman to have access to specific accounting books and files. If the Chairman rejects a request for information, whether for a hearing or for an inspection, the Board of Directors shall vote on the matter at the next meeting. The member who has made the request shall have the right to vote.

The Management Information System (MIS) of the Company is based on commercially available software systems from reputable firms and encompasses data for the entire Group. The MIS records all appropriate balance sheet and income statement items (including all income and expenses). The MIS is available to the Group Management at any time, but not directly accessible to the Board of Directors and its Committees. However reports can be issued to the Board of Directors and its Committees upon request. In addition, the Group Management has at its disposal a web-based set of business tools that tracks the sales plan, shipments, and customer purchase orders. The data generated by these tools are available to the Group Management at any time, while specific reports can be generated and issued to the Board of Directors and its Committees upon request.

The Company addresses risk management through a number of specific procedures and policies that apply Group-wide to the different operational or corporate domains and through ad-hoc identification and assessment of specific business risks.

The main risk factors identified by the Board of Directors as bearing on the Group's business are described in the following paragraphs.

Risks Related to the Group's Industry

- changes of technology in the industry and capability of the Group and its partners to deliver solutions for such changes
- future developments of the world digital TV market, and in particular future demand for digital TV products in the key markets and from the key customers served by the Group
- competitive market situation, pricing pressure, and actions by the Group's competitors, including, among others, new product offerings
- consolidation in the telecommunications, cable and satellite TV industries and its potential effects on the Group's business
- basic set-top boxes gradual commoditisation, and incorporation of basic set-top box functionalities into new generations of TV sets
- changes in governmental regulation and their impact on the Group's business, including taxes, import and other duties
- changes in the economic, social or political environment, military conflict, terrorist activities, as well as adverse natural events in the countries in which the Group, its key customers and its key suppliers operate.

Risks Related to the Group's Business

Technology

- capability to successfully and timely innovate and to develop new products and services based on challenging technologies
- failure to identify or to timely respond to technological trends of the industry
- protection of the Group's intellectual property rights and risk that competitors use Group's technologies to create competing products
- ability to obtain the required licenses on third-party intellectual property on reasonable terms and conditions.

Sales and marketing

- concentration of sales amongst a limited number of key customers
- reliance on the Group's long-term commercial alliances and contractual relationships
- failure to evolve the product portfolio or to start new projects in order to anticipate market trends or to seize business opportunities
- unsuccessful strategy or execution for the expansion into certain target markets or for the start-up of new business initiatives.

Operations

- quality of the Group's products not meeting customers' expectations
- ability of the Group's suppliers to meet its demands for supplies, qualitatively or quantitatively, and to offer competitive pricing
- management of growth while keeping efficiency of operations
- significance of a contract manufacturer for the assembly and delivery of the Group digital TV equipment products
- dependence on a limited number of strategic suppliers and on the use of third party intellectual property.

Finance and administration

- currency exchange rate fluctuations, in particular US$ to Euro and US$ to Polish Zloty
- reliance on complex information technology systems and networks to operate the business
- possible claims for infringement of third party intellectual property rights, litigations or regulatory proceedings
- ability to hire and retain high-level employees and reliance on certain key personnel
- change of government policies, laws and regulations.

In year 2006 the Group has in particular addressed with specific attention the following risks, among others:

Risks	Actions
Intellectual Property	The Group filed 11 patents and 5 trademark applications and was granted 3 patents
Concentration of sales and customer default	Customers receivables continued to be secured by letter of credit, credit insurance or certain pledges agreed with customers
Efficiency of operations	The Group launched a program aimed at reinforcing the inventory and operations management processes
Quality	The Group launched a program aimed at reinforcing its Total Quality Management processes
Currency exchange	Beyond monitoring of natural hedging, US$/Euro hedging policy was executed
Systems and tools	The Group continued the projects of enhancement of its Management Information System
Contractual engagements and powers	The Group launched a program aimed at reinforcing the control over undertaking contractual engagements
Compliance with changes in regulations	The Group reinforced compliance and governance procedures and fostered their deployment.

Group Management

Members of the Group Management

In the middle of year 2006, considering the expansion of the Group's business and activities, the Board of Directors has approved certain changes in the Group Management that include the following:

- **Mr. Philippe Lambinet,** Executive Vice President, has been appointed Chief Marketing and Strategy Officer for the Group
- **Mr. Krzysztof Kolbuszewski,** Executive Vice President, has been appointed Chief Technology Officer for the Group.

Pursuant to these changes, the Group Management at 31 December 2006 was composed of the General Management and the Operational Management. The General Management is in charge of managing the Group's affairs on a global basis. The Operational Management is in charge of managing the Group's member companies, under the guidance and supervision and control of the General Management.

Name	Year of Appointment	Year of Birth	Nationality	Position	Main duties
General Management					
Andrew N. Rybicki	1995	1948	U.S.A.	Chief Executive Officer (CEO) & President	Overall Group's Management
Alessandro Brenna	2004	1965	Italy	Executive Vice President, Chief Financial Officer (CFO)	Group's Finance Management
Philippe Lambinet	2001	1957	France	Executive Vice President, Chief Marketing & Strategy Officer (CMO)	Group's worldwide Sales, Marketing and Business Development, Business Execution and Strategic Marketing
Krzysztof Kolbuszewski	2006	1968	Poland	Executive Vice President, Chief Technology Officer (CTO)	Group's worldwide Technology and Intellectual Property Strategy
William G. Luehrs	2002	1944	U.S.A.	Executive Vice President, Chief Administrative Officer (CAO)	Group's Human Resources, Information Technologies, Internal Communications
François Pogodalla	2006	1969	France	Executive Vice President Corporate Development	Group's M&A and Corporate Transactions, Investor Relations, Legal Affairs
Belinda Wong	2006	1958	Portugal	Executive Vice President Finance	Group's worldwide Accounting, Finance MIS and Operations' Cash Management
Operational Management					
Andrew N. Rybicki	2006	1948	U.S.A.	Acting CEO of the Digital TV Equipment segment	Overall Management of the Digital TV Equipment segment
Timothy R. Wahlers	2006	1959	U.S.A.	President & CEO of Vidiom Systems Inc.	Operational Management of Vidiom Systems Inc.
Armando Caltabiano	2005	1965	Italy	Managing Director of SIMPLE S.r.l.	Operational Management of SIMPLE S.r.l.
Mariusz Walkowiak	2006	1970	Poland	Managing Director of Osmosys S.A.	Operational Management of Osmosys S.A. and its subsidiaries

Andrew N. Rybicki, President & Chief Executive Officer (CEO), see Members of the Board of Directors of the Company.

Philippe Lambinet, Executive Vice President, Chief Marketing and Strategy Officer (CMO), see Members of the Board of Directors of the Company.

Alessandro Brenna, Executive Vice President, Chief Financial Officer (CFO), joined ADB Group in 2004. He previously worked with Foster Wheeler Italiana from 1992 to 1993, McKinsey & Company from 1993 to 1996 and STMicroelectronics from 1996 to 2004. At STMicroelectronics, his last position was Financial Control Director of the Telecom Products Group, managing the financial aspects of an organisation with sales of US$ 1.4 billion. Before that, Mr. Brenna worked as Director of Corporate Planning and Development and as Director of Investor Relations for STMicroelectronics. He holds a master degree in industrial technologies engineering from Politecnico di Milano (1990), an MBA from INSEAD (1994) and he is a CFA Charterholder (2002).

Krzysztof Kolbuszewski, Executive Vice President and Group Chief Technical Officer (CTO), is a co-founder. Before this nomination in 2006, Mr. Kolbuszewski was responsible for the Group's technical teams in Poland, Taiwan, Ukraine and the US where he oversaw the design of various software and hardware solutions for digital TV equipment. His current tasks include definition of future technology directions, technology selection and supervision of technology utilisation, of intellectual property rights and of cooperation between all engineering teams of the Group. Mr. Kolbuszewski has served at ADB Group as one of the first software programmers between 1995 and 1997, as Engineering Director from 1997 to 1998, as Vice-President of Research and Development from 1998 to 2002, initiating and supervising the developments of the Group's MHP solutions. Mr. Kolbuszewski earned an MSc in Automatics and Metrology from the University of Zielona Gora, Poland, in 1991 and a MSc from the University of Bristol.

William G. "Bill" Luehrs, Executive Vice President and Chief Administrative Officer, joined ADB Group in 2002. From 2002 to 2005 he was Regional President, Americas Region and CEO of Advanced Digital Broadcast Inc.; he was appointed Executive Vice President, Chief Administrative Officer (CAO) of the Group in 2006. Mr. Luehrs has been involved in the cable and telecommunications industries for over 18 years. Prior to joining ADB Group, he has held general management positions at Motorola's Broadband Communications Group, Zenith Electronics, and Scientific Atlanta. Mr. Luehrs also worked 17 years with General Electric, where he held a number of general management and strategic marketing positions. He received a BSc in electronic engineering from Marquette University in 1967 and an MBA from Gannon University in 1976.

François Pogodalla, Executive Vice President Corporate Development, joined ADB Group in 2005. Prior to this he was Director of Alliances and M&A within STMicroelectronics' Corporate Strategic Planning organisation, where he was in charge of M&A and other strategic transactions. During his career at STMicroelectronics, he occupied various other functions including engineering management (1994-1999) and business and strategic planning (2000-2005). He holds a masters degree in computer science from University of Grenoble, France (1991), a computer and electronics systems architecture engineering degree from ENSIMAG (1993), and an MBA from EM Lyon (2000).

Belinda Wong, Executive Vice President of Finance, joined ADB Group in 1998. From 1995 to 1998, she was commercial manager of the branch office of the CSR Group, a large company in Australia active in the sugar and building materials business. She worked form 1992 to 1994 with Ross System PLC, a computer software company from the US Prior to that, Ms. Wong worked from 1981 to 1992 with CTM, a subsidiary of Cable & Wireless PLC where she held several managerial and financial positions, including the management of Financial Accounting. Ms. Wong received a MBA degree from University of East Asia in Macau in 1992.

Timothy "Tim" Wahlers founded Vidiom Systems Corp., a company specialised in interactive TV software products and services whose business was acquired by ADB Group in 2006. During the past nine years, Mr. Wahlers has served as a consultant to CableLabs and the US cable industry, assisting in the analysis and development of several OpenCable software documentations and specifications including the OpenCable Application Platform (OCAP). Prior to Vidiom Systems, he was CTO and then President at OptImage Interactive Systems. Mr. Wahlers has been involved in the multimedia and interactive TV industries for over 19 years. His work history includes Xaos Tools, Philips/OptImage, and Commonwealth Edison. He received a BSc degree in Nuclear Engineering from the University of Wisconsin in 1981. In 2006 Mr. Wahlers became president and CEO of Vidiom Systems Inc., a wholly-owned subsidiary of ADB Group in charge of the business acquired from Vidiom Systems Corporation.

Armando Caltabiano graduated in June 1990 from Politecnico di Milano with a degree in Electrical Engineering and specialization in software. He also holds a master degree in Production and Inventory Management. Mr. Caltabiano joined STMicroelectronics as an engineer performing software development, test program development and product engineering. He then held various positions from engineering to marketing and business unit management, the most recent being Vice President and Divisional General Manager for the Retail Multimedia and STB Satellite Division, where he strengthened the market leadership of STMicroelectronics in set-top box dedicated chips. He joined ADB Group in 2005 as Managing Director of SIMPLE S.r.l.

Mariusz Z. Walkowiak became Managing Director of tele.DOM Sp. z.o.o. and of Osmosys S.A. in 2006. He is a co-founder of the Group who graduated from University of Bristol in 1993 and from University of Zielona Gora in 1994. After teaching at university, he started in 1995 working for ADB Group as a software engineer. He then held various managerial positions within the Group in Poland, Taiwan and US Graduated from the London Business School ADP in 2000, Mr. Walkowiak established the Product Marketing department of ADB Group and then started the interactive TV department in 2003. The latter was subsequently converted into tele.DOM.










Other Activities and Vested Interests

	Outside ADB Group	Inside ADB Group
Andrew N. Rybicki	See Board of Directors	See Board of Directors
Alessandro Brenna	Member of the investment committee of the investment fund Emertec 2	Member of the Board of Directors of ADB Services S.A.
Philippe Lambinet	See Board of Directors	See Board of Directors
Krzysztof Kolbuszewski	None	Member of the Management Board of Advanced Digital Broadcast Polska Sp. z.o.o
William G. Luehrs	None	Member of the Board of Directors of Advanced Digital Broadcast Inc. and Vidiom Systems Inc.
François Pogodalla	None	Member of the Board of Directors of ADB Services S.A.
Belinda Wong	None	Member of the Board of Directors of Advanced Digital Broadcast Ltd.
Timothy R. Wahlers	President and CEO of TimRob Inc.	CEO and member of the Board of Directors of Vidiom Systems Inc.
Armando Caltabiano	None	Member of the Board of Directors of SIMPLE S.r.l.
Mariusz Walkowiak	None	Member of the Board of Directors of tele.DOM Sp. z.o.o.

Other than the above, the members of the Group Management do not hold other offices or carry out other principal activities which are of importance to the Group.

Changes since 31 December 2006

Considering the increased executive and control role of the General Management over the Group's worldwide affairs, the Board of Directors has decided to limit Group Management to the General Management only. Therefore from 31 December 2006 the Group's Operational Management reports directly to the General Management.

Consequently, at the date of this report, Group Management is composed as follows:

Name	Year of Appointment	Year of Birth	Nationality	Position	Main duties
General Management					
Andrew N. Rybicki	1995	1948	U.S.A.	Chief Executive Officer (CEO) & President	Overall Group's Management
Alessandro Brenna	2004	1965	Italy	Executive Vice President, Chief Financial Officer (CFO)	Group's Finance Management
Philippe Lambinet	2001	1957	France	Executive Vice President, Chief Marketing & Strategy Officer (CMO)	Group's worldwide Sales, Marketing and Business Development, Business Execution and Strategic Marketing
Krzysztof Kolbuszewski	2006	1968	Poland	Executive Vice President, Chief Technology Officer (CTO)	Group's worldwide Technology and Intellectual Property Strategy
William G. Luehrs	2002	1944	U.S.A.	Executive Vice President, Chief Administrative Officer (CAO)	Group's Human Resources, Information Technologies, Internal Communications
François Pogodalla	2006	1969	France	Executive Vice President Corporate Development	Group's M&A and Corporate Transactions, Investor Relations, Legal Affairs
Belinda Wong	2006	1958	Portugal	Executive Vice President Finance	Group's worldwide Accounting, Finance MIS and Operation's Cash Management

Definition of Areas of Responsibility

The Group Management is responsible for:

- general management of the Group
- operational implementation of the Group's strategy
- allocation and use of resources in accordance with the budget
- operational management and control of the Group
- monitoring of compliance of subsidiaries with the Organisational Regulations and with the Group procedures
- establishment of a management and corporate culture in line with the Group's objectives.

The Group Management is not empowered to delegate the powers that have been delegated to it by the Board of Directors.

The Board of Directors appoints the key officers of the Company who shall have the power to represent it. The Board of Directors shall only confer joint signature by two. Such power may or may not be entered in the commercial registers. The Board of Directors notifies in writing each key officer authorised to represent the Company and specifies in such notification the extent of such power. The power can, for instance, be limited to a certain financial amount. Any subsequent withdrawal or limitation of power shall be notified in writing to the key officer and shall take immediate effect upon receipt of such notification by the key officer. The Board of Directors shall maintain an updated list of the key officers authorised to represent the Company and the extent to which they can represent it.

Management Contracts

There are no management contracts with third parties in the Group.

Compensation, Shareholdings and Loans

Content and Method of Determining the Compensation and the Share-Ownership Programmes

Share-Ownership Programmes

During its meeting of 9 August 2006, the Board of Directors has approved the creation of stock-ownership programmes for years 2006 and 2007 and has allocated up to 70,000 shares for this purpose. The objectives of these programmes is to create an instrument for rewarding the outstanding performers of ADB Group and for incentinising its potential new and valuable employees. The programmes shall be implemented in the form of share grants and administered by the NCC. The Board of Directors reserved its right to amend any of the programmes and the number of shares allocated to them at any time.
In 2006, 19,727 shares were granted to employees of the Group and members of the Group Management. Vesting of ownership rights was immediate upon grant. The grant was regulated by the ADB Employee Stock Ownership Plan II ("ESOP II") which was prepared and administered by the NCC. The ESOP II was the only share-ownership programme for the year 2006.

At the date of this report, the number of shares granted but not yet issued to employees of the Group and members of the Group Management and Board of Directors under the stock-ownership programmes of year 2006 or before is 1,200. Additional information on the years 2006 and 2005 share-ownership programmes is provided in Note 31 of the Consolidated Financial Statements.

Members of the Board of Directors

The compensation and share-ownership programmes for the Board of Directors are proposed by the Group Management and the NCC and subsequently submitted to the Board of Directors for approval. No external consultant participates to the process of setting the compensation for the Board of Directors.

The compensation and share-ownership programmes relating to the members of the Board of Directors are made of:

1. Fixed annual fee for all Directors of the Company amounting to CHF 15,000 for Directors and to CHF 25,000 for the Chairman, adjusted pro rata to the number of months of service in a given year
2. Fixed presence fee amounting to CHF 2,000 for Board of Directors meetings participated in person and CHF 500 for meetings by telephone
3. Discretionary equity-based compensation: the Board of Directors may decide, from time to time, to grant discretionnary free share grants or share option grants to Directors. The Board of Directors may award such free grants only in connection with another Group-wide distribution scheme approved by the Board of Directors. Availability is at the same conditions as the employee participation schemes, which shall, without limitation, be based on actual performance of the Group. Such equity-based compensation is not guaranteed to take place every year, and may very in size

4. Compensation for members of the Committees
   a. Fixed annual fee of CHF 5,000
   b. Fixed presence fee amounting to CHF 1,500 for Committee meetings participated in person and CHF 400 for meetings by telephone
5. Project or mission related fees as expressly requested and approved by the Board of Directors and reimbursement of reasonable expenses actually incurred
6. Directors and Officers insurance coverage.

In year 2006, no equity-based compensation was allocated and no project or mission related fees were paid to members of the Board of Directors or members of the Committees. The compensation of the Board of Directors does not include benefits in kind, bonus or special post-employment benefits.

Members of the Group Management

The compensation and share-ownership programmes of the Chief Executive Officer are determined by the Board of Directors, upon proposal by the NCC.

The compensation and share-ownership programmes relating to all other members of the Group Management are determined by the CEO, upon proposal by the CAO and the NCC. The share-ownership programmes shall be within the scope of the employee share-ownership programmes as decided and approved by the Board of Directors. No external consultant participates to the process of setting the compensation for the Group Management.

The compensation of the members of the Group Management includes:
1. Fixed cash salary
2. Performance-related annual cash bonus: the performance is measured against a set of measurable personal objectives defined at the beginning of each year with the CEO (or with the Board of Directors in the case of the CEO, upon suggestion of the NCC). The objectives may be quantitative or qualitative, related to achievements of financial targets or not. Cash-bonus represents a maximum of 6 months of the fixed cash salary, and a minimum of zero, with an average of two months for most members of the Group Management
3. Pension schemes as per standard and mandatory schemes applied to all employees of the relevant legal entities
4. Business vehicle
5. Other benefits in kind for certain members of the Group Management.

Benefits in kind have a fair value estimated as the amount of cash disbursements actually made to purchase such benefit from the market. No special post -employment benefit is granted to Group Management and thus included as part of the compensation.

Compensation for Acting Members of Governing Bodies

Non-Executive Members of the Board of Directors

The aggregate gross cash compensation consented to non-executive members of the Board of Directors for the year ended 31 December 2006 was CHF 78,000. This amount includes all cash compensation consented for those non-executive members of the Board of Directors who gave up on their functions during year 2006. No other compensation of any form, including bonus, was consented to non-executive members of the Board of Directors in year 2006.

Executive Members of the Board of Directors and Members of the General Management

The aggregate gross cash compensation, including bonuses and benefits in kind, consented to the executive members of the Board of Directors and members of the Group Management for the year ended 31 December 2006 was US$ 5.5 million. No performance bonus was consented in year 2006 to any executive member of the Board of Directors or member of the Group Management.

This amount includes all cash compensation consented to those members of the Group Management who gave up on their functions during year 2006 but excludes the additional severance payments specified below.

Additional Severance Payments

There were no severance payments to members of the Board of Directors during the year ending on 31 December 2006.

Severance payments paid to members of the Group Management whose employment was terminated during the year ending on 31 December 2006 amounted in total to US$ 0.3 million.

Compensation for Former Members of Governing Bodies

The Group does not have compensation schemes for former members of the governing bodies.

There was no compensation to former members of governing bodies consented during the year ending at 31 December 2006.

Share Allotment in the Year Under Review

Non-Executive Members of the Board of Directors and Parties Closely Linked to Such Persons

No shares were allotted to non-executive members of the Board of Directors for the year ended 31 December 2006.

To the knowledge of the Board of Directors and of the Group Management, no shares were allotted to parties closely linked to such persons.

Executive Members of the Board of Directors, Members of the Group Management and Parties Closely Linked to Such Persons

The aggregate number of free registered shares allotted to executive members of the Board of Directors and members of the Group Management for the year ended 31 December 2006 was 12,939, each share with a par value of CHF 0.25.

To the knowledge of the Board of Directors and of the Group Management, no shares were allotted to parties closely linked to such persons.

Share Ownership

Non-Executive Members of the Board of Directors and Parties Closely Linked to Such Persons

The aggregate number of ADB Holdings shares held by non-executive members of the Board of Directors at 31 December 2006 was 3,000.

To the knowledge of the Board of Directors and of the Group Management, no shares were held by parties closely linked to such persons.

Executive Members of the Board of Directors, Members of the Group Management and Parties Closely Linked to Such Persons

The aggregate number of ADB Holdings shares held directly and indirectly by executive members of the Board of Directors (including Andrew N. Rybicki in his function as Chairman of the Board of Directors and Philippe Lambinet in his function as Vice Chairman of the Board of Directors), members of the Group Management, and parties closely linked to such persons at 31 December 2006 was 2, 576,727.

Options

ADB Holdings has not implemented stock options plans at 31 December 2006.

No options were held by non-executive members of the Board of Directors, executive members of the Board of Directors, and members of the Group Management and parties closely linked to such persons at 31 December 2006.

Additional Fees and Remunerations

The following fees were billed to ADB Group during the year ending 31 December 2006:

- Python & Peter, the law firm employing Thomas Steinmann and Jean-Christophe Hocké, for legal advisory services: CHF 0.3 million.

Loans Granted to and by Members of the Governing Bodies

Loans Granted to Members of the Governing Bodies

No loans were granted to non-executive members of the Board of Directors in year 2006.

Loans to executive members of the Board of Directors and members of the Group Management outstanding at 31 December 2006 are described in Note 27 of the Consolidated Financial Statements.

Guarantees Granted by Members of the Governing Bodies to ADB Group

There are no guarantees granted by members of the governing bodies to ADB Group at 31 December 2006.

Highest Total Compensation

The highest aggregate total compensation consented to a member of the Board of Directors in year 2006 is as follows:

- Gross cash compensation, including performance bonus and benefits in kind: US$ 1.0 million
- Number of allotted share and/or options: 0

Shareholders' Rights

Voting Rights and Representation Restrictions

In shareholders' meetings, except as noted below, each shareholder has equal rights, including equal voting and financial rights. Each share is entitled to one vote.

Failing a proper registration of its shares in ADB Holdings share register (see "Inscription to the share register" at end of this section), a shareholder may not vote at or participate in a shareholders' meeting but still be entitled to receive dividends and other rights with financial value such as pre-emption rights. Voting rights are also excluded for nominees and fiduciary holders of shares.

In Switzerland, resolutions generally require the approval of an absolute majority of the shares represented at a shareholders' meeting. A resolution passed at a shareholders' meeting with a super-majority of at least two-thirds of the shares and the absolute majority of the nominal capital represented at such meeting is required for: (i) changes in a company's purpose; (ii) the creation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares; (iv) an authorised or conditional increase in a company's share capital; (v) an increase in a company's share capital by way of capitalization of reserves; (vi) the restriction or elimination of pre-emptive rights or (vii) a relocation of domicile. Pursuant to the Swiss Federal Merger Act, special quorum rules apply by law to a merger, demerger or conversion of a company. In addition, any article providing for a greater voting requirement than is prescribed by law or the existing Articles of Association must be adopted by such a super-majority.

A shareholders' meeting also has the power to vote by absolute majority on amendments to the Articles of Association, to elect the members of the Board of Directors and the independent auditors, to approve the annual report and the annual accounts, to set the annual dividend and to discharge the directors from liability for matters disclosed to the shareholders' meeting. A shareholders' meeting, by an absolute majority, also has the power to order an independent investigation into specific matters proposed to the shareholders' meeting.

Shareholders of ADB Holdings can be represented by proxy at shareholders' meetings but solely by another shareholder. The Board of Directors is entitled to approve agreements with banks and professional asset managers to allow them to exercise the voting rights of shares deposited with them on behalf of the beneficial owners of the shares. At shareholders' meetings, votes are taken on a show of hands unless the shareholders' meeting resolves to have a ballot or such ballot is ordered by the Chairman of the shareholders' meeting. According to the Articles of Association, in case of a split vote, the Chairman has the casting vote.

Statutory Quorums

There is no provision in the Articles of Associations of ADB Holdings requiring a presence quorum for shareholders' meeting of the Company.

Convocation of the General Meeting of Shareholders

There is no provision in the Articles of Associations of ADB Holdings for the setting of rules for convocation of the General Meeting of Shareholders different from applicable law provisions.

Under Swiss law, a shareholders' meeting must be held within six months after the end of a company's preceding financial year. In the case of ADB Holdings, this means on or before June 30.

Shareholders' meetings may be convened by the Board of Directors or, if necessary, by the company's independent auditors. The Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by holders of shares holding in aggregate at least 10% of the nominal share capital of the Company. A shareholders' meeting is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce or by letter sent to each shareholder to the address registered in the shareholders register at least 20 days prior to such meeting.

Agenda

The agenda is published in the convocation of the General Meeting of Shareholders.

In particular, according to the Articles of Association, shareholders holding shares with a value of at least 10% of the nominal share capital of the Company or with a nominal value of CHF 150,000 have the right to request that a specific agenda item be discussed and voted upon at the next shareholders' meeting.

Inscription in the Share Register

Pursuant to the Articles of Association, ADB Holdings' shares are registered shares, not issued in certificated form but delivered in book-entry form only, into collective custody at SIS SegaInterSettle AG, Olten. Shareholders do not have the right to ask for printing or delivery of share certificates.

The transfer of shares is effected by the use of a share registration form and by a corresponding entry in the books of a bank or a depositary institution (SIS SegaInterSettle AG, Olten) following an assignment in writing by the selling shareholder and notification to the Company of such assignment.

The Board of Directors will update the share register after receiving the respective request of a shareholder to be entered as a shareholder into ADB Holdings' share register. A purchaser of shares will be recorded in ADB Holdings' share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address and gives a declaration that it has acquired the shares in its own name and for its own account.

Nominees and fiduciary holders of shares will be registered without voting rights.

Change of Control and Defense Measures

Duty to Make an Offer

Pursuant to the applicable provisions of the Swiss Federal Stock Exchange Act, if a person acquires shares of a Swiss listed company, whether directly or indirectly or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of 33 1/3% of the voting rights (whether exercisable or not) of such company, that person must make a bid to acquire all of the listed shares of the company. A company's articles of incorporation may either eliminate this provision of the Swiss Federal Stock Exchange Act or may raise the relevant threshold to 49% ("opting-out" or "opting-up" respectively).

The Ordinary Annual General Meeting of Shareholders held on 9 June 2006, voted in favour of the introduction of an "opting-up" clause in the Company's Articles of Association, pursuant to which whosoever, directly, indirectly or acting in concert with third parties, acquires shares of the Company which, when added to the shares already owned by such person, exceed the threshold of 49% of the voting rights, whether exercisable or not, shall be obliged to make a bid to acquire all of the listed shares of the Company.

There is no obligation to make a bid under the foregoing rules if the voting rights in question are acquired as a result of a gift, succession or partition of an estate, a transfer based upon matrimonial property law, or execution proceedings.

Clauses on Change of Control

There are no change of control clauses included in agreements and schemes benefiting members of the Board of Directors and/or Group Management.

Duration of the Mandate and Term of Office of the Independent Auditors

Deloitte S.A., Route de Pré-Bois 20, 1215 Geneva, has held the external audit mandate of ADB Holdings and ADB Group since the financial year ended 31 December 2004 and is elected as external statutory and group auditor until the end of the 2006 financial year. Mr. Peter Quigley has been the lead engagement partner since the year 2004 audit.

Auditing Fees

Deloitte received a fee of CHF 0.7 million for statutory and consolidated audit of the year 2006 financial statements of ADB Holdings and subsidiaries.

Additional Fees

Deloitte received additional fees of CHF 0.3 million for other services mostly related to the half year results (CHF 0.2 million) for the Company and subsidiaries and to the Company acquisition activities (CHF 0.1 million).

Supervisory and Control Instruments vis-à-vis the Auditors

The Audit Committee is responsible for setting the scope of audits, audit plans and relevant processes with the independent auditors and for discussing the results of the audits with them. On behalf of the Board of Directors, the Audit Committee also evaluates the independent auditors performance, including assessment of their independence. Final decision on the engagement and on the proposed appointment at the Ordinary Annual General Meeting of Shareholders is made by the Board of Directors.

In year 2006 the Audit Committee conducted a performance review of the independent auditors which was discussed with the auditors in two meetings in person, followed by a meeting with representatives of the Board of Directors.

The Audit Committee bases its recommendation for selection and assessment of the independent auditors' audit services principally on the following factors:

- name and reputation of the firm
- capability to offer a worldwide service
- independence
- availability and speed of response to requests of the Audit Committee, Board of Directors, and Group Management
- cost.

The Audit Committee bases its recommendation for selection and assessment of the independent auditors' non-audit services principally on the basis of:

- independence
- availability and speed of response to requests of the Group Management
- cost.

The Company does not specify frequency of rotation for the external auditors or for the lead engagement partner.

Representatives of the independent auditors are regularly invited to meetings of the Audit Committee. In year 2006 the independent auditors, including the lead engagement partner, were requested to participate and report in person in two of the three meetings of the Audit Committee and two of the three meetings in person of the Board of the Directors. The independent auditors presented their audit reports, audit of procedure reports, and internal control systems and risk management reports.

The internal audit is under the responsibility of the Audit Committee, and executed principally by the CFO and, if applicable, other members of the Group Management. The internal audit works on a project by project basis, as requested and specified by the Board of Directors. The CFO participates in all meetings of the Audit Committee and of the Board of Directors and reports on internal audit projects as requested.

Information Policy

ADB Group regularly informs investors of the developments pertaining to its business, its organisation, its financial results and all other applicable matters in compliance with the rules of the SWX Swiss Exchange, including the rules regarding Ad-Hoc Publicity and Financial Reporting.

Information is mainly released in the form of Press Releases issued in English language.

Financial information is published twice a year through an annual results release followed by the annual report (within 4 months from the end of the reporting fiscal year), and an interim financial report for the six months following the end of the previous fiscal year.
In addition, the Group regulary provides mid-period business updates on the developments of its business at about the mid-point of each half-fiscal year. Such updates are provided through a Press Release and a publicly announced telephone conference with members of the Group Management .

All parties interested in receiving ADB Group Press Releases can subscribe to the Company's mailing lists by sending a request to the Investor Relations department.

ADB Group's website contains all published information as well as the principal dates of the institutional calendar.

ADB Group web site
www.adbholdings.com
Annual report, Interim report and Financials:
www.adbholdings.com/investor/financials.htm
Calendar:
www.adbholdings.com/investor/calendar.htm
Presentation materials:
http://www.adbholdings.com/investor/presentations.htm

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consolidated financial statements

ADVANCED DIGITAL BROADCAST HOLDINGS S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

YEARS ENDED 31 DECEMBER 2006 AND 2005
(Expressed in United States Dollars)

	Notes	2006	2005
		$	$
Revenue	3	262,314,351	249,898,406
Cost of sales	4	(177,871,071)	(161,192,144)
Gross profit		84,443,280	88,706,262
Research and development expenses	4	(47,897,902)	(39,326,391)
Selling, general and administrative expenses	4	(41,117,325)	(30,335,573)
Other income	5	4,547,570	2,044,585
Other expenses	5	(5,126,489)	(2,057,374)
Interest income	2, 7	2,216,337	2,095,820
Finance costs	7	(3,996,206)	(3,388,104)
(Loss) profit before tax		(6,930,735)	17,739,225
Income tax credit (expense)	8	654,583	(3,459,936)
(Loss) profit for the year		(6,276,152)	14,279,289
(Loss) earnings per share	9		
Basic		(1.03)	2.58
Diluted		(1.03)	2.58

ADVANCED DIGITAL BROADCAST HOLDINGS S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 DECEMBER 2006 AND 2005
(Expressed in United States Dollars)

ASSETS	Notes	2006	2005
		$	$
Non-current assets			
Goodwill	10	18,030,051	-
Intangible assets	11	13,630,913	12,253,959
Property and equipment	12	14,446,794	14,229,785
Deferred income tax assets	8, 22	3,143,941	1,323,995
Due from shareholders	27, 33	7,966,201	12,356,043
Long-term trade receivables	13	25,815,810	-
Other	13	1,632,191	477,695
Total non-current assets		84,665,901	40,641,477
Current assets			
Inventories	15	39,084,200	24,295,171
Other current assets		8,657,466	6,900,365
Other receivables	14	-	411,911
Trade receivables, net	13	66,955,507	76,774,952
Available-for-sale investments	13	17,722,634	16,541,765
Cash and cash equivalents	13	49,527,217	41,569,298
Total current assets		181,947,024	166,493,462
Total assets		266,612,925	207,134,939
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	1,326,181	1,304,838
Share premium	21	77,621,237	69,489,621
Other reserves	22	(2,484,463)	(2,201,497)
Retained earnings	21	12,741,861	19,018,013
Treasury shares	21	(6,389,726)	(7,033)
Total equity		82,815,090	87,603,942
Non-current liabilities			
Long-term bank loan (secured)	16	2,855,890	3,011,452
Retirement benefit obligations	25	4,099,127	3,236,982
Deferred income tax liabilities	8	618,474	69,512
Total non-current liabilities		7,573,491	6,317,946
Current liabilities			
Bank loans (secured)	16	20,203,981	15,808,304
Bank loans (unsecured)	16	14,910,350	22,301,600
Current portion of long-term bank loan (secured)	16	165,034	117,469
Trade and other payables	20	77,997,528	32,734,590
Accrued expenses	17	57,649,659	35,623,624
Provisions	18	1,140,000	2,347,778
Taxes payable		1,885,748	1,743,891
Other current liabilities	19	2,272,044	2,535,795
Total current liabilities		176,224,344	113,213,051
Total liabilities		183,797,835	119,530,997
Total equity and liabilities		266,612,925	207,134,939

ADVANCED DIGITAL BROADCAST HOLDINGS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED 31 DECEMBER 2006 AND 2005
(Expressed in United States Dollars)

	Notes	2006	2005
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit for the year		(6,276,152)	14,279,289
Adjustments for:			
Tax (credit) expense	8	(654,583)	3,459,936
Depreciation	12	3,634,254	2,391,902
Amortisation	11	15,751,641	8,732,514
Finance costs	7	3,996,206	3,388,104
Interest income	7	(2,216,337)	(2,095,820)
Share-based payment expense	31	770,150	304,847
Provision for inventory	5	637,226	331,094
Others		31,406	268,673
Profit before working capital changes		15,673,811	31,060,539
Working capital changes:			
Trade and other receivables	13, 14	(15,584,454)	(27,184,174)
Inventories	15	(15,426,255)	(7,585,465)
Trade and other payables	20	45,262,938	(23,306,480)
Accrued expenses	17	21,914,437	5,903,189
Provisions	18	(1,207,778)	(99,904)
Other current liabilities	19	(263,751)	(823,818)
Others		(3,236,891)	(2,139,161)
Retirement benefit obligations		378,662	149,775
Cash generated by (used in) operating activities		47,510,719	(24,025,499)
Interest paid		(3,884,608)	(3,388,334)
Tax paid		(305,549)	(3,948,339)
Net cash provided by (used in) operating activities		43,320,562	(31,362,172)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	12	(3,459,657)	(3,804,970)
Proceeds from sale of property and equipment		58,267	11,350
Payments for intangible assets	11	(17,097,904)	(12,527,781)
Purchase of available-for-sale investments	13	(1,137,940)	(16,957,791)
Interest received		2,367,371	1,931,872
Payments for acquisition of business	28	(10,472,982)	-
Net cash used in investing activities		(29,742,845)	(31,347,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in bank loans		(3,103,570)	15,590,032
Decrease in loans to shareholders	27	4,389,842	522,392
Net proceeds from issuance of capital stock	21	-	57,367,138
Share repurchase	21	(6,382,693)	-
Net cash (used in) provided by financing activities		(5,096,421)	73,479,562

	Notes	2006	2005
		$	$
TRANSLATION ADJUSTMENT ON FOREIGN CURRENCY		(523,377)	179,882
NET INCREASE IN CASH		7,957,919	10,949,952
CASH, BEGINNING OF YEAR		41,569,298	30,619,346
CASH, END OF YEAR		49,527,217	41,569,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits		15,539,107	34,489,088
Cash and bank balances		33,988,110	7,080,210
		49,527,217	41,569,298

ADVANCED DIGITAL BROADCAST HOLDINGS S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

31 DECEMBER 2006 AND 2005
(Expressed in United States Dollars)

	Notes	2006	2005
		$	$
Net gain (loss) on available-for-sale investments	13, 22	42,929	(415,476)
(Reverse of) deferred tax assets arising from net loss on available-for-sale investments		(3,361)	32,532
Actuarial losses directly recognised in equity	22,25	(483,483)	(2,560,000)
Deferred tax assets arising from direct recognition of actuarial losses in equity	8, 22	99,711	832,000
Translation adjustments	22	61,238	(402,219)
Net loss recognised directly in equity		(282,966)	(2,513,163)
(Loss) profit for the year		(6,276,152)	14,279,289
Total recognised (expense) income for the year		(6,559,118)	11,766,126

ADVANCED DIGITAL BROADCAST HOLDINGS S.A. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED 31 DECEMBER 2006 AND 2005
(Expressed in United States Dollars unless otherwise stated)

1. GENERAL INFORMATION

Advanced Digital Broadcast Holdings S.A. ("ADB") and its subsidiaries (together the "Group") are engaged in the development and sale of equipment, services, software and content for the digital television and broadband data communication industry worldwide, and rely on external contract manufacturers for the production of equipment.

In year 2004, the Group's ultimate holding company was ADB-Advanced Digital Broadcast Ltd. (the "Predecessor Company"), a company incorporated on 16 May 1995 under the laws of the British Virgin Islands. On 24 March 2005, the Predecessor Company merged with ADB, a Swiss company incorporated on 26 July 2004, in the Canton of Geneva, with retroactive effect of the merger at 1 January 2005. The result of the merger is that ADB is the surviving entity. Since 29 April 2005, shares of ADB are publicly traded on SWX Swiss Exchange, under the ticker ADBN (Note 21). ADB has its registered office at 319, route de Lausanne, 1293 Bellevue (Geneva), Switzerland; the Group's worldwide headquarters are at 7, avenue de Tournay, 1292 Chambésy (Geneva), Switzerland.

The accompanying Consolidated Financial Statements include the consolidated results of operations of ADB from 1 January 2005 and of the Predecessor Company for all previous periods (collectively the "Company").

At 31 December 2006, companies in which ADB has effective control are summarised as follows:

Entity	Country of Incorporation	Issued and Fully Paid Shares / Registered Capital	Percentage of Ownership	Principal Activities
Advanced Digital Broadcast (Australia) Pty Ltd. ("ADBA")	Australia	1 share of AU$ 1 each / AU$ 1	100%	Marketing, sales and technical support
Advanced Digital Broadcast Italia S.r.l. ("ADBIS")	Italy	EUR 50,000	100%	Marketing, sales and technical support
Advanced Digital Broadcast Polska Sp. z.o.o. ("ADBP")	Poland	16,000 shares of PLN 500 each / PLN 8,000,000	100%	Research and development
Advanced Digital Broadcast Spain S.L.U. ("ADBS")	Spain	1,000 shares of EUR 3.00506 each / EUR 3,005.06	100%	Marketing, sales and technical support
Advanced Digital Broadcast S.A. ("ADBG")	Switzerland	100 shares of CHF 1,000 each / CHF 100,000	100%	Marketing and sales
Advanced Digital Broadcast Ltd. ("ADBT")	Taiwan, ROC	1,000,000 shares of NT$ 10 each / NT$ 10,000,000	100%	Marketing, sales, technical support, manufacturing control and procurement
Advanced Digital Broadcast (UK) Ltd. ("ADBUK")	U.K.	10 shares of GBP 1 / GBP 10	100%	Marketing and sales support
Advanced Digital Broadcast Inc. ("ADBI")	U.S.A.	1,500 shares no par value	100%	Marketing, sales and technical support
ADB Services S.A. ("ADBSSA")	Switzerland	200,000 shares of CHF 1 / CHF 200,000	100%	Sales and financial services
ADB Ukraine Ltd. ("ADBUKR")	Ukraine	1 share of UAH 600,000 / UAH 600,000	100%	Research and development
tele.DOM Sp. z.o.o. ("tele.DOM")	Poland	1,000 shares of PLN 50 each / PLN 50,000	100%	Marketing, sales and technical support
Osmosys Technologies Sp. z.o.o. ("OSMOP")	Poland	400 shares of PLN 500 each / PLN 200,000	100%	Research and development
Osmosys S.A. ("OSMOG")	Switzerland	10,000 shares of CHF 10 each / CHF 100,000	100%	Marketing and sales
Vidiom System Inc. (former Osmosys Inc., "Vidiom")	U.S.A.	1,500 shares no par value	100%	Research and development, marketing and sales and technical support
SIMPLE S.r.l. ("SIMPLE")	Italy	EUR 100,000	100%	Digital TV content development, marketing and sales

ADBA was incorporated in Australia on 27 October 1998, with an initial share capital of AU$ 1, as a technical support, marketing and sales support centre to provide after sales service (software) and to conduct marketing, sales and promotional activities.

ADBIS, a technical support, marketing and sales support centre, was incorporated on 1 July 2004 in Italy with an initial share capital of EUR 50,000.

ADBP, a technical support, engineering, software research and development centre, was incorporated on 2 October 1995 in Poland, with an initial share capital of PLN 4,000, divided into 80 shares of PLN 50 per share. During 1998, ADBP increased its capital by PLN 7,996,000 through issuance of 159,920 new shares valued of PLN 50 each. In 2002, par value of ADBP's stock was increased from PLN 50 to PLN 500, and the number of shares was reduced from 160,000 to 16,000.

ADBS, a technical support, marketing and sales support centre, was incorporated on 12 June 2000 in Spain, with an initial share capital of 500,000 pesetas then converted into EUR 3,005.06, divided into 1,000 shares of EUR 3.00506 per share.

ADBG, a marketing and selling centre, was incorporated in Switzerland on 8 May 2001 with an initial share capital of CHF 100,000, divided in 100 shares of CHF 1,000 per share.

ADBT was incorporated on 30 December 2003 in Taipei, Taiwan, the Republic of China ("ROC") with registered capital of NT$ 1,000,000 as a centre providing local sales support, procurement, manufacturing control and technical support services. On 19 August 2004, the registered capital of ADBT was increased to NT$ 10,000,000. In year 2004, ADBT has taken over most of the functions of the ADB's Taiwan Branch and during year 2005 the transfer of the ADB's Taiwan Branch activities to ADBT was completed.

ADBUK, a marketing and sales support centre, was incorporated in the United Kingdom on 22 November 2004, with an initial share capital of GBP 10, divided into 10 shares of GBP 1 per share.

ADBI, a technical support, marketing and sales support centre, was incorporated on 23 February 2000, a Delaware Corporation, with no initial share capital. Its main office is located in Chicago, Illinois.

ADBSSA, a selling and financial services centre, was incorporated on 28 September 2006 in Switzerland, with an initial share capital of CHF 200,000, divided into 200,000 shares of CHF 1 per share.

ADBUKR, a research and development centre, was incorporated on 4 October 2005 in Ukraine, with an initial share capital of UAH 600,000.

tele.DOM, a digital TV content and interactive systems development marketing and sales support centre, was incorporated on 7 November 2005 in Poland, with an initial share capital of PLN 50,000, divided into 1,000 shares of PLN 50 per share.

OSMOP, a software research and development centre, was incorporated on 23 July 2003 in Poland, with an initial share capital of PLN 200,000, divided into 400 shares of PLN 500 per share.

OSMOG, a marketing and selling centre, was incorporated in Switzerland on 23 July 2003, with an initial share capital of CHF 100,000, divided into 10,000 shares of CHF 10 per share.

Osmosys Inc., a marketing and sales support centre, was incorporated on 26 August 2004, a Delaware Corporation, with no initial share capital. On 1 February 2006 the company changed its name to Vidiom Systems Inc. following the acquisition of the business of Vidiom Systems Corporation by the Group (Note 28). The scope of activities has been enlarged to include also selling and research and development and technical support. The main office is currently located in Denver, Colorado, with major locations also in Portland, Oregon, and De Moines, Iowa.

SIMPLE, a digital TV content development, marketing and selling centre, was incorporated on 15 November 2005, with an initial share capital of EUR 100,000.

During years 2006 and 2005 the following legal entities have also been consolidated in the Company accounts:

ADB-Advanced Digital Broadcast Ltd. Representative Office provided software and engineering support for interactive digital TV systems. It was located in Manila, the Republic of the Philippines, and was set up as a representative office on 6 July 2000. ADB-Advanced Digital Broadcast Ltd. Representative Office was closed on 17 January 2006.

Osmosys Holding S.A., a holding company of all Osmosys entities, was incorporated in Luxembourg on 25 February 2004, with an initial share capital of EUR 31,000, divided into 15,500 shares of EUR 2 per share. Osmosys Holding S.A. was closed on 29 December 2005.

The Predecessor Company setup a Taiwan Branch on 23 May 1996, in Taipei, Taiwan, the Republic of China with registered capital of NT$ 2,500,000 as a centre providing local sales support, procurement, manufacturing control and technical support services. On 5 December 2002, the registered capital of the Taiwan Branch was increased to NT$ 119,700,000. Since the beginning of year 2004 the majority of the activities of the Taiwan Branch were transferred to ADBT. In March 2005, following the merger between ADB and the Predecessor Company, the Taiwan Branch has been registered as the ADB's Taiwan Branch. ADB's Taiwan Branch was closed on 24 May 2006.

These Consolidated Financial Statements are presented in United States Dollars as this is the functional currency for the majority of the transactions of the Group. Foreign operations are consolidated in accordance with the policies set out in Note 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

During the second half of year 2006 the Company has decided to change its accounting policy regarding the classification of interest income within the Consolidated Income Statement. The new policy classifies interest income outside revenue in its own line item. The adoption of this new accounting policy has the effect of reducing the year 2005 revenue and gross profit reported in these Consolidated Financial Statements by $2,095,820 when compared to those reported in the Consolidated Financial Statements of last year. Profit before tax, profit for the year and earnings per share for the year 2005 are not impacted by the adoption of this new policy, as well as the year 2005 Consolidated Balance Sheet, Consolidated Statement of Cash Flows and Consolidated Statement of Recognised Income and Expense. All other significant accounting policies of the Group in year 2006 are the same as those applied in year 2005. During the second half of year 2006 the Company also decided to remove the sub-total of profit from operations from the Consolidated Income Statement.

These Consolidated Financial Statements have been prepared on an accrual basis and the historical cost basis except for the revaluation of certain financial instruments as disclosed in the Company's accounting policies.

Adoption of new and revised International Financial Reporting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or before 1 January 2006. The adoption of these new and revised Standards and Interpretations has not had a material impact on the Consolidated Financial Statements other than as disclosed in the notes.

At the date of authorisation of these Consolidated Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and interpretations	Title	Effective for accounting periods beginning on or after
IFRS 7	Financial Instruments (Disclosures)	1 January 2007
IFRS 8	Operating Segments	1 January 2008
IFRIC 4	Determining whether an arrangement contains a lease	1 July 2006
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyper-inflationary Economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	Group and Treasury Share Transactions	1 January 2007
IFRIC 12	Service Concession Arrangements	1 January 2007

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the Consolidated Financial Statements of the Group. However, changes in the disclosure to the Notes of the Consolidated Financial Statements are expected from the adoption of IFRS 7 and IFRS 8.

Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and of the entities controlled by the Company (its subsidiaries) up to the 31 December of each year. Control means that the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the costs of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets (i.e. discount on acquisition) is credited to the Consolidated Income Statement in the period of acquisition.

There have been no acquisitions from the inception of the Company until 31 December 2005. The first acquisition was made on 31 January 2006 and is described in Note 28.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business Combinations

The acquisition of assets or shares of an acquiree is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of all assets transferred, all liabilities incurred and assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs incurred by the Group in the process of finalizing the acquisition and directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Consolidated Income Statement.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value-added tax and other sales related taxes.

Sales of goods are generally recognised when goods are delivered and title has passed. Sales and related costs of software designed and supplied by third parties and/or by the Group are recognised upon the completion of the inspection and acceptance by customers. Revenue from services is recognised upon delivery of service.

For the Software and Services business segment, the Group charges royalties to customers for the use of its products. In addition, royalties are charged to customers for the transfer of the right to use certain third parties' intellectual property.

Cost of Sales

Cost of sales includes material costs, contract manufacturing costs, engineering hours devoted to and external services purchased for the production of the delivered goods and services as well as freight and duties incurred for sales.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental expense under operating leases is charged to the Consolidated Income Statement on a straight-line basis over the term of the relevant lease.

Amounts due by lessees to the Group under finance leases offered by the Group are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign Currencies

Transactions in currencies other than the entities functional currency are recorded at the rate of exchange prevailing on the dates of transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the Consolidated Income Statement for the period. Gains and losses from retranslation of trade receivables or trade payables are included in other income (Note 5) while gains and losses from retranslation of cash or debt are included in finance costs (Note 7).

Beginning July 2005, the Group started hedging the foreign exchange exposure of its non United States Dollar revenue cash flows by entering into forward currency derivatives contracts. The Group's accounting policies in respect of such derivative financial instruments are explained below in the section Financial Instruments, Derivative Financial Instruments and Hedge Accounting of this note.

On consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing Costs

All borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

Retirement Benefit Costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due. Payments made to state-managed retirement schemes are dealt with as payments to defined contribution schemes, where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement scheme.

For defined benefit retirement schemes, the costs of providing benefits are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each end of year reporting date. In accordance with IAS 19, the Group recognises actuarial gains and losses in the period in which they occur directly in equity. The effects of this policy are presented in the Consolidated Statement of Recognised Income and Expense.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and deductions in future contributions to the plan.

Taxation

The tax expense represents the sum of the tax currently payable and of the deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are neither taxable nor deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated Balance Sheet and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recorded in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on the straight-line method over the estimated useful lives of the related assets:

Buildings and leasehold improvements	10 to 50 years
Furniture and fixtures	2 to 5 years
Equipment	2 to 10 years

Equipment includes machinery, vehicles and general equipment.

Land and construction in progress are carried at cost, less any recognised impairment losses, and are not depreciated. Construction in progress is reclassified as building or equipment when the assets are ready for their intended use, at which time depreciation of the assets begins.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidate Income Statement.

Goodwill

Goodwill, computed as explained above in the section Business Combinations of this note, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently, when there is an indication that the unit may require impairment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss of the disposal.

Internally-Generated Intangible Assets - Software Development Costs

Expenditure on research activities is recognised as an expense in the Consolidated Income Statement of the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- the product is clearly defined and the costs attributable to the product can be separately identified and measured reliably;
- the technical feasibility of the product can be demonstrated;
- the enterprise intends to produce and market or use the product;
- the existence of a market or, if to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- adequate resources exist, or their availability can be demonstrated, to complete the project and to market or use the product.

The extent of capitalisation is limited to that amount which, taken together with further related costs, will be recovered from the future economic benefits related to the asset.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, generally 12 to 24 months. The Group begins amortisation when the products are available for general release to customers or put to use. Such amortisation of software development costs is recorded as research and development expense in the Consolidated Income Statement. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other Intangible Assets

Other intangible assets primarily include rights to use land in Poland and purchased computer and product testing programs. The amortisation period for these intangibles is based on the estimated useful lives, generally 12 to 36 months, except the right to use of land in Poland whose life is 92 years.

Impairment of Tangible and Intangible Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Goodwill is the only indefinite life intangible asset of the Group.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Group purchases key component raw materials, which are shipped to and paid by its contract manufacturers, which invoice the Group for the cost of manufacturing, inclusive of the cost of key and other raw materials used in production. Based on the substance of the outsourcing contracts, inventories of the Group include these key components raw materials, work-in-process, and finished goods that are legally owned by the contract manufacturers.

The Group recognises as accrued expenses the cash received or receivable from contract manufacturers with respect to these key components raw materials, work-in-process, and finished goods legally owned by the contract manufacturers but included in the Group inventories.

Financial Instruments

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Interest rate risk arises from bank loans (Note 16).

The Group uses derivative financial instruments (notably foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations impacting its cash flow from non United States Dollar denominated revenue. These hedging relationships do not qualify for hedge accounting under IAS 39. Changes in fair value at each reporting date are recorded through the Consolidated Income Statement. At 31 December 2006 and 2005 all derivative instruments were settled and therefore no amounts were recorded in the Consolidated Balance Sheet.

The gains and losses on derivative financial instruments utilised in hedging non United States Dollar denominated revenue are included in revenue (Note 3).

The use of financial derivatives is governed by the Group's policies which provide written principles consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes (Note 26).

Available-for-sale Investments

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement of the period.

Trade Receivables

Trade receivables with payment terms within twelve months do not accrue any interest, while trade receivables with payment terms greater than twelve months accrue interest at market rates.

Trade receivables are measured at amortised cost using the effect interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its obligations.

Bank Borrowings

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

There were no direct issue costs incurred for the years ended 31 December 2006 and 2005.

Trade Payables

Trade payables are not interest bearing and are principally due within twelve months. Trade payables are valued with the amortised cost method. In stating trade payables, interest deductions are not recognised because not material.

Provisions

The Group records provisions when it has an obligation, legal or constructive, to satisfy a claim or when it is probable that an outflow of Group resources will be required to satisfy the obligation, provided that a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a process of assessment of a number of variables, and relies on management's informed judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments. Changes in estimates are reflected in the Consolidated Income Statement in the period in which the change occurs.

Provision for warranty costs is recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's future liabilities, and is assessed at each reporting date.

Earnings per Share

Basic earnings per share are calculated by dividing the Group's profit for the year by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit for the year is also adjusted to reflect the net after-tax impact of conversion.

In year 2005 the share grant to members of the Board of Directors was the only instrument with dilutive effect for the Group's earnings per share (Note 9). In year 2006 the Company had no instrument with dilutive effect.

Freight and Related Expenses

Freight and related expenses are recognised in cost of sales as incurred.

Warranty and Product Reworking Expenses

Warranty and product reworking expenses are included in the selling, general and administrative expenses in the Consolidated Income Statement (Note 4). The Group provides for warranty costs when products are sold, based on management's best estimate of future warranty claims on products sold.

Use of Estimates

The preparation of the Consolidated Financial Statements and related disclosures in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in accounting for estimated impairment losses on goodwill and intangible assets, bad debt allowances on receivables, inventory allowances, depreciation, employee benefits, taxes, provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of any changes of estimates are immediately reflected in the Consolidated Income Statement.

Equity Compensation Plan

During year 2005 the Group has provided rights to ownership of shares to members of its Board of Directors (Notes 27 and 31). During year 2006 the Group has distributed shares to certain of its employees. IFRS 2, adopted since 1 January 2005, requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each reporting date.

Factoring of Trade Receivables

During year 2005 the Group began factoring certain of its trade receivables, which meet the criteria for derecognition as defined in IAS 39. The Group derecognises its trade receivables when substantially all of the risks and rewards of ownership have transferred to the counterparty, which is generally when cash is received from the counterparty. In years 2006 and 2005 the counterparties to these transactions were third party banks who, for a fee, accepted the risks and rewards of ownership for certain of the Group's trade receivables. Factoring fees, interests and expenses for credit insurance related to the factoring of trade receivables are recognised as finance costs in the Consolidated Income Statement.

Critical Accounting Judgments in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, which are described in this Note, management has made certain judgements and estimates that could be considered significant to the Consolidated Financial Statements, which could impact the carrying amounts of assets and liabilities. These judgements and estimates that are based on historical experience and other factors that are considered to be relevant by management are as follows:

Revenue Recognition and Warranty Provisions

Management has considered the criteria set out in IAS 18 for recognition of revenue from sale of goods and services. Accordingly, revenue is recognised when the Group has transferred to the buyer the significant risk and rewards of ownership of the goods. Following detailed quantification of the Group's liability in respect to eventual rectification work, and of the agreed limitation on the customer's ability to require further work or replacement of the goods, management is satisfied that the significant risk and rewards for the goods which have generated revenue have been transferred and that recognition of revenue and recognition of the corresponding provision for warranty costs in the current year are appropriate.

Contingent Liability

Note 23 describes a legal dispute between the Group and one of its customers against certain allegations by Spanish Customs Authorities. This legal dispute relates to the exemption from import duties of certain digital TV equipment delivered by the Group to the customer in years 2003 and 2004. The Group and the customer have lost the first appeal. Management estimates that the claims of the Spanish Customs Authorities are a contingent liability because the probability of winning the second appeal before the Ordinary Court of Justice is high.

In this judgment management is supported by the opinion of the Group's legal advisors and by the fact that the allegations against the group are based on wrong information; in fact shipments of the same digital TV equipment which is object of this legal dispute were made after the period disputed and were accepted by the Spanish Customs Authorities as meeting the requirements for exemption from import duties.

Classification of Investments

Note 13 describes the Group's investment in certain financial assets classified as available-for-sale investments. In accordance with IAS 39, management is required to designate the classification of these assets into categories, which then dictates how to account for the initial and subsequent measurement of these assets. Management determined that its significant investment in non-derivative financial assets should be designated as available-for-sale as they are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Therefore, unrealised gains and losses on these investments are recorded directly in equity.

Derecognition of Financial Assets

As described in this note, management has determined that certain of the Group's receivables meet the derecognition requirements of IAS 39. The result of this accounting treatment is that approximately $20 million and $13 million in trade receivables were derecognised in the Consolidated Balance Sheets at 31 December 2006 and 2005, respectively. As part of this judgement, management is required to assess if substantially all the risks and rewards of ownership were transferred to the counterparty. Management determined this to be the case as, in its assessment, one of the more significant risks that is entirely transferred to the counterparty being the credit risk associated to the trade receivable.

Key Sources of Estimation Uncertainty

Key assumptions concerning future business and other key sources of estimation uncertainty, that, at the reporting date, have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Recoverability of Internally-Generated Intangible Assets

During the year, management has regularly tested the recoverability of all its internally-generated intangible assets arising from the Group's capitalisation of software development costs. These assets are included in the Consolidated Balance Sheets at 31 December 2006 and 2005 for a net amount of approximately $12.0 million and $11.7 million, respectively. The capitalised projects continue to progress in a very satisfactory manner, and customer demand confirms management's estimates of sufficient anticipated revenue and margin from the projects. Increased competition and price pressure are also considered by management when assessing future revenue and anticipated margins on these products. Following this analysis, management is confident that the carrying amount of the assets should be recovered in full. The nature and value of these assets are regularly and closely monitored. Adjustments may be made in future periods if market evolutions indicate that such adjustments are appropriate.

Recoverability of Tax Assets

Management has carefully estimated the recoverability of all its tax assets recorded in the Consolidated Balance Sheets at 31 December 2006 and 2005. For each legal entity concerned, on the basis of the local tax regulations and of the most updated future business perspectives of each entity, management has concluded that the carrying amount of the assets at the reporting dates, after appropriate allowances have been made, should be recovered in full. Adjustments may be made in future periods if developments of business for each legal entity indicate that such adjustments are appropriate.

3. REVENUE

An analysis of the Group's revenue for the years ended 31 December 2006 and 2005 is as follows:

	2006	2005
	$	$
Sales of goods	235,150,550	237,188,810
Service and licensing income	28,634,501	11,984,896
(Loss) gain arising on foreign currency derivatives (Note 26)	(1,470,700)	724,700
Total revenue	262,314,351	249,898,406

4. EXPENSES

Cost of sales for the Digital TV Equipment business segment is mainly comprised of components and, to a much lower extent, assembly fee, freight and duties. Cost of sales for the Software and Services business segment is mainly comprised of the cost to the Group of the engineering hours devoted to develop the software products and services that are delivered to customers according to customer specifications. Cost of sales for the New Initiatives business segment is mainly comprised of material, rental of equipment and external service suppliers required for the production of the content according to the formats agreed by the customers.

	2006	2005
	$	$
Research and development expenses		
Incurred and expensed excluding amortisation	12,293,548	11,768,915
Amortisation of software development costs (Note 11)	14,823,350	8,630,780
Amortisation of right to use of land and computer programs (Note 11)	899,497	92,727
Royalty expenses (Note 29)	19,881,507	18,833,969
	47,897,902	39,326,391
Selling, general and administrative expenses		
Selling and marketing expenses	22,855,628	18,563,004
General and administrative expenses excluding amortisation	10,319,010	7,663,231
Amortisation of computer programs and other (Note 11)	28,794	9,007
Operations overheads and customer service	3,584,657	2,402,481
Warranty expenses	2,611,110	1,697,850
Other	1,718,126	-
	41,117,325	30,335,573

Depreciation of property and equipment for an amount of $3,634,254 and $2,391,902 in years 2006 and 2005 respectively is included in the expense items mentioned above.

Staff costs of $44,074,229 and $30,910,939 in years 2006 and 2005, respectively are included in the items above mentioned. The monthly average number of employees was 711 and 512 in years 2006 and 2005, respectively.

Warranty expenses in each year include the yearly charge of provision for warranty disclosed in Note 18.

5. OTHER INCOME AND EXPENSES

Other income includes:

	2006	2005
	$	$
Partial recovery of a provided receivable (Note 14)	1,611,265	838,822
Net exchange gain	1,507,923	-
Compensation received from suppliers	558,384	-
Reduction of past years liabilities following new contractual terms	539,916	-
Reversal of accrual after positive conclusion of legal case	-	851,277
Reversal of provision for legal fees (Note 18)	-	250,000
Other	330,082	104,486
	4,547,570	2,044,585

Other expenses include:

	2006	2005
	$	$
Inventory write-down	(3,227,757)	-
Start-up costs of new contract manufacturer	(900,510)	-
Net exchange loss	-	(1,318,739)
Provision for inventory	(637,226)	(331,094)
Loss on disposal of property and equipment	(17,400)	(172,569)
Other	(343,596)	(234,972)
	(5,126,489)	(2,057,374)

6. EXCEPTIONAL ITEMS

Loss before tax for the year 2006 is computed after gains and losses from certain exceptional events. These gains and losses relate to

- inventory write-down ($3.2 million loss - Note 5)
- exceptional expenses to ensure customer satisfaction in the areas of product development ($0.6 million loss - Note 4 - research and development expenses, incurred and expensed excluding amortisation), of sales and marketing ($1.7 million loss - Note 4 - selling, general and administrative expenses, selling and marketing expenses) and of operations ($1.7 million loss - Note 4 - selling, general and administrative expenses, other)
- start-up costs of new contract manufacturer ($0.9 million loss - Note 5)
- compensation received from suppliers plus reduction of past years liabilities following new contractual terms ($1.1 million gain - Note 5)
- partial recovery of a provided receivable described in Note 14 ($1.6 million gain - Note 5).

The inventory write-down was primarily caused by the combination of both the softer than expected demand in the digital terrestrial TV market in Italy, and the deadline of 30 June 2006 for the import of electronic products with leaded components within the European Community (directive 2002/95/IC of the European Parliament and European Council on Restriction of the use of Hazardous Substances in electrical and electronic equipment).

The total aggregate amount of the exceptional gains and losses is a total loss of approximately $5.4 million and is part of the expenses before interest and tax reported in the Consolidated Income Statement for the year 2006. Most of the exceptional items were incurred in the first-half of year 2006; substantially all of the exceptional gains and losses relate to the Digital TV Equipment business segment.

7. INTEREST INCOME AND FINANCE COSTS

Following the introduction in year 2006 of a new accounting policy explained in Note 2, interest income is highlighted as a separate line item in the Consolidated Income Statement, before finance costs. Interest income is mainly comprised of interest earned on the cash reserves and available-for-sale investments held by the Company.

Finance costs include:

	2006	2005
	$	$
Interest on bank loans	2,677,150	2,035,255
Other financial expense	1,312,754	720,319
Foreign exchange loss	6,302	632,530
	3,996,206	3,388,104

Finance costs of year 2005 include an exceptional foreign exchange loss, incurred in connection with the proceeds from the sale of shares through the IPO (Note 21).

8. TAXES

Expense (credit) for income tax for the years 2006 and 2005 is as follows:

	2006	2005
	$	$
Current tax		
Foreign tax	350,459	1,575,778
Domestic tax	123,908	1,659,060
Deferred tax		
Foreign tax	(268,212)	174,881
Domestic tax	(860,738)	50,217
	(654,583)	3,459,936

Taxation for jurisdictions where the Group operates is calculated at the tax rates prevailing in the respective jurisdictions. Profit (loss) before tax consisted of the following:

	2006	2005
	$	$
Switzerland	(4,317,575)	15,466,875
Other jurisdictions	(2,613,160)	2,272,350
(Loss) profit before tax	(6,930,735)	17,739,225

The differences between the provision (credit) for income taxes and income taxes computed at statutory income tax rates are explained as follows:

	2006	2005
	$	$
Tax at the local rates applicable to profits in the countries concerned	(790,582)	2,676,519
Final taxation of previous periods	(81,521)	677,815
Effect of different tax rates of subsidiaries	217,520	105,602
	(654,583)	3,459,936

In year 2006 the effective tax rate is 9.4% compared to 19.5% in year 2005. The tax rate obtained by applying to each affiliate the statutory tax rate prevailing in the country of operation is 11.4% in year 2006 compared to 15.1% in year 2005. The difference between the year 2005 effective tax rate and the average statutory tax rate is due to differences in estimated taxes due and the final taxation levied by the fiscal authorities.

Components of deferred tax assets and liabilities recognised by the Group and movements during the years 2006 and 2005 are as follows:

	2006		2005	
	Assets	Liabilities	Assets	Liabilities
	$	$	$	$
Inventory provisions not currently deductible	108,803	-	45,781	-
Retirement provisions not currently deductible	1,196,825	-	990,227	-
Net loss carryforwards	1,660,343	-	232,423	-
Difference between tax base and IFRS book of intangible assets	-	(396,708)	-	-
Others	177,970	(221,766)	55,564	(69,512)
	3,143,941	(618,474)	1,323,995	(69,512)

	Inventory Provisions Non Currently Deductible	Retirement Provisions Non Currently Deductible	Net Loss Carryforwards	Difference between Tax and IFRS Book of Intangible Assets	Others	Total
	$	$	$	$	$	$
At 1 January 2005	153,928	89,674	50,217	-	101,940	395,759
Credit to equity	-	832,000	232,423	-	33,082	1,097,505
Credit (charge) to income	(104,477)	72,780	(50,217)	-	(143,184)	(225,098)
Exchange difference	(3,670)	(4,227)	-	-	(5,786)	(13,683)
At 31 December 2005	45,781	990,227	232,423	-	(13,948)	1,254,483
Credit to equity	-	99,711	-	-	(908)	98,803
Credit (charge) to income	55,343	100,969	1,384,114	(396,708)	(14,768)	1,128,950
Exchange difference	7,679	5,918	43,806	-	(14,172)	43,231
At 31 December 2006	108,803	1,196,825	1,660,343	(396,708)	(43,796)	2,525,467

The deferred tax assets credited to the Consolidated Income Statements of the years 2006 and 2005 are the amount of tax loss carryforwards estimated by management as recoverable at the end of the year. At 31 December 2006 and 2005, the Group had unused tax losses, available for offset against future profits, of $21.4 million and $8.0 million respectively. A deferred tax asset has been recognised in respect of these losses for of $1.7 million and $0.2 million, respectively. At 31 December 2006 the total unused tax losses for which no deferred tax assets were recognised amounted to $8.2 million and had a useful life of six years ($5.1 million), twenty years ($1.9 million) and unlimited ($1.2 million).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the years ended 31 December 2006 and 2005 is based on the following data:

Earnings

	2006	2005
	$	$
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	(6,276,152)	14,279,289
Effect of dilutive potential ordinary shares	-	-
Earnings for the purpose of diluted earnings per share	(6,276,152)	14,279,289

Number of shares

	2006	2005
Weighted average number of ordinary shares for the purpose of computing basic earnings per share (Note 21)	6,120,428	5,540,839
Effect of dilutive potential ordinary shares:		
Vesting of shares granted to members of the Board of Directors in year 2005 (Notes 27 and 31)	-	2,139
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,120,428	5,542,978

Earnings per share

Basic earnings per share are computed dividing the Group's profit or loss for the year by the weighted average number of outstanding ordinary shares. Basic earnings per share correspond to a loss per share of $(1.03) and a profit per share of $2.58 in years 2006 and 2005, respectively.

Diluted earnings per share are computed dividing the Group's profit or loss for the year by the weighted average number of outstanding and dilutive potential ownership of ordinary shares. Diluted earnings per share correspond to a loss per share of $(1.03) and a profit per share of $2.58 in years 2006 and 2005, respectively.

The adoption in year 2006 of the new accounting policies described in Note 2 has no material impact on the earnings per share of both years 2006 and 2005.

10. GOODWILL

	2006
	$
Cost	
At 1 January 2006	-
Additional amounts recognised from the business combination occurred during the year (Note 28)	18,030,051
At 31 December 2006	18,030,051
Accumulated impairment losses	
At 1 January 2006	-
Impairment losses recognised in the year	-
At 31 December 2006	-
Carrying amount	
At 1 January 2006	-
At 31 December 2006	18,030,051

During year 2006, the Group assessed the recoverable amount of goodwill and determined that this asset was properly valued.

Goodwill impairment reviews were conducted for the cash generating unit represented by Vidiom. The results of these impairment reviews were that the recoverable amount of the cash generating unit exceeded its carrying amount. Goodwill impairment reviews were conducted by discounting the cash flows of the cash generating unit over a period of ten years, as the market served by Vidiom represents an important, fast growing opportunity for a long period of time (Note 28). The cash flows were determined for the first three years based on the budget and financial plans of Vidiom and for the reminder on anticipated revenue growth rates averaging approximately 9% per year. The growth rates are estimated by management as reasonable for the market served by Vidiom. The discount factor for the free cash flows was 15%, reflecting also the specific risks and uncertainty of the project. In addition to the discounted cash flow analysis management performed a market comparables analysis with companies active in the same business and whose shares are publicly listed. The market comparables analysis supported management's conclusion that the goodwill is not impaired at 31 December 2006.

11. INTANGIBLE ASSETS

	Intangible Assets			
	Software Development Costs	Right to Use of Land	Computer Programs and Other	Total
	$	$	$	$
COST				
At 1 January 2005	11,098,626	259,664	220,703	11,578,993
Additions	12,194,737	-	333,045	12,527,782
Retirement	(7,824,491)	-	-	(7,824,491)
Exchange differences	-	(18,854)	(21,283)	(40,137)
At 31 December 2005	15,468,872	240,810	532,465	16,242,147
Additions	15,112,757	128,539	1,856,608	17,097,904
Retirement	(10,269,359)	-	(23,245)	(10,292,604)
Exchange differences	-	36,376	40,076	76,452
At 31 December 2006	20,312,270	405,725	2,405,904	23,123,899
ACCUMULATED AMORTISATION				
At 1 January 2005	2,874,942	14,972	88,093	2,978,007
Charge for the year	8,630,780	4,163	97,571	8,732,514
Retirement	(7,710,208)	-	-	(7,710,208)
Exchange differences	-	(1,109)	(11,016)	(12,125)
At 31 December 2005	3,795,514	18,026	174,648	3,988,188
Charge for the year	14,823,350	4,312	923,979	15,751,641
Retirement	(10,265,008)	-	(13,589)	(10,278,597)
Exchange differences	-	2,377	29,377	31,754
At 31 December 2006	8,353,856	24,715	1,114,415	9,492,986
CARRYING AMOUNT				
At 31 December 2006	11,958,414	381,010	1,291,489	13,630,913
At 31 December 2005	11,673,358	222,784	357,817	12,253,959

Retirement relates to development projects that either reach completion or are terminated during the year. Computer programs amortisation is split between research and development expenses and selling, general and administrative expenses as disclosed in Note 4.

12. PROPERTY AND EQUIPMENT

	Land and Buildings	Furniture and Fixtures	Equipment (incl. prepayments)	Construction in Progress	Total
	$	$	$	$	$
COST					
At 1 January 2005	8,092,200	4,793,924	5,318,113	946,095	19,150,332
Additions	49,870	988,648	2,584,513	181,939	3,804,970
Retirement	(4,415)	(74,124)	(214,257)	-	(292,796)
Reclassification	889,537	-	37,556	(927,093)	-
Exchange differences	(335,149)	(162,731)	(323,414)	(64,842)	(886,136)
At 31 December 2005	8,692,043	5,545,717	7,402,511	136,099	21,776,370
Additions	5,389	301,315	2,929,387	223,566	3,459,657
Retirement	(442)	(1,755,991)	(1,551,145)	(4,557)	(3,312,135)
Reclassification	-	-	-	-	-
Exchange differences	340,400	108,959	517,996	30,086	997,441
At 31 December 2006	9,037,390	4,200,000	9,298,749	385,194	22,921,333
ACCUMULATED DEPRECIATION					
At 1 January 2005	876,674	2,373,956	2,428,861	-	5,679,491
Charge for the year	234,820	706,641	1,450,441	-	2,391,902
Retirement	(3,735)	(57,947)	(161,254)	-	(222,936)
Exchange differences	(60,299)	(87,948)	(153,625)	-	(301,872)
At 31 December 2005	1,047,460	2,934,702	3,564,423	-	7,546,585
Charge for the year	303,196	843,911	2,487,147	-	3,634,254
Retirement	(250)	(1,677,985)	(1,558,233)	-	(3,236,468)
Exchange differences	118,375	47,555	364,238	-	530,168
At 31 December 2006	1,468,781	2,148,183	4,857,575	-	8,474,539
CARRYING AMOUNT					
At 31 December 2006	7,568,609	2,051,817	4,441,174	385,194	14,446,794
At 31 December 2005	7,644,583	2,611,015	3,838,088	136,099	14,229,785

Retirement relates to assets that either reach the end of their useful life or that are terminated or disposed of during the year.

The fire insurance coverage at 31 December 2006 for the Group's property and equipment amounts to approximately $16 million. Amounts pledged or secured in relation to bank loans are reported in Note 16.

Construction in progress at 31 December 2006 and 2005 principally relates to building improvements in process at ADBP.

13. OTHER FINANCIAL ASSETS

Finance Lease Receivables

For the first time in year 2006 (Note 30), the Group entered as lessor into finance lease arrangement for certain machinery and equipment. The average term of finance lease entered into is 2.6 years. None of the lease arrangements entered into was allowing sublease.

Amounts receivable under finance lease are:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2006	2005	2006	2005
	$	$	$	$
Within one year	216,957	-	193,455	-
In the second to fifth years inclusive	250,679	-	235,421	-
After the fifth year	-	-	-	-
	467,636	-	428,876	-
Less unearned finance income	(38,760)	-	n/a	n/a
Present value of minimum lease payments	428,876	-	428,876	-
Allowance for uncollectible lease payments	-	-	-	-
Present value of minimum lease payments	428,876	-	428,876	-
Amounts included in the Consolidated Balance Sheets				
Current assets – Other current assets			193,455	-
Non-current assets – Other			235,421	-
			428,876	-

The unguaranteed residual values of the assets leased under finance lease at 31 December 2006 are estimated to be nil. No contingent rent was recognised as income in the period. The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 7% per annum. The lease agreements provide for a repurchase option at end of the lease.

Long-Term Trade Receivables

In year 2006 the Group entered into a strategic co-operation with a major new customer. This strategic co-operation brings important advantages to the Group, including exclusivity of supply.

As part of this strategic co-operation, the Group has agreed to extended payment terms that, for a part of the value of the delivered goods, are up to 60 months, and this until both the Group and the customer arrange with a financial institution the permanent financing of the digital TV equipment purchased by the customer. These extended payments are interest bearing at market inter-bank rate plus a spread. The amount of interest on this trade receivables that was accrued in the year 2006 Consolidated Income Statement is non material as the first sales to this customer happened at the end of the year. The current portion of this receivable has been included in trade receivables, net and amounts to $3,565,270. The long-term portion of this receivable has been recognised in long-term trade receivables and amounts to $25,815,810 as reported in the Consolidated Balance Sheet of year 2006. In year 2005 there was no arrangement of this type and no long-term receivables.

Long-term trade receivables are secured by certain pledges provided by the customer in favour of the Group. These pledges are to remain in place until permanent financing with a financial institution is arranged.

Management considers that the carrying amount of long-term trade receivables approximates their fair value.

Trade Receivables, Net

Trade receivables, net at 31 December 2006 and 2005 comprise amounts receivable for the sales of goods and services of $66,955,507 and $76,774,952, respectively.

In accordance with the Group policy, the average credit terms provided on sales of goods are generally 30 to 90 days, with three exceptions for the year 2006: for two important customers credit terms were extended to 180 days and for a major new customer credit terms were extended to 60 months plus interest in consideration of the established strategic co-operation (see above section on long-term receivables). No interest is earned on trade receivables with payment terms within twelve months, while trade receivables with payment terms greater than twelve months earn interest at market rates. At 31 December 2006 and 2005, the allowance for estimated irrecoverable amounts from the sales of goods and services was $430,050 and $416,886, respectively. This allowance has been determined by reference to past default experience.

Management considers that the carrying amount of trade receivables, net approximates their fair value.

Available-for-Sale Investments

	Fair Value of Investments	Unrealised (Loss) / Gain	Deferred Tax Assets on Unrealised (Loss) / Gain	Impact on Other Reserves (Note 22)
	$	$	$	$
Net investments in year 2005	16,957,241	-	-	-
Change in value during year 2005	(415,476)	(415,476)	32,532	(382,944)
Balance at 31 December 2005	16,541,765	(415,476)	32,532	(382,944)
Net investments in year 2006	1,137,940	-	-	-
Change in value during year 2006	42,929	42,929	(3,361)	39,568
Balance at 31 December 2006	17,722,634	(372,547)	29,171	(343,376)

The Group has invested parts of its cash reserves in structured financial instruments with the aim of enhancing returns over a time horizon of twelve months. The typical investment is an instrument that, if held to maturity, provides for a guaranteed capital repayment plus a minimum return. The fair market value of these instruments, at any time during their life, can result in unrealised gains or losses. The Group has the right to sell these instruments at any time prior to their expiration dates. The Group's investment advisors have provided ADB with credit facilities whereby ADB can borrow cash at market rates using the investment as collateral. None of these credit facilities was utilised at end of years 2006 and 2005.

Unrealised losses from available-for-sale investments are recorded in equity in accordance with IAS 39 as reported in the Consolidated Statements of Recognised Income and Expense and disclosed in Notes 21 and 22.

Cash and Cash Equivalents

Cash balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit Risk

The Group's principal financial assets are bank balances, cash, trade receivables, due from shareholders (Note 27) and long-term trade receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has limited credit risk exposure to its trade receivables as the majority of receivables are covered by either irrevocable letters of credit or credit insurance. Long-term trade receivables expose the Group to credit risk but accrue interest at market rates and are secured by certain pledges provided by the customer in favour of the Group. Amounts due from shareholders are guaranteed with a pledge on shares of the Company described in Note 27. Amounts presented in the Consolidated Balance Sheets are net of allowance for doubtful receivables, estimated by the Group's management based on experience and assessment of the current economic environment.

Credit risk on liquid funds is limited. Counterparties are principally banks and institutions with high credit-ratings as assigned by international credit-rating agencies.

Foreign Currency Risk

The Group is exposed to the effects of fluctuation in exchange rates of foreign currencies. From year 2005, the growing proportion of sales not denominated in United States Dollars has triggered the Group decision to hedge future cash flows related to foreign currency denominated revenue (Note 26).

14. OTHER RECEIVABLES

Other receivables represent an amount that a court settlement determined as due to the Company by one of the Group's significant customers to whom the Group continues to sell.

As this customer was in financial difficulties, the Group provided an allowance for the majority of the amount due from this customer under the court settlement. This allowance amounted to $1.0 million at 31 December 2005.

In year 2006 the Company received the final payments from this customer, reversed its allowance and posted an exceptional gain (Note 5) of approximately $1.6 million that has been recorded as other income. At 31 December 2006 the matter is definitely closed and no more payments are expectable from this customer in relation to the court settlement.

15. INVENTORIES

	2006	2005
	$	$
Finished goods	1,426,376	3,514,422
Raw materials	2,190,778	1,204,318
Held by contract manufacturers	36,210,789	19,855,040
Total gross inventories	39,827,943	24,573,780
Less inventory allowance	(743,743)	(278,609)
Total inventories	39,084,200	24,295,171

The Group purchases key component raw materials and sells them to its contract manufacturers, which finally invoice the Group for the cost of manufacturing, inclusive of the cost of key and other raw materials used in production. Based on the substance of the outsourcing contracts, inventories of the Group include these key components raw materials, work-in-process and finished goods that are legally owned by the contract manufacturers. The Group recognises as accrued expenses (Note 17) the cash received or receivable from contract manufacturers with respect to these key components, work-in-process and finished goods legally owned by the contract manufacturers but included in the Group inventories.

During year 2006 the slower than anticipated ramp-up of sales by certain customers of the Group as well as the increased logistic complexity of the Group operations due to the introduction of a new contract manufacturer have caused a significant increase in the level of inventories. At present the visibility provided by Group customers' orders and forecast of purchase allows management to consider that the carrying amount of these assets, once netted of the inventory allowance, approximates its fair value.

16. BANK LOANS

	2006		2005	
	Secured	Unsecured	Secured	Unsecured
	$	$	$	$
Group borrowings are repayable as follows:				
On demand or within one year	20,369,015	14,910,350	15,925,773	22,301,600
In the second year	163,694	-	174,001	-
In the third to fifth years inclusive	425,158	-	448,594	-
After five years	2,267,038	-	2,388,857	-
Less amount due for settlement within 12 months	20,369,015	14,910,350	15,925,773	22,301,600
Amount due for settlement after 12 months	2,855,890	-	3,011,452	-

Bank loans at 31 December 2006 and 2005 amount to a total of $38,135,255 and $41,238,825 respectively and represent short and long-term bank borrowings, with weighted average interest rates at 4.89% and 4.75% per annum and denominated for the large majority in United States Dollars. The majority of the borrowings are classified under current liabilities, as they are repayable on demand or within one year. A large portion of the short-term bank borrowings is secured by letters of credit or credit insurance for a total amount of $20.2 million and $15.8 million at 31 December 2006 and 2005, respectively.

At 31 December 2006 and 2005, long-term bank borrowings of $2.9 million and $3.0 million, respectively are secured by land, building and equipment included in the Consolidated Balance Sheets for an aggregate value of approximately $6.2 million and $6.1 million, respectively. At 31 December 2006 and 2005, short term bank borrowings of $20.4 million and $15.9 million, respectively are secured by receivables which are guaranteed by either letters of credit or credit insurance.

Management considers that the carrying amount of the Group's borrowings approximates their fair value as they are principally arranged at floating rates. Due to these arrangements the Group is principally exposed to cash flow interest rate risk.

17. ACCRUED EXPENSES

	2006	2005
	$	$
Accrued royalty expenses	11,048,815	7,122,416
Accrued liabilities for inventories held by contract manufactures (Notes 2 and 15)	36,210,789	19,855,040
Others	10,390,055	8,646,168
	57,649,659	35,623,624

The increase of accrued expenses in year 2006 compared to year 2005 is mainly due to the increase of inventories held by contract manufacturers and to the significant concentration of deliveries and sales of digital TV equipment towards the end of the year 2006.

18. PROVISIONS

	Provision for Warranty	Legal Fees and Royalty Claims	Total
	$	$	$
At 1 January 2005	1,535,275	912,407	2,447,682
Charge for the year	1,697,850	-	1,697,850
Utilization of provision	(884,888)	(662,407)	(1,547,295)
Reversal of provision for legal fees	-	(250,000)	(250,000)
Exchange difference	(459)	-	(459)
At 31 December 2005	2,347,778	-	2,347,778
Charge for the year	1,140,000	-	1,140,000
Utilisation of provision	(2,347,778)	-	(2,347,778)
At 31 December 2006	1,140,000	-	1,140,000

Provisions for warranty are made to cover the costs of fixing failures of delivered products during their warranty periods. Warranty periods span typically from 18 to 24 months after delivery, depending on the regulations of the relevant jurisdictions. The amount of these provisions is estimated based on the past experience and on the statistics of cost of failures of similar products in similar situations.

Provisions for legal fees and royalty claims were made over several years before 31 December 2004 and relate to legal fees provided for debt recovery, other litigation (Notes 14 and 23) and possible liabilities to be incurred in connection with a royalty claim started in late year 2004 by a third party for potential infringement of intellectual property rights. Substantially all of these matters were resolved during year 2005 and therefore the provision for legal fees was reversed, generating a profit recorded as other income (Note 5) in year 2005.

The movement in the provision for the employee benefit obligations is reported in Note 25.

19. OTHER CURRENT LIABILITIES

	2006	2005
	$	$
Customer payments received in advance	810,331	2,229,593
VAT payable	1,259,636	136,592
Others	202,077	169,610
	2,272,044	2,535,795

20. OTHER FINANCIAL LIABILITIES

Trade and other payables principally comprise amounts outstanding for purchases and ongoing costs. The average credit period provided for trade purchases is 60 to 90 days. The increase of trade and other payables in year 2006 compared to year 2005 is mainly due to the significant concentration of deliveries and sales of digital TV equipment towards the end of the year 2006.

Management considers that the carrying amount of trade and other payables approximates their fair value.

21. CHANGES IN EQUITY AND SHARE CAPITAL

The consolidated statements of changes in equity for the years ended 31 December 2006 and 2005 are as follows:

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Treasury Shares	Total
	$	$	$	$	$	$
Balance of ADB at 1 January 2005, after merger	976,749	12,138,692	311,666	4,738,724	-	18,165,831
Net loss on available-for-sale investments	-	-	(415,476)	-	-	(415,476)
Deferred tax assets arising from net loss on available-for-sale investments	-	-	32,532	-	-	32,532
Actuarial losses directly recognised in equity	-	-	(2,560,000)	-	-	(2,560,000)
Deferred tax assets arising from direct recognition of actuarial losses in equity	-	-	832,000	-	-	832,000
Translation adjustments	-	-	(402,219)	-	-	(402,219)
Issuance of capital stock and sale through the IPO, net	328,089	57,046,082	-	-	(7,033)	57,367,138
Recognition of share based payments	-	304,847	-	-	-	304,847
Profit for the year 2005	-	-	-	14,279,289	-	14,279,289
Balance at 31 December 2005	1,304,838	69,489,621	(2,201,497)	19,018,013	(7,033)	87,603,942
Net gain on available-for-sale investments	-	-	42,929	-	-	42,929
Reverse of deferred tax assets arising from net gain on available-for-sale investments	-	-	(3,361)	-	-	(3,361)
Actuarial losses directly recognised in equity	-	-	(483,483)	-	-	(483,483)
Deferred tax assets arising from direct recognition of actuarial losses in equity	-	-	99,711	-	-	99,711
Translation adjustments	-	-	61,238	-	-	61,238
Issuance of capital stock for the acquisition of Vidiom (Note 28), net	16,169	7,366,640	-	-	-	7,382,809
Issuance of capital stock for share-based payments of year 2005 (Note 31)	1,188	(1,188)	-	-	-	-
Issuance of capital stock for share-based payments of year 2006 (Note 31)	3,986	766,164	-	-	-	770,150
Repurchase of ordinary shares	-	-	-	-	(6,340,666)	(6,340,666)
Share repurchase costs	-	-	-	-	(42,027)	(42,027)
Loss for the year 2006	-	-	-	(6,276,152)	-	(6,276,152)
Balance at 31 December 2006	1,326,181	77,621,237	(2,484,463)	12,741,861	(6,389,726)	82,815,090

Issuance of capital for the IPO is net of the expenses incurred by the Company for this issuance as disclosed below in the section Sale of Shares through an Initial Public Offering of this note. Issuance of capital for the acquisition of Vidiom is net of the expenses incurred by the Company for this issuance as disclosed in Note 28.

At 31 December 2006 the amount not distributable of the legal and general reserves of the Group entities, included in retained earnings, is approximately $1.0 million. In addition, reserves for treasury shares amounting to $6.4 million are also non distributable.

Share capital of the Company at 31 December 2006 consists of the following:

	Authorised Capital	Conditional Capital	Issued and fully paid
	Number of Shares	Number of Shares	Number of Shares
ORDINARY SHARES OF CHF 10 EACH			
Balance brought forward at 1 January 2005	-	-	10,000
Increase on 24 March 2005	-	-	102,500
Share split on 24 March 2005 from CHF 10 each to CHF 0.25 each	-	-	4,387,500
ORDINARY SHARES OF CHF 0.25 EACH	-	-	4,500,000
Capital Increase on 24 March 2005	2,250,000	450,000	-
New issuance of common shares on 28 April 2005 in connection with IPO	(1,582,000)	-	1,582,000
Balance brought forward at 31 December 2005	668,000	450,000	6,082,000
New issuance of common shares on 2 February 2006 (Note 28)	(83,065)	-	83,065
New issuance of common shares on 30 May 2006 (Note 31)	-	(5,750)	5,750
New issuance of common shares on 2 November 2006 (Note 31)	-	(19,727)	19,727
Balance brought forward at 31 December 2006	584,935	424,523	6,190,542
of which shares in circulation			6,056,262
of which own shares held in treasury			134,280

The 5,750 and 19,727 shares issued out of the Conditional Capital in year 2006 will be registered with the Swiss Commercial Registry during the beginning of year 2007 in accordance with the provisions of Swiss law.

The Company has one class of ordinary shares, which carry no right to fixed income. The nominal value of each Company share is CHF 0.25.

The Authorised Capital can be used by the Company's Board of Directors to increase the Company' Share capital by a maximum of 584,935 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 24 March 2007. It is the Board of Directors intention to ask for an extension of the Authorised Capital beyond 24 March 2007 at the next Annual General Meeting of Shareholders. Statutory pre-emptive rights of the existing shareholders of the Company can be excluded if the capital increase is effected for the purpose of:

- a capital increase in the context of an initial public offering made on the occasion of the listing of the shares at a stock exchange;
- a green-shoe option in favour of a bank or a consortium in the context of a placement at a market price in a maximum amount of 15% of the initially subscribed shares in connection with an initial public offering;
- the takeover of enterprises, divisions thereof or participations in companies;
- the financing and refinancing of the acquisition of enterprises, divisions thereof or participations or of newly-planned investments; or
- strategic investments of and with business partners.

In addition to the Authorised Capital, the Company share capital may also be increased by a maximum of 424,523 registered shares of CHF 0.25 each, fully paid-in (the "Conditional Capital"), in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of the Company or of affiliated companies of the Group. Existing shareholders' preferential subscription rights are excluded. The Board of Directors must establish the employee participation scheme (employee stock option plans and employee stock plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the options are set by the Board of Directors.

Sale of Shares Through an Initial Public Offering

On 29 April 2005 the Company has sold 1,547,720 newly issued shares at the gross price of CHF 51.00 each through an Initial Public Offering (the "IPO") during which the Company shares were listed on the SWX Swiss Exchange (the "SWX"). Of the 1,547,720 newly issued shares, 27,759 shares were sold through the partial exercise of the green-shoe option by the consortium of the banks leading the IPO. The total gross proceeds to the Company from the sale of these shares amounted to CHF 78.9 million, or $65.5 million when converted at the prevailing exchange rates.

Total expenses for the sale of these shares were $8.4 million and were composed of bank commissions, lawyers' and auditors' fees, stamp duties and other costs incurred by the Company for the purpose of preparing the sale of shares through the IPO and that would otherwise have been avoided. These expenses have generated a tax asset for the Company assessed by management at approximately $0.3 million.

As the Company sole intention in preparing and executing the sale of shares through the IPO was to raise capital for financing its growth and as the Company had no intention of listing the Company shares on a stock exchange except for the sole purpose of raising capital, the expenses above mentioned for the sale of shares through the IPO, net of the total tax assets generated, have been recorded as a deduction of equity. As a result of the above, the net proceeds from sale of shares through the IPO were $57,367,138.

Share Repurchase Programme

The Company publicly announced its intention to repurchase its shares on 10 August 2006, pending further verifications of certain tax and legal implications. On 28 September 2006 the Board of Directors provided the final approval for the start of a share repurchase programme (the "Programme") for a maximum of 200,000 shares or $12.0 million. Purpose of the Programme is that the repurchased shares become available for payment of potential acquisitions, for funding of employee share ownership programs and for use in the Company's interest. On 3 October 2006 the Company publicly announced the start of the Programme and its expected end date as 31 March 2007 at the latest.

At 31 December 2006, the total number of shares repurchased by the Company under the Programme was 100,000 shares, the average price of repurchase was CHF 79.33 per share, the total value of the shares repurchased, translated at the prevailing exchange rates, was $6,340,666 and the total expense incurred for bank commissions, stamp duties and stock exchange fees was $42,027. During the Programme no share was sold by the Company. The value of the shares repurchased and the expense of the Programme were deducted from equity in accordance with IAS 32. As a result of the Programme, the numbers of shares held in treasury by the Company was increased from 34,280 shares at 1 January 2006 to 134,280 shares at 31 December 2006, and their value from $7,033 to $6,389,726.

Weighted Average Number of Shares

On 24 March 2005, the Group's capital increase and share split did not change the percentage of ownership of each shareholder of the Company. The 4,500,000 shares outstanding and in circulation after 24 March 2005 reflect the ownership of the Group at beginning of year 2005 and up until before the IPO. After adding the increase in shares issued and in circulation following the IPO, the total weighted average number of share of year 2005 is 5,540,839 shares.

On 1 January 2006 the total number of shares issued and in circulation were 6,047,720, with 34,280 shares issued and held in treasury by the Company. During year 2006 the number of shares issued and in circulation was increased on 2 February 2006 by 83,065 (Note 28), on 30 May 2006 by 5,750 shares (but with effect from 1 January 2006, as the right of ownership to these shares under the share distribution plan of year 2005 was fully acquired at end of year 2005 – Note 31), on 2 November 2006 by 19,727 shares (but with effect from 10 August 2006, as the right of ownership to these shares under the share distribution plan of year 2006 was fully acquired at this date – Note 31) and was decreased by the repurchase of 100,000 shares made between October and December 2006. As a result of all these changes, the total weighted average number of share of year 2006 was 6,120,428 shares.

Dividends

During years 2006 and 2005 no dividends were declared payable or paid by the Company to its Shareholders. The Board of Directors does not intend to propose any dividend at the Annual General Meeting of Shareholders to be held before 30 June 2007.

22. OTHER RESERVES

	Other Reserves			
	Unrealised Losses on Available--for-Sale Investments	Actuarial Losses Directly Recognised in Equity	Translation Reserve	Total
	$	$	$	$
At 1 January 2005	-	-	311,666	311,666
Net loss on available-for-sale investments (Note 13)	(415,476)	-	-	(415,476)
Deferred tax assets arising from net loss on available-for-sale investments	32,532	-	-	32,532
Actuarial losses directly recognised in equity (Note 25)	-	(2,560,000)	-	(2,560,000)
Deferred tax assets arising from direct recognition of actuarial losses in equity		832,000	-	832,000
Exchange differences	-	-	(402,219)	(402,219)
At 31 December 2005	(382,944)	(1,728,000)	(90,553)	(2,201,497)
Net gain on available-for-sale investments (Note 13)	42,929	-	-	42,929
Reverse of deferred tax assets arising from net gain on available-for-sale investments	(3,361)	-	-	(3,361)
Actuarial losses directly recognised in equity (Note 25)	-	(483,483)	-	(483,483)
Deferred tax assets arising from direct recognition of actuarial losses in equity		99,711	-	99,711
Exchange differences	-	-	61,238	61,238
At 31 December 2006	(343,376)	(2,111,772)	(29,315)	(2,484,463)

Reserve for Unrealised Losses on Available-for-Sale Investments includes gains and losses on available-for-sale investments directly recognised in equity as per IAS 39. Reserve for Actuarial Losses Directly Recognised in Equity includes actuarial losses on defined benefit pension plans directly recognised in equity as allowed by IAS 19. Translation Reserve includes the exchange differences related to the consolidation of the financial statements of legal entities whose functional currency differs from the United States Dollar.

23. CONTINGENT LIABILITIES

In December 2004, Spanish Customs Authorities issued customs assessments to one of the major customers of the Group, claiming that the products supplied by the Group to this customer during years 2003 and 2004 did not meet the required specifications to be exempt from import duties that were not paid by this customer or by the Group. The Spanish Customs Authorities are claiming approximately EUR 3 million in customs duties, VAT, and interest related to products shipments made during years 2003 and 2004. In the event of a negative outcome concerning the claim, the customer has requested indemnification from the Group for any and all amounts due to the Spanish Customs Authorities.

The Group is convinced that the claim by the Spanish Customs Authorities is unjustified as the products shipped to this customer met the required specifications to be exempt from the import duties. In order for these products to be exempt from import duties, VAT, and penalties, the Spanish Customs Authorities have requested that the customer prove that the products shipped are within the required specifications.

The Group and the customer have appealed all claims from the Spanish Customs Authorities before the Regional Economic-Administrative Court of Madrid (the "Tax Court") in January 2005. On 26 December 2006 the Tax Court has rejected the appeal, a decision that can be appealed before the Ordinary Court of Justice (the "Ordinary Court").

The Group and the customer have therefore appealed the decision of the Tax Court before the Ordinary Court during February 2007. Both the Group and its legal advisors believe the probability of winning the appeal before the Ordinary Court is high. Based on the above facts, the Group has not provided any amounts in relation to the above claim in the years 2006, 2005 or 2004 Consolidated Financial Statements.

In order to appeal all claims, the customer was obliged to provide a bank guarantee to the Spanish Customs Authorities for a total value of approximately EUR 3 million. While co-operating in full with the Group and its legal advisors for a common effort in the appeal proceedings, the customer has requested a corporate guarantee from the Company for the amount claimed by the Spanish Customs Authorities excluding VAT. The Company has provided such corporate guarantee to the customer in the first half of year 2005 for an amount of approximately EUR 2.6 million.

Shipments of the same digital TV equipment object of these customs assessments were made all along year 2005 and were accepted by the Spanish Customs Authorities as meeting the requirements for exemption from import duties.

In April 2006, a company operating in a business and country where the Group operates (the "Plaintiff") has filed a claim in this country before the Ordinary Court (the "Court") against the Company and a Company's subsidiary, alleging certain unfair competitive practices and requesting injunctive relief (the "First Claim"). The Group vigorously opposed these allegations, and pursuant to a judgment of May 2006, the Court rejected the request for injunctive relief.

In August 2006, the Plaintiff, having lost the First Claim, filed a claim for damage, based on the same allegations, seeking damages of up to around EUR 1.2 million (the "Second Claim"). At 31 December 2006 this claim is still in process. The Group intends to continue opposing these allegations, and considers its probabilities of winning the Second Claim as well are high. Therefore the Group has not provided any amounts in relation to the above claim in the year 2006 Consolidated Financial Statements.

In January 2007, the Plaintiff requested from the Court the right to perform a discovery on certain software products developed by the above-mentioned Group's subsidiary, alleging that such software products may infringe on the Plaintiff's intellectual property.

The Group believes the First Claim, the Second Claim and the allegation of Plaintiff's intellectual property infringement to be unfounded, and further believes they are all part of a same strategy conducted by the Plaintiff against the Group and its subsidiary. The Group has decided to vigorously defend its position with all legal means.

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

On 31 December 2006 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2006	2005
	$	$
Within one year	1,957,265	646,695
In the second to fifth years inclusive	3,324,911	659,431
	5,282,176	1,306,126

The main operating lease agreement of year 2006 refers to the rental of office space for the Company and certain of its subsidiaries. Lease agreements for the rental of office space are more than half of the year 2006 outstanding commitments and represent the main reason for the increase over the year 2005. Other reasons for this increase are the start of the operations of SIMPLE and the acquisition of the business of Vidiom. Operating lease payments recognised as expenses in the Consolidated Income Statements for the years 2006 and 2005 amounted to $1,267,443 and $1,394,249, respectively.

25. RETIREMENT BENEFIT SCHEMES

Defined Contribution Schemes

The Group operates defined contribution retirement schemes for all qualifying employees and most of its subsidiaries. Assets of the schemes are held separately from those of the Group in funds under the control of trustees. If employees leave the schemes prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The majority of the employees of the Group's subsidiaries are members of state-managed retirement schemes operated by the respective governments. The subsidiaries are required to contribute specified percentages of payroll costs to the retirement schemes to fund the benefits. The only obligation of the Group with respect to these retirement schemes is to make the specified contributions.

The total cost charged to the Consolidated Income Statements of years 2006 and 2005 was $1,146,350 and $603,072, respectively, and represents contributions paid or payable to these schemes by the Group at rates specified in the rules of the plans. At 31 December 2006 and 2005, contributions of $245,918 and $105,560, respectively, and due with respect to the current reporting period had not been paid over to the schemes.

In year 2005 the pension plans of the Swiss subsidiaries of the Group were accounted for as defined contribution schemes while in year 2006 they were accounted for as a defined benefit schemes.

In previous years, the Swiss plans were determined immaterial and therefore actuarial valuations were not obtained and the group treated these plans as Defined Contribution plans. Due to the expansion of the Swiss subsidiaries and additional employees in Switzerland, management determined that the Swiss pension plans should be treated as Defined Benefit plans per IAS 19. For the year-ended 31 December 2006, management has obtained the required actuarial valuations and made the required disclosures in accordance with IAS 19. See below for further information.

Defined Benefits Schemes

The Group operates defined benefits schemes for qualifying employees of certain subsidiaries. Under these schemes, employees are entitled to retirement benefits whose value depends on factors such as years of services and average compensations before reaching the eligible retirement age. No other post-retirement benefit is provided. These schemes are funded schemes.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out on 31 December 2006 by Mercer Human Resource Consulting. The present value of the defined benefit obligations, the related current service cost and past service cost was measured by using the project unit credit method.

As discussed under Defined Contributions Schemes, the Group performed an actuarial valuation at end of year 2006 for the Swiss pension plans for the first time. The numbers reported in this note for year 2006 include the impact of the addition of the Swiss pension schemes to the Group defined benefit schemes.

	Valuation at	
	2006	2005
Key assumptions:		
Discount rate	2.25-2.75%	3.25%
Expected return on scheme assets	2.25-3.20%	3.25%
Expected rate of salary increase	2.50%	3.50%

Amounts recognised in the Consolidated Income Statement with respect to these defined benefit schemes are:

	Years Ended	
	2006	2005
	$	$
Current service cost	1,336,146	251,254
Interest cost	116,413	31,457
Expected return on scheme assets	(11,678)	(7,746)
	1,440,881	274,965

Charges for the years 2006 and 2005 of $1,440,881 and $274,965, respectively, have been included in the selling, general and administrative expenses of the same years.

The amounts included in the Consolidated Balance Sheet and arising from the Group's obligations with respect to its defined benefit retirement schemes are:

	2006	2005
	$	$
Present value of defined benefit obligations	(5,966,114)	(3,547,061)
Fair value of scheme assets	1,866,987	310,079
Retirement benefit obligations	(4,099,127)	(3,236,982)

Changes in the present value of defined benefit obligations in the years 2006 and 2005 are:

	2006	2005
	$	$
At 1 January	3,547,061	980,070
Service cost	349,316	251,254
Interest cost	116,413	31,457
Actuarial gains and (losses)	203,701	2,366,231
Exchange difference	29,527	(81,951)
Integration of Swiss pension schemes	1,720,096	-
At 31 December	5,966,114	3,547,061

Changes in the present value of the fair value of schemes assets in the years 2006 and 2005 are:

	2006	2005
	$	$
At 1 January	310,079	217,359
Expected return on scheme assets	11,678	7,746
Actuarial gains and losses	(4,113)	(2,053)
Exchange difference	1,839	(6,950)
Contributions from the sponsoring companies	103,077	93,977
Integration of Swiss pension schemes	1,444,427	-
At 31 December	1,866,987	310,079

The analysis of the scheme assets and the expected rate of return at the reporting dates are:

	Expected Return		Fair Value of Assets	
	2006	2005	2006	2005
			$	$
Pension deposits	2.25-3.20%	3.25%	1,866,987	310,079

The weighted-average asset allocation of the schemes asset at year end was:

	2006	2005
	%	%
Equities	16.6	-
Bonds	41.6	-
Real estate	7.7	-
Other	34.1	100.0
At 31 December	100.0	100.0

Other assets include the assets of the pension pan of the Group subsidiary in Taiwan. These assets are deposited with the Central Trust of China, an organisation owned by the ROC government and whose asset allocation decisions cannot be influenced by private companies.

At 31 December 2006 and 2005, the actual return on plan assets was $7,395 and $3,757, respectively.

The history of experience adjustments is as follows:

	2006	2005
	$	$
Experience adjustments: increase (decrease) of plan liabilities	203,701	2,366,231
Experience adjustments: decrease (increase) of plan assets	4,113	2,053
Swiss pension schemes liabilities, net	275,669	-

In years 2006 and 2005 actuarial losses of approximately $483,483 and $2.56 million, respectively, were recognised directly in equity as allowed by IAS 19.

In year 2007 the Group expects to make contributions to its designed benefit schemes for a total amount of approximately $829,458.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Currency Derivatives

The Group did not utilise derivative financial instruments until the second half of year 2005. In July 2005 the Group adopted a policy for hedging Euro denominated revenue cash flows by utilising currency forward contracts to manage its Euro to United States Dollar exchange rate exposure.

At 31 December 2006 and 2005, there were no derivative financial instruments outstanding. For years 2006 and 2005, the net (loss) gain on forward contracts is $(1,470,000) and $724,700, respectively and is recorded as (loss) gain arising on foreign currency derivatives within revenue (Note 3) in accordance with the provisions of IAS 39.

Towards the end of the year 2006 the Group began selling to a customer in its local currency, the Polish Zloty. In order to hedge this foreign exchange exposure, the Group intends to extend its current policy to cover this foreign denominated revenue.

27. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel

Remuneration of the directors, and key management personnel of the Group, is set out below:

	2006	2005
	$	$
Short-term employee benefits	5,566,891	6,263,112
Post-employment benefits	399,343	276,053
Other long-term benefits	-	-
Termination benefits	310,053	-
Share-based payments	505,144	304,847
Total remuneration	6,781,431	6,844,012

Key management personnel consisted of 14 employees and 6 Directors of the Board during year 2005 and the first half of year 2006. Following reorganisation of the Group, key management personnel is composed of 10 employees and 5 Directors of the Board during the second half of year 2006.

Short-term employee benefits consist of salaries, bonuses and benefits. The main reason for the decline of short-term employee benefits in year 2006 compared to year 2005 is the absence of bonuses earned in year 2006. In year 2005 members of the Board of Directors were compensated with 6,950 shares of the Company to be issued out of the Conditional Capital during year 2006. In year 2006, certain employees of the Group were compensated with 19,727 shares of the Company, a part of which was distributed to Key Management Personnel. Details of these share-based payments recorded by the Group as compensation expense in years 2006 and 2005 are disclosed in Note 31.

Due from Shareholders

At 31 December 2006 and 2005, the amount due from shareholders was $7,966,201 and $12,356,043, respectively. Interest is charged on the outstanding balances at United States Dollar LIBOR + 1%; in years 2006 and 2005 interest rates charged were 5.82% and 4.81%, respectively. During years 2006 and 2005, $5,040,291 and $1,120,533 respectively were repaid by shareholders: these amounts include both repayment of interest to service the debt and partial repayment of the outstanding balance. Shareholders intend to repay all amounts due to the Company before the end of year 2007 (Note 31).

The principal shareholder has also entered into a Deed of Pledge with the Company whereby he has agreed to pledge to the Company 114,000 of his shares of the Company. In case of failure by the main shareholder to repay any amount due to the Company, the contractual agreement allows the Company to realise immediately the pledged shares by private sale or as the Company deems appropriate. In connection with the execution of the Deed of Pledge, the principal shareholder has deposited 114,000 of his shares in the Company with the Company. The Company is holding these shares until repayment of the loan. At 29 December 2006, the last trading day of year 2006, the value of the pledged shares is CHF 80 per share, or approximately $7,485,696.

Management estimate that these assets' fair value is appropriately represented in the Consolidated Financial Statements.

Related Parties Transactions

During year 2006 the Company, acting also on behalf of certain of its subsidiaries, has entered into rental contracts for office space with a related party. The rental contracts are at arms length and the rental fees have been assessed by the Nomination and Compensation Committee of the Board, in his duty of Related Parties Transactions Committee, as in line with the market prices for rental of similar type of real estate in the vicinity. At the end of year 2006 the annual commitment under the outstanding contractual engagement is approximately CHF 0.9 million, the rental commitment is five years and the amount accrued in the year 2006 Consolidated Income Statement is approximately CHF 0.3 million.

28. ACQUISITION OF THE BUSINESS OF VIDIOM SYSTEMS CORPORATION

To strengthen the Group presence in the United States of America digital television market the Company and Vidiom Systems Corporation entered into an asset purchase agreement on 21 December 2005. Vidiom Systems Corporation, a software development and services company based in Denver, Colorado with 103 employees at the end of year 2005, is specialised in Open Cable Application Platform ("OCAP") products and services. OCAP is a trademark of Cable Television Laboratories Inc. based in Denver, Colorado, the standardization body for the American digital cable TV industry. OCAP is the open standard middleware being proposed for adoption by the American digital cable TV industry.

The Company completed on 31 January 2006 the acquisition of the business of Vidiom Systems Corporation. In partial consideration of the purchase of this business, the Company issued on 2 February 2006 83,065 new shares out of its Authorised Capital at an average price of CHF 117.30 each. The value of the shares issued for this capital increase is summarised as follows:

Number of Shares Issued	Price of Shares Issued	Exchange Rate ($/ CHF)	Value of Shares	Expenses Incurred for the Capital Increase	Net Change in Shares Capital
83,065	CHF 117.30	0.778631	$7,586,610	$(203,801)	$7,382,809

The date of the effective change of control was 1 February 2006.

The value of the assets and liabilities acquired and the total consideration paid are set out in the following table:

Assets and Liabilities Acquired	Book Value	Fair Value Adjustments under IFRS	Fair Value on Acquisition
	$	$	$
Assets			
Current assets	-	-	-
Net fixed assets	1,021,533	(191,065)	830,468
Net intangible assets	229,900	456,657	686,557
Other non-current assets	-	-	-
	1,251,433	265,592	1,517,025
Liabilities			
Current liabilities	290,945	-	290,945
Non-current liabilities	699,819	700,521	1,400,340
	990,764	700,521	1,691,285
Net assets acquired	260,669	(434,929)	(174,260)
Goodwill			18,030,051
Total consideration paid			17,855,791
of which cash paid			10,269,181
of which shares paid			7,586,610

No contigent asset or liability was acquired by the Group as part of this business combination.

The cash outflow related to this acquisition and reported in the Consolidated Statement of Cash Flows for the year 2006 is $10,472,982 and corresponds to the sum of the cash portion of the consideration paid ($10,269,181) plus the expenses incurred for the capital increase ($203,801).

In year 2006 this acquisition contributed in total $12.7 million in revenue and $(0.6) million in loss to the Group. Had the acquisition been effective 1 January 2006, the Group revenue for the year would have been increased by approximately $13.8 million and the Group loss would have been increased by approximately $(0.9) million.

29. MAJOR LICENSE AGREEMENTS

The Group has entered into various license agreements with respect to software developments for digital TV equipment, broadband communication and digital television related products. Royalty costs are included in research and development expenses as they are related to the use of third parties' intellectual properties by Group's engineers in connection with their research and development activities.

30. SIGNIFICANT CONTRACT MANUFACTURER

Since 2000, the Group operates with one significant contract manufacturer, which used to produce all of the Group's digital TV equipment in one major location in Thailand. In year 2005 production of the Group's digital TV equipment started in two new locations, in Poland and in the People Republic of China. During year 2006 the Group has engaged a new contract manufacturer to whom it has leased certain equipments and extended a loan in order to support the investments needed to ramp-up production of the Group's digital TV equipment. Details on the equipment lease are provided in Note 13 - Finance Lease Receivables. The total loan extended by the Group to the new contract manufacturer amounts to $1.6 million and its current and non-current portions, evenly split, are recorded as other assets in the year 2006 Consolidated Balance Sheet. The loan earns interest at market rates comparable to the cost of the Group debt financing.

31. EQUITY COMPENSATION PLAN

In August 2005 the Board of Directors has established a compensation plan for members the Board of Directors that included both cash and share based payments. Under this plan each member of the Board of Directors was entitled to receive shares at zero grant / exercise price for each month he was a member of the Board of Directors during year 2005. At 31 December 2005, members of the Board of Directors were entitled to receive from the Company an aggregate total amount of 6,950 shares.

The free grant was made on 9 August 2005 and the share value was set at CHF 67.00 per share, the closing price of the Company's shares on the SWX Swiss Exchange for that day. The total value of the grant was $304,847, representing an increase in equity which was charged as an expense to the Consolidated Income Statement.

Of the 6,950 shares granted, 5,750 shares were issued out of the Company's Conditional Capital (Note 21) on 30 May 2006. The remainder, amounting to 1,200 shares, remains to be issued at the date of this report.

On 9 August 2006 the Board of Directors has established a grant of shares to employees of the Group which was then finalised on 10 August 2006. The total number of shares granted was 19,727 with a zero grant / exercise price; issuance was planned to happen out of the Conditional Capital at a later date, but vesting was immediate, at date of grant. Issuance of the shares happened on 2 November 2006. The computation of the value of the share based payment related to this plan is as follows:

Number of Shares Granted	Date of Grant	Price at Closing	Exchange Rate (CHF/ $)	Value of Shares
19,727	10 August 2006	CHF 48.30	1.23718	$770,150

32. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented in respect to the Group's business and geographical segments.

In year 2005, the primary reporting format, business segments, comprised of Digital TV Equipment and Middleware. The Digital TV Equipment business segment includes the development of equipment and software for digital television and broadband data communication on a worldwide basis, and relies on external contract manufacturers for the production of equipment. The Middleware business segment includes middleware software developed according to open standards, such as MHP, OCAP and related services.

In February 2006 the acquisition of the business of Vidiom Systems Corporation (Note 28) and the redirection of strategic priorities of Osmosys have broadened the scope of the software activities of the Group from development, sale and licensing of open-standard middleware to development, sale and licensing of software and services, always related to digital TV equipment. The Middleware business segment name has been changed accordingly into Software and Services and its figures now include financials of Osmosys and of the acquired business of Vidiom (Note 28).

Since the beginning of year 2006 a new business segment was created to consolidate the financials of SIMPLE and of the tele.DOM brand, new initiatives of the Group active in the area of content creation, aggregation and distribution to digital TV equipment and mobile phones. This new business segment is called New Initiatives.

The secondary reporting format is structured by the three regions in which sales occur:
- Europe, Middle East and Africa (EMEA),
- Asia Pacific (including Australia and New Zealand)
- Americas.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise items included in net financing cost and taxes. Segment capital expenditure is the total investment incurred during the period to acquire segment assets that are expected to be used for more than one period.

In presenting information on the basis of geographical segments, segment revenue is computed on the geographical location of customers while segment assets and capital expenditure are computed on the geographical location of the Group's legal entities involved.

Business Segments

Business segment information for years 2006 and 2005 is as follows:

Year 2006	New Initiatives	Software and Services	Digital TV Equipment	Eliminations	Consolidated
	$	$	$	$	$
REVENUE					
External sales	1,134,655	17,508,436	243,671,260	-	262,314,351
Inter-segment sales	-	2,400,762	2,855,524	(5,256,286)	-
Total revenue	1,134,655	19,909,198	246,526,784	(5,256,286)	262,314,351
RESULT					
Segment result	(2,630,438)	(2,637,705)	117,277	-	(5,150,866)
Interest income					2,216,337
Finance costs					(3,996,206)
Income tax credit					654,583
Loss for the year					(6,276,152)
BALANCE SHEET					
Segment assets	1,960,997	28,300,741	178,880,735	(22,967)	209,119,506
Unallocated corporate assets					57,493,419
Consolidated total assets					266,612,925
Segment liabilities	472,137	3,338,923	139,988,883	(22,967)	143,776,976
Unallocated corporate liabilities					40,020,859
Consolidated total liabilities					183,797,835
OTHER INFORMATION					
Capital expenditure	457,494	22,262,433	15,867,685	-	38,587,612
Depreciation	36,666	373,970	3,223,618	-	3,634,254
Amortisation of intangible assets	18,070	2,768,801	12,964,770	-	15,751,641

Exceptional gains and losses totalling approximately $5.4 million were incurred in the Consolidated Income Statement for the year 2006 (Note 5). Substantially all of these exceptional gains and losses relate to the Digital TV Equipment business segment.

Year 2005	New Initiatives	Software and Services (Middleware)	Digital TV Equipment	Eliminations	Consolidated
		$	$	$	$
REVENUE					
External sales	-	5,469,936	244,428,470	-	249,898,406
Inter-segment sales	-	2,674,265	-	(2,674,265)	-
Total revenue	-	8,144,201	244,428,470	(2,674,265)	249,898,406
RESULT					
Segment result	-	811,057	18,220,452	-	19,031,509
Interest income					2,095,820
Finance costs					(3,388,104)
Income tax expense					(3,459,936)
Profit for the year					14,279,289
BALANCE SHEET					
Segment assets	-	6,166,797	146,187,215	(45,926)	152,308,086
Unallocated corporate assets					54,826,853
Consolidated total assets					207,134,939
Segment liabilities	-	2,565,501	74,028,707	(45,926)	76,548,282
Unallocated corporate liabilities					42,982,715
Consolidated total liabilities					119,530,997
OTHER INFORMATION					
Capital expenditure	-	1,672,246	14,660,506	-	16,332,752
Depreciation	-	105,351	2,286,551	-	2,391,902
Amortisation of intangible assets	-	1,189,465	7,543,049	-	8,732,514

Geographical Segments

The following table shows the carrying amount of assets at 31 December 2006 and 2005 by geographical area:

	2006	2005
	$	$
EMEA	251,007,901	133,860,645
Asia Pacific	10,379,830	72,941,457
Americas	5,225,194	332,837
Total assets	266,612,925	207,134,939

The following table shows the capital expenditure for the years 2006 and 2005 by geographical area:

	2006	2005
	$	$
EMEA	16,569,772	15,068,914
Asia Pacific	888,499	1,165,069
Americas	21,129,341	98,769
Total capital expenditure	38,587,612	16,332,752

The following table provides an analysis of the Group's revenue for the years 2006 and 2005 by geographical market, irrespective of the origin of the goods or services:

	2006	2005
	$	$
EMEA	198,668,726	209,609,088
Asia Pacific	48,951,678	40,201,890
Americas	14,693,947	87,428
Total revenue	262,314,351	249,898,406

Significant Customer Information

The following table provides an analysis of the Group's significant customer information for the years 2006 and 2005 with their comparative amounts:

	2006		2005	
Customer	Amount	% of Total Revenue*	Amount	% of Total Revenue*
	$		$	
A	36,213,358	13.7	41,645,096	16.7
B	35,936,645	13.6	30,404,061	12.2
C	33,510,924	12.7	-	-
D	18,420,719	7.0	9,836,933	3.9
E**	16,639,555	6.3	25,133,587	10.1
F	15,012,689	5.7	7,353,385	3.0

* Excluding the gains (year 2005) or losses (year 2006) arising on foreign currency derivatives (Note 3)

** Merger of three separate customers of year 2005

33. SUBSEQUENT EVENTS

At the date of approval of these accounts the principal shareholder has repaid to the Company approximately $3.5 million of the amounts accounted as due from shareholders at 31 December 2006 (Note 27).

At the date of approval of these accounts the Share Repurchase Programme described in Note 21 has been concluded. The total number of shares repurchased is 143,720 and the average price of repurchase is CHF 77.50 per share. The number of shares repurchased since 1 January 2007 is 43,720 and the total number of shares held in treasury by the Company is now 178,000.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and the presentation of the Consolidated Financial Statements. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 24 April 2007 and will be submitted for approval at the Annual General Meeting of Shareholders to be held before 30 June 2007.

REPORT OF THE GROUP AUDITORS

Deloitte.

To the General Meeting of the Shareholders of Advanced Digital Broadcast Holdings S.A.

As Group auditors, we have audited the Consolidated Financial Statements (balance sheet, income statement, statement of recognised income and expense, cash flow statement and notes) on pages 58 to 99 of Advanced Digital Broadcast Holdings S.A. for the year ended 31 December 2006.

These Consolidated Financial Statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. We have also assessed the accounting principles used and significant estimates made by management, as well as evaluated the overall Consolidated Financial Statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the Consolidated Financial Statements submitted to you be approved.

DELOITTE S.A.

Peter Quigley

Craig Dean

Geneva, 24 April 2007

statutory financial statements

ADVANCED DIGITAL BROADCAST HOLDINGS S.A., Bellevue

BALANCE SHEET AT 31 DECEMBER 2006

(Expressed in CHF, with 2005 comparative figures)

	NOTES	2006	2005
		CHF	CHF
CURRENT ASSETS			
Cash and cash equivalents		16,734,028	46,255,404
Due from group companies		26,159,732	13,040,293
Loan – short term portion	4	965,535	-
Prepaid expenses and other receivables		1,526,423	919,849
Total current assets		45,385,718	60,215,546
NON-CURRENT ASSETS			
Financial investments	3	24,411,828	28,516,298
Own shares	9	7,941,542	8,570
Loan – long term portion	4	950,081	-
Rental guarantee deposits		41,076	19,550
Due from shareholders	5	9,703,133	16,792,983
Due from employees	6	444,382	738,083
Fixed assets, net	7	294,939	415,951
Goodwill, net	8	20,624,043	-
Total non-current assets		64,411,024	46,491,435
TOTAL		109,796,742	106,706,981
LIABILITIES			
Due to group companies		9,903,684	9,973,175
Other payables and accrued expenses		1,214,128	2,537,716
Total liabilities		11,117,812	12,510,891
DEFERRED TRANSLATION GAIN		1,271,189	7,977,634
SHAREHOLDERS' EQUITY			
Share capital	9	1,547,635	1,520,500
Share premium, net	9	83,799,684	82,264,654
Reserve for own shares	9	7,941,542	8,570
General reserve		760,250	-
Retained earnings		3,358,630	2,424,732
Shareholders' equity		97, 407,741	86,218,456
TOTAL		109,796,742	106,706,981

ADVANCED DIGITAL BROADCAST HOLDINGS S.A., Bellevue

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2006

(Expressed in CHF, with 2005 comparative figures)

	NOTES	2006	2005
		CHF	CHF
INCOME			
Financial income		2,661,363	2,498,902
Income from group companies		10,092,493	2,511,519
Foreign exchange gains		-	221,344
Other income		184,932	2,010
Non-recurring income	10	-	1,842,924
Total income		12,938,788	7,076,699
EXPENSES			
Payroll and related costs		1,870,484	502,712
Services from group companies		3,252,800	-
Administrative and other expenses		2,556,563	1,930,895
Depreciation		48,295	133
Goodwill amortisation		1,389,001	-
Foreign exchange losses		331,701	877,823
Financial expenses		121,966	78,886
Non-recurring expenses	10	1,673,830	1,242,831
Total expenses		11,244,640	4,633,280
NET INCOME BEFORE TAXATION		1,694,148	2,443,419
Income tax	11	-	-
NET INCOME AFTER TAXATION		1,694,148	2,443,419
RETAINED EARNINGS (DEFICIT), beginning of the year		2,424,732	(18,687)
Allocation through General Reserve		(760,250)	-
RETAINED EARNINGS, end of the year		3,358,630	2,424,732

ADVANCED DIGITAL BROADCAST HOLDINGS S.A., Bellevue

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

(Expressed in CHF, unless otherwise stated)

1. ACTIVITIES

Advanced Digital Broadcast Holdings S.A. ("the Company"), incorporated on 26 July 2004 in the Canton of Geneva, is the holding company of an international group of companies (together with its subsidiaries the "Group") that are engaged in the development and sale of equipment, services, software and content for the digital television and broadband data communication industry worldwide, and rely on third party contract manufacturers for the production of equipment.
In year 2005, the Company made an Initial Public Offering ("IPO") and since 29 April 2005 the shares of the Company are publicly traded on the SWX Swiss Exchange under the ticker ADBN.
In year 2004, the ultimate parent company of the Group was ADB-Advanced Digital Broadcast Ltd. (the "Predecessor Company"), a company incorporated on 16 May 1995 under the laws of the British Virgin Islands. On 24 March 2005 the Predecessor Company merged with the Company, with retroactive effect to 1 January 2005 (Note 9).

The details of the Company's subsidiaries are listed in Note 3.

2. PRINCIPAL ACCOUNTING POLICIES

Accounting Basis

The Statutory Financial Statements have been prepared in accordance with the provisions of the Swiss Code of Obligations. As permitted by the laws of Switzerland, the books of the Company are maintained in United States Dollars ("$").

Translation of Foreign Currencies

Assets and liabilities expressed in foreign currencies at year-end are translated into United States Dollars at the rate of exchange prevailing at that date. Income and charges arising during the year in foreign currencies are translated into United States Dollars at rates of exchange in effect at the date of the transaction. Exchange differences are included in net income.
The United States Dollar Statutory Financial Statements have been translated into Swiss Francs as follows:

a.	Assets (except investments in subsidiaries and own shares) and liabilities	- closing rate
b.	Investments in subsidiaries and own shares and shareholders' equity	- historical rate
c.	Income (except dividends) and expenses	- average rate

For investments received by the Company as part of the merger, the exchange rate at 1 January 2005 was used for the translation.
Translation gains are deferred and translation losses are included in the determination of net income.
The translation into Swiss Francs should not be construed as a representation that United States Dollar amounts could be converted into Swiss Francs at these or any other rate of exchange.

Financial Investments

Depending on the nature of the investment, financial investments are carried in the books at cost, less a provision for impairment where appropriate. Investments in subsidiaries are carried in the books at historical cost.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method over their useful economic life. The periods of depreciation are as follows:

Leasehold improvements	8 years
Furniture and fixtures	2-5 years
EDP equipment	2-10 years

Goodwill

Goodwill is amortised over its expected useful life for a maximum period of 15 years.

Taxation

The Company, which benefits from the reductions available to holding companies, follows the policy of providing in each year for all income taxes, which will be assessed on the net income shown in the Statutory Financial Statements.

3. FINANCIAL INVESTMENTS

	2006	2005
	CHF	CHF
Financial instruments	22,045,785	22,335,669
Investments in subsidiaries	2,366,043	6,180,629
Financial investments	24,411,828	28,516,298

Investments in subsidiaries comprise the following:

	Ownership	2006	2005
	%	CHF	CHF
Advanced Digital Broadcast Polska Sp. z.o.o. ("ADBP"), Poland	100	1,277,429	1,277,429
Advanced Digital Broadcast S.A. ("ADBG"), Switzerland	100	66,123	66,123
Advanced Digital Broadcast Holdings S.A. Taiwan Branch, Taiwan, ROC	100	-	3,970,626
Advanced Digital Broadcast Ltd. ("ADBT"), Taiwan, ROC	100	351,697	351,697
Advanced Digital Broadcast Inc. ("ADBI"), U.S.A.	100	1,142	1,142
ADB Services S.A ("ADBSSA"), Switzerland	100	200,000	-
ADB Ukraine Ltd. ("ADBUKR"), Ukraine	100	156,641	156,641
tele.DOM Sp. z.o.o. ("tele.DOM"), Poland	100	19,396	19,396
Osmosys S.A. ("OSMOG"), Switzerland	100	100,000	100,000
Osmosys Holding S.A., Luxembourg	100	-	43,960
Vidiom Systems Inc. (former Osmosys Inc., "Vidiom"), U.S.A.	100	39,160	39,160
SIMPLE S.r.l. ("SIMPLE"), Italy	100	154,455	154,455
Total investments in subsidiaries, at costs		2,366,043	6,180,629

The Predecessor Company setup a Taiwan Branch on 23 May 1996, in Taipei, Taiwan, the Republic of China ("ROC") with registered capital of New Taiwan Dollars ("NT$") 2,500,000 as a centre providing local sales support, procurement, manufacturing control and technical support services. On 5 December 2002, the registered capital of the Branch was increased to NT$119,700,000. Since the beginning of year 2004 the majority of the activities of the Branch were transferred to Advanced Digital Broadcast Ltd. In March 2005, following the merger between the Company and the Predecessor Company, the Taiwan Branch has been registered as the Company's Taiwan Branch. The Company's Taiwan Branch was closed on 24 May 2006.

4. LOAN TO THIRD PARTY

During year 2006 the Group has engaged a second contract manufacturer to which the Company has extended a loan in order to support the investments needed to ramp-up production of the Group digital TV equipment. The total loan by the Company to the new contract manufacturer is denominated in United States Dollars and amounts to approximately CHF 1.9 million, evenly split in short-term and long-term portions, with interest accrued recognised in the short-term portion.

5. DUE FROM SHAREHOLDERS

At 31 December 2006 and 2005, the amount due from shareholders was $7,966,201 and $12,356,043, or CHF 9,703,133 and CHF 16,792,983 respectively. Interest is charged on the outstanding balances at United States Dollar LIBOR + 1%; in years 2006 and 2005 interest rates charged were 5.82% and 4.81%, respectively. During years 2006 and 2005, $5,040,291 and $1,120,533 respectively were repaid by shareholders: these amounts include both repayment of interest to service the debt and partial repayment of the outstanding balance.

The principal shareholder has also entered into a Deed of Pledge with the Company whereby he has agreed to pledge to the Company 114,000 of his shares of the Company. In case of failure by the main shareholder to repay any amount due to the Company, the contractual agreement allows the Company to realise immediately the pledged shares by private sale or as the Company deems appropriate. In connection with the execution of the Deed of Pledge, the principal shareholder has deposited 114,000 of his shares in the Company with the Company. The Company is holding these shares in until repayment of the loan. At 29 December 2006, the last trading day of year 2006, the value of the pledged shares is CHF 80 per share, or CHF 9,120,000 overall, which approximates $7,485,696.

6. DUE FROM EMPLOYEES

Loans, which were acquired by the Company during the merger, were made to two employees of the Group. These loans are repayable over 10 years and bear interest at United States Dollar LIBOR + 1%.

7. FIXED ASSETS, NET

	2006	2005
	CHF	CHF
At cost :		
Leasehold improvements	23,420	52,718
Furniture and fixtures	197,489	273,450
Fixed assets, others - Machinery and Equipment	120,836	89,924
Total at cost	341,745	416,092
Less : accumulated depreciation	(46,806)	(141)
Fixed assets, net	294,939	415,951

The majority of the Company's fixed assets were acquired in December 2005, in preparation of the Company move to new premises at the beginning of year 2006. At 31 December 2006, the Company's fixed assets are insured against the risk of fire by a related company (same for year 2005).

8. GOODWILL, NET

Following approval by its Board of Directors on 31 January 2006, the Group completed the acquisition of the business of Vidiom Systems Corporation. As described in Note 28 of the Consolidated Financial Statements, this acquisition contributed $18,030,051, or CHF 21,966,436, in goodwill to the Company.

	2006
	CHF
Goodwill at acquisition	21,966,436
Goodwill amortisation	(1,342,393)
Goodwill, net	20,624,043

Goodwill generated by the acquisition of the business of Vidiom is depreciated over an expected useful life of 15 years.

9. SHAREHOLDERS' EQUITY

Share Capital

	2006	2005
Number of ordinary shares of CHF 0.25 each	6,190,542	6,082,000
In CHF	1,547,635	1,520,500

The Company was incorporated on 29 July 2004 with 10,000 registered shares of CHF 10 nominal value each. As a result of the merger with the Predecessor Company described in Note 1, 102,500 new bearer shares with a nominal value of CHF 10 each were issued to the shareholders of the Predecessor Company in exchange for the net assets. Subsequently, the fully paid-in share capital consisted of 112,500 shares of CHF 10 amounting to CHF 1,125,000. At the Extraordinary Meeting of Shareholders held on 24 March 2005, the share capital was split into 4,500,000 registered shares of CHF 0.25 each.

On 28 April 2005, the Board of Directors decided to increase the share capital of the Company by 1,582,000 registered shares of CHF 0.25 each. Subsequently, the Company had 6,082,000 registered shares of CHF 0.25 each, amounting to CHF 1,520,500, until end of year 2005.

On 2 February 2006, the capital stock was increased by 83,065 registered shares of CHF 0.25 each which were issued out of the Authorised Capital as a partial consideration for the acquisition of the business of Vidiom. These shares were issued at a price of CHF 117.30, with a share premium of CHF 117.05 each. The total share premium was CHF 9,722,758. Costs incurred by the Company for the capital stock increase amounted to CHF 248,387 or $203,801 and were deducted from share premium.

On 30 May 2006, the capital stock was increased by 5,750 shares of CHF 0.25 each issued out of the Conditional Capital and distributed to members of the Board of Directors.

On 2 November 2006, the capital stock was increased by 19,727 shares of CHF 0.25 each issued out of the Conditional Capital and distributed to certain employees of the Group.

Subsequently, the Company had 6,190,542 registered shares of CHF 0.25 each, amounting to CHF 1,547,635.50, until end of year 2006.

Share capital of the Company at 31 December 2006, consists of the following:

	Authorised Capital	Conditional Capital	Issued and fully paid
	Number of Shares	Number of Shares	Number of Shares
ORDINARY SHARES OF CHF 10 EACH			
Balance brought forward at 1 January 2005	-	-	10,000
Increase on 24 March 2005	-	-	102,500
Share split on 24 March 2005 from CHF 10 each to CHF 0.25 each	-	-	4,387,500
	-	-	4,500,000
ORDINARY SHARES OF CHF 0.25 EACH			
Capital Increase on 24 March 2005	2,250,000	450,000	-
New issuance of common shares on 28 April 2005 in connection with IPO	(1,582,000)	-	1,582,000
Balance brought forward at 31 December 2005	668,000	450,000	6,082,000
New issuance of common shares on 2 February 2006	(83,065)	-	83,065
New issuance of common shares on 30 May 2006	-	(5,750)	5,750
New issuance of common shares on 2 November 2006	-	(19,727)	19,727
Balance brought forward at 31 December 2006	584,935	424,523	6,190,542
of which shares in circulation			6,056,262
of which own shares held in treasury			134,280

The 5,750 and 19,727 shares issued out of the Conditional Capital in year 2006 will be registered with the Swiss Commercial Registry during the beginning of year 2007 in accordance with the provisions of Swiss law.

The Company has one class of ordinary shares, which carry no right to fixed income. The nominal value of each Company share is CHF 0.25.

The Authorised Capital can be used by the Company's Board of Directors to increase the Company' share capital by a maximum of 584,935 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 27 March 2007. It is the Board of Directors intention to ask an extension of the Authorised Capital beyond 27 March 2007 at the next Annual General Meeting of Shareholders. Statutory pre-emptive rights of the existing shareholders of the Company can be excluded if the capital increase is effected for the purpose of:

- a capital increase in the context of an initial public offering made on the occasion of the listing of the shares at a stock exchange;
- a green-shoe option in favour of a bank or a consortium in the context of a placement at a market price in a maximum amount of 15% of the initially subscribed shares in connection with an initial public offering;
- the takeover of enterprises, divisions thereof or participations in companies;
- the financing and refinancing of the acquisition of enterprises, divisions thereof or participations or of newly-planned investments; or
- strategic investments of and with business partners.

In addition to the Authorised Capital, the Company share capital may also be increased by a maximum of 424,523 registered shares of CHF 0.25 each, fully paid-in (the "Conditional Capital"), in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of the Company or of affiliated companies of the Group. Existing shareholders' preferential subscription rights are excluded. The Board of Directors must establish the employee participation scheme (employee stock option plans and employee stock plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the options are set by the Board of Directors.

Share Premium

Share premium consists of the following:

	CHF
Share premium on merger with the Predecessor Company (see below)	13,861,781
Premium on IPO and green-shoe	78,546,789
Less : expenses incurred in relation to IPO	(10,143,916)
Share premium, net at 31 December 2005	82,264,654
Premium on shares issued for partial payment of Vidiom business	9,722,758
Less : expenses incurred in relation to shares issued for Vidiom	(248,387)
Shares issued to Directors and employees at nominal value	(6,369)
Less : value of share repurchased (see below – own shares)	(7,932,972)
Share premium, net at 31 December 2006	83,799,684

On 29 April 2005 the Company has sold 1,547,720 newly issued shares at the gross price of CHF 51.00 each through an Initial Public Offering (the "IPO") during which the Company shares were listed on the SWX Swiss Exchange (the "SWX"). Of the 1,547,720 newly issued shares, 27,759 shares were sold through the partial exercise of the green-shoe by the consortium of the banks leading the IPO. The total gross proceeds to the Company from the sale of these shares amounted to CHF 78.9 million, or $65.5 million when converted at the prevailing exchange rates.

Total expenses for the sale of these shares were CHF 10.1 million, or $8.4 million, and were composed of bank commissions, lawyers' and auditors' fees, stamp duties and other costs incurred by the Company for the purpose of preparing the sale of shares through the IPO and that would otherwise have been avoided.

As the Company sole intention in preparing and executing the sale of shares through the IPO was to raise capital for financing its growth and as the Company had no intention of listing the Company shares on a stock exchange except for the sole purpose of raising capital, all of the expenses above mentioned for the sale of shares through the IPO have been recorded as a deduction of equity. The net proceeds from sale of shares through the IPO were CHF 68.8 million.

The premium on the merger with the Predecessor Company described in Note 1 was computed as follows:

	CHF
Net assets acquired through merger	14,886,781
New shares issued	(1,025,000)
Share premium on merger with the Predecessor Company	13,861,781

102,500 new shares with a nominal value of CHF 10 were issued to the shareholders of the Predecessor Company in exchange for the net assets acquired through the merger.

Own shares

	Number of shares	CHF
Balance at 29 April 2005 (IPO)	62,039	15,510
Less : Sale of treasury shares for green-shoe	(27,759)	(6,940)
Treasury shares at 31 December 2005	34,280	8,570
Share Repurchase	100,000	7,932,972
Treasury shares at 31 December 2006	134,280	7,941,542

The Company publicly announced its intention to repurchase its shares on 10 August 2006, pending further verifications of certain tax and legal implications. On 28 September 2006 the Board of Directors provided the final approval for the start of a share repurchase programme (the "Programme") for a maximum of 200,000 shares or $12.0 million. Purpose of the Programme is that the repurchased shares become available for payment for potential acquisitions, for funding of employee share ownership programmes and for the use in the Company's interest. On 3 October 2006 the Company publicly announced the start of the Programme and its expected end date as 31 March 2007 at the latest.

At 31 December 2006, the total number of shares repurchased by the Company under the Programme was 100,000 shares, the average price of repurchase was CHF 79.33 per share, the total value of the shares repurchased was CHF 7,932,972. During the Programme no share was sold by the Company. As a result of the Programme, the numbers of shares held in treasury by the Company increased from 34,280 shares at 1 January 2006 to 134,280 shares at 31 December 2006, and their value from CHF 8,570 to CHF 7,941,542.

10. NON-RECURRING INCOME AND EXPENSES

In year 2005 non-recurring income and expenses consist of assets and liabilities acquired through the merger with the Predecessor Company described in Note 1 and for which valuation adjustments have been made during the year. In year 2006 non-recurring expenses consist of losses incurred in the process of liquidation and final closing of the Company's Taiwan Branch, which is described in Note 1.

11. TAXATION

The Company has incurred expenses in relation to the IPO which are deductible for tax purposes, and has therefore offset those expenses, which are accounted for in deduction of share premium, against taxable income. As a result, the Company has no income tax charge in years 2006 and 2005.

12. AMOUNT DUE TO PENSION FUND

At 31 December 2006 there is an amount due to the employee pension fund of CHF 4,605 (CHF 33,363 at 31 December 2005).

13. COMMITMENTS

At 31 December 2006 the Company has provided third party guarantees for a total aggregate amount of approximately CHF 157 million (CHF 48 million at 31 December 2005). These guarantees were mostly issued to banks lending money to the Company's subsidiaries for a total amount of credit lines of approximately CHF 144 million, of which approximately CHF 63 million were used by the Company's subsidiaries at 31 December 2006.

In year 2006, the Company has committed, also on behalf of certain of its subsidiaries, to be party to a rental agreement with a related party for the new premises of the Company and of these subsidiaries, for an expected gross annual expense of approximately CHF 0.9 million.

14. CONTINGENT LIABILITIES

The Company is part of a group for VAT purposes with other affiliates of the Group in Switzerland. The Company is jointly and severally liable towards tax authorities for current and future VAT payable for the VAT group it belongs to.

In April 2006, a company operating in a business and country where the Group operates (the "Plaintiff") has filed a claim in this country before the ordinary court (the "Court") against the Company and a Company's subsidiary, alleging certain unfair competitive practices and requesting injunctive relief (the "First Claim"). The Group vigorously opposed these allegations, and pursuant to a judgment of May 2006, the Court rejected the request for injunctive relief.

In August 2006, the Plaintiff, having lost the First Claim, filed a claim for damage, based on the same allegations, seeking damages of up to around Euro 1.2 million (the "Second Claim"). At 31 December 2006 this claim is still in process. The Group intends to continue opposing these allegations, and considers its probabilities of winning the Second Claim as well are high. Therefore the Group has not provided any amounts in relation to the above claim in the year 2006 accounts.

The Group believes the First Claim and the Second Claim to be unfounded, and further believes they are all part of a same strategy conducted by the Plaintiff against the Group and its subsidiary. The Group has decided to vigorously defend its position with all legal means.

15. SUBSEQUENT EVENTS

Details of subsequent events can be found in Note 33 of the Consolidated Financial Statements.

ADVANCED DIGITAL BROADCAST HOLDINGS S.A., Bellevue

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors of Advanced Digital Broadcast Holdings S.A. proposes that the retained earnings at 31 December 2006 amounting to CHF 3,358,630 be dealt with as follows:

	2006	2005
	CHF	CHF
Transfer to General Reserve	13,568	760,250
Carry forward the balance	3,345,062	1,664,482
Total	3,358,630	2,424,732

REPORT OF THE STATUTORY AUDITORS

Deloitte.

To the General Meeting of the Shareholders of Advanced Digital Broadcast Holdings S.A., Bellevue

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) on pages 102 to 110 of Advanced Digital Broadcast Holdings S.A. for the year ended 31 December 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

DELOITTE SA

Peter Quigley
Auditor in charge

Craig Dean

Geneva, 24 April 2007

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