Unaudited Interim Financial Statements

for the 6 months ended 31 December 2015

Mobile Streams PLC. Registered in England & Wales No. 03696108

30 March 2016

Interim Results

Mobile Streams plc ("Mobile Streams" or the "Company") (AIM: MOS) updates its shareholders on its unaudited interim results for the six months ended 31 December 2015. These were in line with management's expectations as set out in the Company's trading update on 22 January:

- Revenues of £8.0m (£18.5m for the 6 months ended 31 December 2014). All revenue is from continuing operations;
- Mobile Internet revenues were £7.9m (6 months ended 31 December 2014: £18.1m);
- EBITDA* loss of £104k (6 months ended 31 December 2014: £313k profit);
- Post-tax loss of £321k (6 months to 31 December 2014: £302k loss); and
- £1.5m of cash and cash equivalents at 31 December 2015 (31 December 2014: £3.2m), with no debt. The company´s current cash balance is £ 1.4m.

* Earnings before interest, tax, depreciation, amortisation and share compensation ("EBITDA") is a non IFRS measure which the Group uses to assess its performance. It is defined as earnings before interest, tax, depreciation, amortisation and share compensation.

During the period under review, and subsequently, the Company has continued to deliver its strategy of launching subscription based and ad-funded Mobile Internet services in emerging markets.

In India, the Company's local subsidiary, Mobile Streams India Private Limited, has launched subscription services with billing connectivity for the three largest local mobile phone operators, reaching a potential billable audience of approximately 600 million local mobile phone users. Discussions are under way to add additional mobile billing connections in India in order to maximize the potential number of subscribers accessible through the service. The Company has been implementing its usual launch related testing and optimisation processes to establish key metrics such as the marketing acquisition costs and lifetime subscriber values associated with the market. The Company offers daily, weekly and monthly subscriptions at various price points and has been learning which business models appeal most to local consumers.

The Company's ad-funded MobileGaming.com service has been expanded into several new markets beyond the initial launches in India, Argentina and the U.S. Following the Company's trading update on 22 January 2016, this service has since launched in the Company's second largest market, Mexico, and is scheduled to launch in Colombia and Brazil shortly.

As announced on 22 January 2016, the Company has continued to develop proprietary technology to power its ad-funded games store MobileGaming.com. This includes developing a Download Manager to help consumers complete their downloads in places where the cellular coverage is variable, building a low end version of the service for older Android devices, building an installable app version of the service to supplement the mobile internet service, and further enhancing our wrapper technology. The Company has localised the service into multiple languages. We have also added several new advertisement types and mobile advertising networks and continue to work to optimize the service and customer experience.

Commenting, Simon Buckingham, CEO of Mobile Streams said: "The Company has been focused on stabilising its Latin American operations in Argentina, Mexico, Colombia and Brazil. Additionally, Mobile Streams has been working to launch and grow its operations in India. Whilst still at an early stage, operations in India are proceeding along the expected lines, and the Company remains excited about the potential for this market as well as its ad funded services."

OPERATING REVIEW

Mobile internet

During the period, we continued to invest in our mobile internet subscription services, in particular in our core Latin American markets of Argentina, Mexico, Colombia and Brazil. Additionally, we started operating services in India. The internet business has been affected mainly by such economic factors as the devaluation and consumer spending in Argentina.

Mobile operators

The mobile operator segment continued its gradual decline in revenues over the period as the Company continued to execute its strategy of building services on the open mobile internet. Consumers tend to buy less content from operator managed content services as they upgrade from traditional mobile devices to smartphones and tablets.

FINANCIAL REVIEW

For the 6 months ended 31 December 2015.

Gross profit for the six month period ended 31 December 2015 was £2.1m (2014: £5.0m). Gross margin was 25.9%, down from 26.8% in 2014.

Mobile Internet revenue has decreased by 56.2% to £7.9m (2014: £18.1m). The cost of sales on mobile internet revenue is much higher than on operator revenue because of marketing costs resulting in a lower overall gross profit margin.

The Group recorded a loss after tax of £321k for the 6 months ended 31 December 2015 (2014: loss £302k), generating a loss per share of 0.865 pence per share (2014: 0.814 pence loss per share).

Adjusted loss per share (excluding depreciation, amortisation, impairments and share compensation expense) was 0.674 pence per share (2014: 0.461 pence adjusted loss per share).

Cash and cash equivalents

The Argentine peso devalued by around 20% during December 2015, caused by the release of currency restrictions, meaning that currency can now flow freely in and out of Argentina. This policy was adopted by the country's new elected president in November 2015. Current cash balances are £ 1.4m.
The impact of the devaluation in the income statement was £ 0.1m reduction in revenue. The effect of on the balance sheet was £0.8m loss recognized in the currency translation reserve account. For the remainder of the year, the revenues in GBP will be reduced by about 20% due to the peso devaluation effect.

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 December 2015	Unaudited 6 months ended 31 December 2014	Audited 12 months ended 30 June 2015
	£000's	£000's	**£000's**
Revenue	**8,033**	**18,488**	**29,063**
Cost of sales	(5,948)	(13,519)	(21,390)
Gross profit	2,085	4,969	7,673
Selling and marketing costs	(771)	(2,884)	(3,405)
Administrative expenses **	(1,489)	(1,903)	(3,493)
Operating (Loss)/ profit	(175)	182	775
Finance income	47	26	65
Finance expense	(13)	-	(8)
(Loss)/Profit before tax	(141)	208	832
Tax expense	(180)	(510)	(495)
(Loss)/Profit for the period	(321)	(302)	337
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc	(321)	(302)	337

Earning Per Share

	Pence per share	Pence per share	Pence per share
Basic (loss)/earnings per share	**(0.865)**	**(0.814)**	**0.908**
Diluted (loss)/earnings per share	**(0.865)**	**(0.814)**	**0.855**

* *Administrative expenses include depreciation, amortisation, impairment and share based compensation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 December 2015 £000's	**Unaudited 6 months ended 31 December 2014 £000's**	**Audited 12 months ended 30 June 2015 £000's**
(Loss)/profit for the period	**(321)**	(302)	337
Exchange differences on translating foreign operations	**(822)**	70	(92)
Total comprehensive (loss)/income for the period	**(1,143)**	(232)	245
Total comprehensive (loss)/income for the period attributable to:			
Equity shareholders of Mobile Streams plc	**(1,143)**	(232)	245

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 December 2015	Unaudited 6 months ended 31 December 2014	Audited 12 months ended 30 June 2015
	£000's	£000's	£000's
Assets			
Non- Current			
Intangible assets	1	1	-
Property, plant and equipment	52	127	94
Deferred tax asset	-	-	285
	53	**128**	**379**
Current			
Trade and other receivables	3,307	5,188	4,016
Cash and cash equivalents	1,512	3,238	2,098
	4,819	**8,426**	**6,114**
Total assets	**4,872**	**8,554**	**6,493**
Equity			
Equity attributable to equity holders of Mobile Streams Plc			
Called up share capital	74	74	74
Share Premium	10,579	10,579	10,579
Translation reserve	(2,955)	(1,971)	(2,133)
Retained earnings	(5,059)	(6,334)	(4,782)
Total equity	2,639	2,348	3,738
Liabilities			
Current			
Trade and other payables	1,607	4,299	2,090
Current tax liabilities	626	1,907	665
	2,233	6,206	2,755
Total liabilities	2,233	6,206	2,755
Total equity and liabilities	**4,872**	**8,554**	**6,493**

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 31 December 2015	Unaudited 6 months ended 31 December 2014	Audited 12 months ended 30 June 2015
	£000's	£000's	£000's
Operating activities			
Profit before taxation	(141)	208	832
Adjustments:			
Shared based payments	44	103	219
Depreciation	27	28	59
Interest received	(47)	-	(65)
Changes in Trade and other receivables	709	1,305	1,983
Changes in Trade and other payables	(483)	(1,381)	(3,250)
Movement in provisions	-	-	(340)
Tax Paid	(219)	(271)	-
Interest paid	(13)	-	-
Total cash utilised in operating activities	(123)	(8)	(562)
Investing Activities			
Additions to property, plant and equipment	(1)	-	(49)
Interest received	47	26	65
Net Cash generated from investing activities	46	26	16
Issue of share capital (net of expenses paid)	-	-	39
Net Cash generated from financing activities	-	-	39
Net change in cash and cash equivalents	(77)	18	(507)
Cash and cash equivalents at beginning of period	2,098	2,964	2,964
Exchange (loss)/ gain on cash and cash equivalents	(509)	256	(359)
Cash and cash equivalents, end of period	1,512	3,238	2,098

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share premium	Translation reserve	Retained earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's
Balance at 1 July 2014	**74**	**10,579**	**(2,041)**	**(5,338)**	**3,274**
Credit for share based payments	-	-	-	130	130
Transactions with owners	**-**	**-**	**-**	**130**	**130**
Profit/(loss) for the 6 months ended 31 December 2014	-	-	-	(302)	(302)
Exchange differences on translating foreign operations	-	-	70	(824)	(754)
Total comprehensive income for the period	**-**	**-**	**70**	**(1,126)**	**(1,056)**
Balance at 31 December 2014	**74**	**10,579**	**(1,971)**	**(6,334)**	**2,348**
Balance at 1 January 2015	74	10,579	(1,971)	(6,334)	2,348
Credit for share based payments	-	-	-	115	115
Transactions with owners	**-**	**-**	**-**	**115**	**115**
Profit for the 6 months ended 30 June 2015	-	-	-	1,437	1,437
Exchange differences on translating foreign operations	-	-	(162)	-	(162)
Total comprehensive income for the period	**-**	**-**	**(162)**	**-**	**(162)**
Balance at 30 June 2015	**74**	**10,579**	**(2,133)**	**(4,782)**	**3,738**
Balance at 1 July 2015	74	10,579	(2,133)	(4,782)	3,738
Credit for share based payments	-	-	-	44	44
Transactions with owners	**-**	**-**	**-**	**44**	**44**
Loss for the 6 months ended 31 December 2015	-	-	-	(321)	(321)
Exchange differences on translating foreign operations	-	-	(822)	-	(822)
Total comprehensive income for the period	**-**	**-**	**(822)**	**(321)**	**(1,143)**
Balance at 31 December 2015	**74**	**10,579**	**(2,955)**	**(5,059)**	**2,639**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results of Mobile Streams PLC are prepared in accordance with the requirements of IAS 34 Interim Financial Reporting as adopted by the EU and prepared in accordance with the accounting policies set out in the last financial statements for the 12 months ended 30 June 2015.

The interim results, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

The comparative financial information for the 12 months ended 30 June 2015 has been extracted from the statutory accounts for that period. In addition, the financial information for the 6 months ended 31 December 2015 has been extracted from the unaudited Interim results. The full audited accounts of the Group for the 12 months ended 30 June 2015 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have been delivered to the Registrar of Companies.

The auditor's report on these financial statements was unqualified and did not contain statements under S498(2) or S498(3) of the Companies Act 2006.

2. SEGMENT REPORTING

As at 31 December 2015, the Group was organised into 4 geographical segments: Europe, North America, Latin America, and Asia Pacific. Revenues were from external customers only and generated from three principal business activities: the sale of mobile content through MNO s (Mobile Operator sales), the sale of mobile content over the internet (Mobile Internet sales) and the provision of consulting and technical services (Other Service Fees).

All operations are continuing and all inter-segment transfers are priced and carried out at arm's length.

The segmental results for the 6 months ended 31 December 2015 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Mobile operator sales	8	5	19	80	**112**
Mobile internet sales	-	-	4	7,901	**7,905**
Other service fees	15	-	-	1	**16**
Total Revenue	**23**	**5**	**23**	**7,982**	**8,033**
Cost of sales	(40)	(14)	(10)	(5,884)	**(5,948)**
Gross profit	**(17)**	**(9)**	**13**	**2,098**	**2,085**
Operating expenses	(291)	(86)	(70)	(1,742)	**(2,189)**
EBITDA*	**(308)**	**(95)**	**(57)**	**356**	**(104)**
Depreciation, amortisation	-	-	-	(27)	**(27)**
Share based compensation	(44)	-	-	-	**(44)**
Revenue/expense intercompany	238	-	-	(238)	**-**
Finance income	-	-	1	33	**34**
Profit/(Loss) before tax	**(114)**	**(95)**	**(56)**	**124**	**(141)**
Income tax expense	-	-	-	(180)	**(180)**
Loss after tax	**(114)**	**(95)**	**(56)**	**(56)**	**(321)**

*Calculated as profit before tax, interest, amortization, depreciation, share compensation expense and impairment of assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental results for the 6 months ended 31 December 2014 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Mobile operator sales	9	92	18	284	**403**
Mobile internet sales	-	-	26	18,035	**18,061**
Other service fees	15	-	1	8	**24**
Total Revenue	**24**	**92**	**45**	**18,327**	**18,488**
Cost of sales	(11)	(65)	(26)	(13,417)	**(13,519)**
Gross profit	**13**	**27**	**19**	**4,910**	**4,969**
Operating expenses	(277)	(130)	(90)	(4,159)	**(4,656)**
EBITDA*	**(264)**	**(103)**	**(71)**	**751**	**313**
Depreciation, amortisation	-	-	(1)	(27)	**(28)**
Share based compensation	(103)	-	-	-	**(103)**
Revenue/expense intercompany	619	-	-	(619)	-
Finance income	2	-	1	23	**26**
Profit/(Loss) before tax	**254**	**(103)**	**(71)**	**128**	**209**
Income tax expense	-	-	(7)	(503)	**(510)**
Profit/(Loss) after tax	254	(103)	(78)	(375)	**(302)**

*Calculated as profit before tax, interest, amortization, depreciation, share compensation expense and impairment of assets.

The segmental results for the year ended 30 June 2015 were as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Group
Mobile operator sales	10	151	29	440	**630**
Mobile internet sales	-	-	28	28,379	**28,407**
Other service fees	10	-	2	14	**26**
Total revenue	**20**	**151**	**59**	**28,833**	**29,063**
Cost of sales	(27)	95	(11)	(21,447)	**(21,390)**
Gross profit	**(7)**	**246**	**48**	**7,386**	**7,673**
Operating expenses	397	(249)	42	(6,810)	**(6,620)**
EBITDA*	**390**	**(3)**	**90**	**576**	**1,053**
Depreciation, amortisation	-	(1)	(1)	(57)	**(59)**
Share compensation expense	(219)	-	-	-	**(219)**
Finance income	3	-	1	53	**57**
Profit/(loss) before tax	174	(4)	90	572	**832**
Taxation	-	-	(7)	(488)	**(495)**
Profit/(Loss) after tax	174	(4)	83	84	**337**

The segmental assets at 31 December 2015 were as follows:

£000's	Europe	Asia	North America	Latin America	Consol	Group
Non current fixed assets						
Property, plant & equipment	**-**	**-**	**-**	**52**	**-**	**52**
Intangible assets	-	-	**1**	-	-	**1**
Current assets	**183**	**218**	**347**	**4,071**	**-**	**4,819**
Cash and cash equivalents	108	35	254	1,115	-	**1,512**
Accounts receivable	14	54	13	590	-	**671**
Accrued receivables	8	104	40	471	-	**623**
Prepayments	25	10	10	1,678	-	**1,723**
Minimum guarantees and advances	-	-	-	13	-	**13**
Other assets	28	15	30	204	-	**277**
TOTAL ASSETS	**183**	**218**	**348**	**4,123**	**-**	**4,872**
Current liabilities	**(167)**	**(68)**	**(275)**	**(1,723)**	**-**	**(2,233)**
Trade Payables	(72)	(37)	(30)	(168)	-	**(307)**
Accrued content costs	(30)	(17)	(230)	(447)	-	**(724)**
Other accrued liabilities	(43)	(1)	(15)	(302)	-	**(361)**
Other payables	(22)	(13)	-	(180)	-	**(215)**
Corporate income tax payable	-	-	-	(626)	-	**(626)**
TOTAL LIABILITIES	**(167)**	**(68)**	**(275)**	**(1,723)**	**-**	**(2,233)**

The segmental assets at 31 December 2014 were as follows:

£000's	Europe	Asia	North America	Latin America	Consol	Group
Non current fixed assets						
Property, plant & equipment	**-**	**-**	**1**	**126**	**-**	**127**
Intangible assets	-	-	**1**	-	-	**1**
Current assets	**1,397**	**98**	**638**	**6,293**	**-**	**8,426**
Cash and cash equivalents	1,317	12	560	1,349	-	**3,238**
Accounts receivable	18	49	8	988	-	**1,063**
Accrued receivables	17	4	43	1,391	-	**1,455**
Prepayments	4	11	10	1,636	-	**1,661**
Minimum guarantees and advances	-	-	-	14	-	**14**
Other assets	41	22	17	915	-	**995**
TOTAL ASSETS	**1,397**	**98**	**640**	**6,419**	**-**	**8,554**
Current liabilities	**(437)**	**(193)**	**(296)**	**(5,280)**	**-**	**(6,206)**
Trade Payables	(36)	(59)	(46)	(1,428)	-	**(1,569)**
Accrued content costs	(30)	(222)	(245)	(690)	-	**(1,187)**
Other accrued liabilities	(378)	105	(15)	(1,016)	-	**(1,304)**
Other payables	7	(17)	10	(239)	-	**(239)**
Corporate income tax payable	-	-	-	(1,907)	-	**(1,907)**
TOTAL LIABILITIES	**(437)**	**(193)**	**(296)**	**(5,280)**	**-**	**(6,206)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental assets at 30 June 2015 were as follows:

£000's	Europe	Asia	North America	Latin America	Consol	Total
Non current fixed assets						
Property, plant & equipment	**-**	**1**	**-**	**93**	**-**	**94**
Deferred tax	**-**	**-**	**-**	**285**	**-**	**285**
Current assets	**846**	**101**	**452**	**4,715**	**-**	**6,114**
Cash and cash equivalents	795	13	380	910	-	**2,098**
Accounts receivable	6	50	11	943	-	**1,010**
Accrued receivables	9	5	32	711	-	**757**
Prepayments	30	9	10	2,011	-	**2,060**
Minimum guarantees and advances	-	-	-	13	-	**13**
Other assets	6	24	19	127	-	**176**
TOTAL ASSETS	**846**	**102**	**452**	**5,093**	**-**	**6,493**
Current liabilities	**(162)**	**20**	**(249)**	**(2,364)**	**-**	**(2,755)**
Trade Payables	(60)	(46)	(29)	(865)	-	**(1,000)**
Accrued content costs	(31)	(20)	(215)	(411)	-	**(677)**
Other accrued liabilities	(64)	95	(14)	(354)	-	**(337)**
Other payables	(7)	(9)	9	(69)	-	**(76)**
Corporate income tax payable	-	-	-	(665)	-	**(665)**
TOTAL LIABILITIES	**(162)**	**20**	**(249)**	**(2,364)**	**-**	**(2,755)**

3. EARNINGS PER SHARE

Earnings per share

Earnings per share is calculated by dividing the(loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited 6 months ended 31 December 2015	Unaudited 6 months ended 31 December 2014	Audited 12 months ended 30 June 2015
(Loss)/profit for the period (£000's)	(321)	(302)	337
Loss earnings per share (pence):			
Basic	(0.865)	(0.814)	0.908
Diluted	(0.865)	(0.814)	0.855

Adjusted earnings per share

Adjusted earnings per share is calculated to reflect the underlying profitability of the business by excluding non-cash charges for depreciation, amortisation, impairments and share compensation charges.

	6 months ended 31 December 2015 £000's	6 months ended 31 December 2014 £000's	12 months ended 30 June 2015 £000's
(Loss)/profit for the period	(321)	(302)	337
Add back: share compensation expense	44	103	219
Add back: depreciation and amortisation	27	28	59
Adjusted (Loss)/profit for the period	(250)	(171)	615
	Pence per share	Pence per share	Pence per share
Adjusted (loss)/earnings per share	(0.674)	(0.461)	1.659
Adjusted diluted (loss)/earnings per share	(0.674)	(0.461)	1.596

Weighted average number of shares

	6 months ended 31 December 2015	6 months ended 31 December 2014	12 months ended 30 June 2015
Basic	37,100,536	37,075,083	37,100,536
Exercisable share options	2,330,960	1,463,763	2,330,960
Diluted	39,431,496	38,538,846	39,431,497

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Diluted (loss)/earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of ordinary shares.

The adjusted EPS has been calculated to reflect the underlying profitability of the business by excluding non-cash charges for depreciation, amortisation, impairments and share compensation charges.

4. GOING CONCERN

The Group had cash balances of £1.5m at 31 December 2015 (30 June 2015: £2.1m) and no borrowings. Having reviewed cash flow forecasts and budgets for a year ahead the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future.

As at 31 December 2015, £0.8m (including short-term investments of £0.1m) of the Group's cash balance was held in Argentina. The Argentine Peso devalued by 20% during December 2015, after the new Government was elected in Argentina. Since then, the Peso has remained relatively stable, although we cannot predict future movements in the currency and the impact on our financial performance.

5. FOREIGN CURRENCY TRANSLATION

(a) Presentational currency

The consolidated financial statements are presented in British pounds: the functional currency of the parent entity is also British pounds.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date the transaction occurs. Any exchange gains or losses resulting from these transactions and from the translation of monetary assets and liabilities at the balance sheet date are reported in the income statement except when these represent a net investment in a subsidiary when they are charged or credited to equity .

Foreign currency balances are translated at the balance sheet date using exchange rates prevailing at the period end.

(c) Group companies

The financial results and position of all group entities that have a functional currency different from the presentational currency of the Group are translated into the presentational currency as follows:

i- assets and liabilities for each balance sheet are translated at the closing exchange rate at the date of the balance sheet

ii - income and expenses for each income statement are translated at average exchange rates (unless it is not a reasonable approximation to the exchange rate at the date of transaction) iii- all resulting exchange differences are recognised as a separate component of equity (translation reserve)

The exchange rates used in respect of Argentinean pesos are the official published exchange rates.