
MOBILE STREAMS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2005

MOBILE STREAMS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

Company registration number: 03696108

Registered office: 26B Northbrook Street
Newbury
Berkshire
RG14 1DJ

Directors: S D Buckingham
I A L Donn
P A Murphy
R G Parry
J Sodha
P Tomlinson

Secretary: J Sodha

Bankers: National Westminster Bank plc
PO Box 13
30 Market Place
Newbury
RG14 1AS

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

MOBILE STREAMS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

INDEX	PAGE
Chairman's statement	1
Report of the directors	2 – 4
Report of the independent auditors	5 – 6
Principal accounting policies	7 – 8
Consolidated profit and loss account	9
Statement of total recognised gains and losses	9
Balance sheets	10
Cash flow statement	11
Notes to the financial statements	12 – 20

MOBILE STREAMS LIMITED

CHAIRMAN'S STATEMENT

Dear Fellow Shareholders

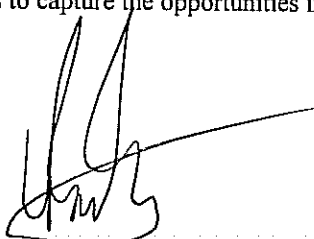
Mobile Streams has had another successful year in 2005. We have developed new mobile media products and entered into new contracts both with content providers and network operators. Top line revenue increased 74% to over £5m in the year. Operating profit was up despite increased spending on development. The business has continued to reinvest its current cash flows to prepare for future growth.

Our operations outside the UK have continued to grow strongly and now represent more than 40% of overall revenues. The investment made in 2004 and the early part of 2005 into Latin America has been highly successful, and these countries now represent 25% of overall 2005 revenues. Also, the North American business grew 65% during the year. Within the UK we launched a comedy channel on the Vodafone Live! Portal, which runs on our proprietary MUSIA platform. Early indications are that this channel will prove successful and we will plan to continue to invest in MUSIA during 2006 as we migrate all our global operations onto a single platform, and prepare to licence the platform to other parties.

During 2005 I have joined the business as Chairman and Jitesh Sodha was appointed as Chief Financial Officer. We now have an experienced board and management team ready for the next stage of our growth.

2006 is already set to be a momentous year in the history of Mobile Streams. Since the balance sheet date, and after extensive due diligence Liberty Media Corporation, the USA media group headed by John Malone has invested in Mobile Streams to acquire 22% of our company through its subsidiary True Position Inc. In addition Mobile Streams has been awarded a multi million pound contract to manage ConnectID, their location based services business. I believe this provides an excellent validation of the Mobile Streams business model and strategy. Mobile Streams has also announced its intention to list its shares on the London Stock Exchange Alternative Investment Market (AIM). We are confident that the funds raised and the access to equity markets will allow us to capture the opportunities in the mobile media market.

R G Parry
Chairman



MOBILE STREAMS LIMITED

REPORT OF THE DIRECTORS

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

Business review

The group profit before taxation for the financial year was £32,104 (2004: restated loss of £12,527).

Principal activities

The group's principal activities are that of the creation and publication of mobile phone content.

Dividends

The directors do not recommend the payment of an ordinary dividend for the year (2004: £100,012).

Post balance sheet events

On 5 January 2006, True Position Inc. subscribed for 77,829 ordinary shares of £0.002 each. A premium of £46.548 per share was paid.

On 16 January 2006, the 62,500 ordinary shares of £0.002 held by Mr S Buckingham on trust for the employees of the Company were forfeited for non-payment of a call made on these shares on 9 December 2005. Whilst Mr S Buckingham held the legal title to these shares, it was the intention that the shares be held on trust for benefit of the employees of the Company generally and not by Mr S Buckingham as beneficial owner. The issue was part of a programme to encourage wider employee share ownership in the Company.

On 23 January 2006, £49,679.616 of the share premium account was capitalised by way of a bonus issue of fully paid ordinary shares to the existing shareholders in the Company on a 48 for 1 basis.

Directors and their interests

The present membership of the Board together with their beneficial interests in the shares of the Company are set out below. All directors with the exception of R G Parry and J Sodha served on the Board throughout the year.

	Ordinary shares of £0.002 each 31 December 2005	Ordinary shares of £0.0001 each 1 January 2005
S D Buckingham	437,500	8,750,000
I A L Donn	25,000	500,000
P A Murphy	-	-
P Tomlinson	25,000	500,000
R G Parry (appointed 12 September 2005)	2,167	-
J Sodha (appointed 25 April 2005)	-	-

MOBILE STREAMS LIMITED

REPORT OF THE DIRECTORS

Options

The table below summarises the exercise terms of the various options over ordinary shares of £0.002 (2004: £0.0001) each which have been granted, and were still outstanding at 31 December 2005 and 31 December 2004.

	Options held at 1 January 2005 Number	Options granted during the year Number	Options exercised during the year Number	Options held at 31 December 2005 Number	Exercise Price £	Earliest date from which exercisable	Latest expiry date
R G Parry	-	*	-	*	*	*	*
J Sodha	-	10,000**	-	10,000**	£1.56	1 Mar 2006	28 Feb 2015

*Mr R Parry was given the option on 12 September 2005 to acquire the lesser of 2.5% of issued share capital on the date of an initial public offering and the number of shares equal to £600,000 on Admission. The exercise price shall be equal to the market value of ordinary shares at the date of Admission. The earliest these options can be exercised is from the first anniversary of Admission (33%), second anniversary of Admission (33%) and third anniversary (33%). The latest date they can be exercised is the day before their tenth anniversary.

** In addition Mr J Sodha was given a non-dilutive option agreement to acquire shares totalling 2% of the issued share capital immediately following the date of an initial public offering, reduced by the amount of options already held by him through the Enterprise Management Incentive Scheme.

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Company's Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MOBILE STREAMS LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



J Sodha
Director

23 January 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MOBILE STREAMS LIMITED**

We have audited the financial statements of Mobile Streams Limited for the year ended 31 December 2005 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the group statement of total recognised gains and losses and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

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

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MOBILE STREAMS LIMITED**

In our opinion the financial statements:

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

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON

23 January **2006**

MOBILE STREAMS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the group, as set out below, have remained unchanged from the previous year with the exception of the treatment of accounting for dividends as outlined below.

RESTATEMENT OF PRIOR YEAR COMPARATIVES

Upon review of customer and supplier contracts it transpired that a customer had overpaid the Company for the years ended 31 December 2003 and 31 December 2004 and the Company had unknowingly underpaid a supplier for the year ended 31 December 2004. The impact of these items were considered fundamental to the accounts and therefore the prior year comparatives for the above mentioned years have been restated.

The impact of these restatements for the year ended 31 December 2004 is to reduce turnover by £106,608 (2003: £36,731) and increase cost of sales by £153,742 (2003: £nil). The impact on profit before tax was a reduction of £260,350 (2003: £36,731) and on the profit after tax was a reduction of £182,245 (2003: £25,712)

In addition, due to a change in accounting policy following the adoption of Financial Reporting Standard No. 21 (FRS21), dividends of £100,012 which were previously recorded in the year ended 31 December 2003 have been restated as 2004 dividends as this is the year in which they were paid.

As a result of these restatements net assets at 31 December 2004 of the Group and Company have reduced by £207,957 (2003: increased by £74,300).

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and its subsidiary undertakings (see note 9) drawn up to 31 December 2005. Profits or losses on intra-group transactions are eliminated in full.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings are included in the Group profit and loss from the date of acquisition.

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT. Where the Group is selling directly to the end customer, the turnover is the amount paid by that customer excluding sales taxes. Where the customer contracts with a third party, through which Mobile Streams is distributing its content, turnover is that portion that is payable to Mobile Streams including royalties and commissions. Revenue is recognised when goods are supplied to a customer.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated in the Company's balance sheet at cost less provisions for impairment.

MOBILE STREAMS LIMITED

PRINCIPAL ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of fixed assets over their estimated useful lives. The following rates and methods have been applied:

Plant and equipment	33% straight line
Media platform costs	33% straight line
Office furniture	25% reducing balance

Media platform costs represent the cost of the initial development of websites and media platforms, which support the company's core operations. The capitalisation is based on matching the cost with anticipated revenues in future periods.

The Group has invested in a new media platform during 2005 and has capitalised the direct staff costs incurred during the creation of this asset. The expected useful economic life of the platform is estimated to be 3 years and the asset is being depreciated on this basis.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

OPERATING LEASES

Rentals in respect of leases are charged to the profit and loss in equal amounts over the lease term.

MOBILE STREAMS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 DECEMBER 2005

	Note	2005 £	2004 Restated £
Turnover	1	5,071,411	2,921,593
Cost of sales		<u>(2,196,570)</u>	<u>(1,014,443)</u>
Gross profit		2,874,841	1,907,150
Operating costs		<u>(2,811,370)</u>	<u>(1,908,757)</u>
Operating profit/(loss)		63,471	(1,607)
Net interest payable	3	<u>(31,367)</u>	<u>(10,920)</u>
Profit/(loss) on ordinary activities before taxation	2	32,104	(12,527)
Tax on profit/(loss) on ordinary activities	5	<u>(159,028)</u>	<u>(85,904)</u>
Loss for the financial year	14	<u>(126,924)</u>	<u>(98,431)</u>

All transactions arose from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 DECEMBER 2005

	2005 £	2004 Restated £
Loss for the financial year	(126,924)	(98,431)
Currency translation differences on foreign currency net investments	<u>24,242</u>	<u>7,309</u>
Total recognised losses relating to the year	(102,682)	(91,122)
Prior year adjustments (see page 7)	<u>(207,957)</u>	<u>-</u>
Total losses recognised since last annual report	<u>(310,639)</u>	<u>(91,122)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

MOBILE STREAMS LIMITED

BALANCE SHEETS AT 31 DECEMBER 2005

	Note	The Group		The Company	
		2005	2004 Restated	2005	2004 Restated
		£	£	£	£
Fixed assets					
Tangible assets	8	247,300	31,309	198,560	13,251
Investments	9	-	-	129,172	78,903
		<u>247,300</u>	<u>31,309</u>	<u>327,732</u>	<u>92,154</u>
Current assets					
Debtors	10	1,523,981	646,655	1,517,357	805,944
Cash at bank and in hand		268,175	258,033	42,684	199,852
		<u>1,792,156</u>	<u>904,688</u>	<u>1,560,041</u>	<u>1,005,796</u>
Creditors: amounts falling due within one year	11	<u>(2,170,787)</u>	<u>(1,047,258)</u>	<u>(1,452,989)</u>	<u>(927,336)</u>
Net current (liabilities)/assets		<u>(378,631)</u>	<u>(142,570)</u>	<u>107,052</u>	<u>78,460</u>
Provisions for liabilities and charges	12	<u>(17,596)</u>	-	<u>(17,593)</u>	-
Net (liabilities)/assets		<u><u>(148,927)</u></u>	<u><u>(111,261)</u></u>	<u><u>417,191</u></u>	<u><u>170,614</u></u>
Capital and reserves					
Called up share capital	13	1,004	1,000	1,004	1,000
Share premium	14	164,912	99,900	164,912	99,900
Profit and loss account	14	<u>(314,843)</u>	<u>(212,161)</u>	<u>251,275</u>	<u>69,714</u>
Equity shareholders' (deficit)/funds		<u><u>(148,927)</u></u>	<u><u>(111,261)</u></u>	<u><u>417,191</u></u>	<u><u>170,614</u></u>

The financial statements were approved by the Board of Directors on 23 May 2006.


J Sodha - Director

The accompanying accounting policies and notes form an integral part of these financial statements.

MOBILE STREAMS LIMITED**CASH FLOW STATEMENT**

For the year ended 31 DECEMBER 2005

	Note	The Group 2005 £	2004 Restated £
Net cash inflow from operating activities	20	259,634	282,198
Returns on investments and servicing of finance			
Net interest paid		(31,367)	(10,920)
Taxation			
Corporation tax paid		(47,831)	(61,291)
Capital expenditure			
Payments to acquire tangible fixed assets		(256,587)	(27,106)
Equity dividends paid		-	(100,012)
Cash (outflow)/inflow before financing		(76,151)	82,869
Financing			
Issue of share capital (net of expenses paid)		65,001	-
Net cash inflow from financing		65,001	-
(Decrease)/increase in net cash		(11,150)	82,869
Reconciliation to net cash flow to movement in net funds			
(Decrease)/Increase in net cash		(11,150)	82,869
Foreign currency movements		21,292	7,926
Change in net funds resulting from cash flows		10,142	90,795
Net funds brought forward		258,033	167,238
Net funds carried forward		268,175	258,033

The accompanying accounting policies and notes form an integral part of these financial statements.

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

1 SEGMENTAL REPORTING

The directors consider there to be one class of business, being the creation and publication of mobile phone content.

A split of turnover, profit/(loss) before taxation and net assets/(liabilities) by geographical segment is set out below:

	2005	2004
	£	Restated £
Turnover by origin and destination of sales:		
Europe	2,967,874	2,390,116
North America	839,475	509,142
South America	1,264,062	22,335
	<u>5,071,411</u>	<u>2,921,593</u>
Profit/(loss) before taxation:		
Europe	(132,377)	275,674
North America	(20,574)	30,192
South America	185,055	(318,393)
	<u>32,104</u>	<u>(12,527)</u>
Net assets/(liabilities):		
Europe	250,769	133,006
North America	(182,082)	(3,450)
South America	(217,614)	(240,817)
	<u>(148,927)</u>	<u>(111,261)</u>

2 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit/(loss) on ordinary activities before taxation is stated after charging:

	2005	2004
	£	£
Auditors' remuneration:		
Audit services	25,500	14,250
Other services	33,500	-
Depreciation:		
Tangible fixed assets owned	43,561	10,376
Hire of plant and machinery under operating leases	47,519	11,023

Auditor's remuneration for other services is in relation to tax compliance and advisory work.

3 NET INTEREST PAYABLE

	2005	2004
	£	£
Bank interest payable	37,484	14,657
Interest receivable	(6,117)	(3,737)
	<u>31,367</u>	<u>10,920</u>

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2005	2004
	£	£
Wages and salaries	1,602,929	1,038,155
Social security costs	136,159	70,660
Pension costs	6,000	12,000
	1,745,088	1,120,815
Less: staff costs capitalised within media platform costs	(176,908)	-
	1,568,180	1,120,815

The average number of employees of the group during the year was:

	2005	2004
	Number	Number
Management	6	4
Administration	45	26
	51	30

Remuneration in respect of directors was as follows:

	2005	2004
	£	£
Emoluments	197,903	145,615
Pension contributions	6,000	12,000
	203,903	157,615

During the year 1 director (2004: 1) participated in a self administered money purchase pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2005	2004
	£	£
Emoluments	90,000	134,074
Pension contributions	6,000	12,000
	96,000	146,074

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The tax charge is based on the profit/(loss) for the year and represents:

	2005	2004
	£	Restated £
Current tax		
United Kingdom corporation tax at 30% (2004: 30%)	63,321	83,127
Overseas Taxation	78,111	2,777
	<u>141,432</u>	<u>85,904</u>
Deferred tax		
Origination and reversal of timing differences	17,596	-
	<u>159,028</u>	<u>85,904</u>

The tax credit is lower than that based upon the standard rate of corporation tax. The differences are explained below.

Profit/(loss) on ordinary activities before taxation	32,104	(12,527)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30%	9,631	(3,758)
Expenses not deductible for tax purposes	2,835	3,087
Excess of capital allowances over depreciation	(659)	(2,664)
Overseas taxation and losses	147,221	89,239
	<u>159,028</u>	<u>85,904</u>

The Group has £453,540 trading losses to offset against future trading profits. At this stage no deferred tax asset has been recognised until such time as the expansion of the relevant companies within the Group beyond their initial set up phase deems it appropriate.

6 PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE PARENT COMPANY

The parent company has taken advantage of the exemption from presenting its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The group profit for the year includes a profit after tax of £181,561(2004: restated £192,549) that has been dealt within the financial statements of the parent company.

7 DIVIDENDS

	The Group		The Company	
	2005	2004	2005	2004
		Restated		Restated
	£	£	£	£
Final paid: £114.30 per share	-	100,012	-	100,012
Total dividends and appropriations	<u>-</u>	<u>100,012</u>	<u>-</u>	<u>100,012</u>

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

8 TANGIBLE FIXED ASSETS

Group

	Office furniture, plant and equipment £	Media platform development £	Total £
Cost			
At 1 January 2005	89,830	60,000	149,830
Additions	61,944	194,643	256,587
At 31 December 2005	151,774	254,643	406,417
Depreciation			
At 1 January 2005	58,521	60,000	118,521
Provided in the year	25,203	18,358	43,561
Foreign exchange movement	(2,965)	-	(2,965)
At 31 December 2005	80,759	78,358	159,117
Net book amount at 31 December 2005	71,015	176,285	247,300
Net book amount at 31 December 2004	31,309	-	31,309

Company

	Office furniture, plant and equipment £	Media platform development £	Total £
Cost			
At 1 January 2005	65,242	60,000	125,242
Additions	19,231	194,643	213,874
At 31 December 2005	84,473	254,643	339,116
Depreciation			
At 1 January 2005	51,991	60,000	111,991
Provided in the year	10,207	18,358	28,565
At 31 December 2005	62,198	78,358	140,556
Net book amount at 31 December 2005	22,275	176,285	198,560
Net book amount at 31 December 2004	13,251	-	13,251

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

9 INVESTMENTS

Company	£
Cost	
At 1 January 2005	120,570
Additions	50,269
At 31 December 2005	170,839
Amount provided	
At 1 January 2005	41,667
Provided in year	-
At 31 December 2005	41,667
Net book amount at 31 December 2005	129,172
Net book amount at 31 December 2004	78,903

Subsidiary undertakings comprise:

	Proportion held		Country of incorporation
	Directly by Mobile Streams Ltd	By other group companies	
Mobile Streams Inc.	100%	-	USA
Mobile Streams De Argentina SRL	50%	50%	Argentina
Mobile Streams De Brasil Midia			
Digital Para Celulares Ltda	36%	64%	Brazil
Mobile Streams Chile Ltda	50%	50%	Chile
Mobile Streams De Colombia Ltda	50%	50%	Columbia
Mobile Streams of Mexico S De RL De CV	50%	50%	Mexico

All the subsidiaries' issued shares were ordinary shares and their principal activities were the creation and publication of mobile phone content.

The additions to investments in the year was further investments at nominal value in existing subsidiaries.

10 DEBTORS

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	1,457,531	573,548	563,754	440,061
Amounts owed by group undertakings	-	-	909,455	344,847
Other debtors	66,450	73,107	44,148	21,036
	1,523,981	646,655	1,517,357	805,944

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2005	2004 Restated	2005	2004 Restated
	£	£	£	£
Trade creditors	712,841	241,829	248,769	231,226
Corporation tax	168,486	74,885	90,375	72,108
Other taxation and social security	49,403	110,905	46,103	110,132
Other creditors	119,363	18,517	110,246	913
Accruals and deferred income	1,120,694	601,122	957,496	512,957
	<u>2,170,787</u>	<u>1,047,258</u>	<u>1,452,989</u>	<u>927,336</u>

12 PROVISIONS FOR LIABILITIES AND CHARGES

	The Group £	The Company £
Deferred tax liability:		
At 1 January 2005	-	-
Current year charge	17,596	17,593
At 31 December 2005	<u>17,596</u>	<u>17,593</u>

13 SHARE CAPITAL

Group and company

	2005 £	2004 £
Authorised 27,000,000 ordinary shares of £0.002 each (2004: 10,000,000 ordinary shares of £0.0001 each)	<u>54,000</u>	<u>1,000</u>
Allotted and called up Allotted, called up and fully paid: 439,667 ordinary shares of £0.002 each (2004: 8,750,000* ordinary shares of £0.0001 each)	879	875
Allotted and called up: 62,500 ordinary shares of £0.002 each (2004: 1,250,000 ordinary shares of £0.0001 each)	125	125
	<u>1,004</u>	<u>1,000</u>

* 62,500 (2004:1,250,000) ordinary shares allotted to Mr S Buckingham for £125 on 12 November 2004 remain unpaid at 31 December 2005. Whilst Mr S Buckingham holds the legal title to the shares, it was the intention that the shares be held on trust for benefit of the employees of the Company generally and not by Mr S Buckingham as beneficial owner. The issue was part of a programme to encourage wider employee share ownership in the Company. These shares have subsequently been forfeited on 16 January 2006.

On 12 September 2005 Mr R Parry purchased 43,334 ordinary shares of £0.0001 each. A share premium of £1.4999 was paid per share.

On 16 December 2005 Mr R Parry purchased 6 ordinary shares for £0.0001 each. A share premium of £2.4899 was paid for each share. These shares remained unpaid at 31 December 2005.

On 16 December 2005 the Company undertook a 1 for 20 share consolidation.

The total consideration for the shares issued in the year ended 31 December 2005 was £65,016 (£15 of which remained unpaid at 31 December 2005) giving rise to a share premium of £65,012.

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

SHARE CAPITAL (CONTINUED)

Options

The table below summarises the exercise terms of the various options over ordinary shares of £0.002 (2004: £0.0001) each which have been granted, and were still outstanding at 31 December 2005 and 31 December 2004.

Date of issue	Issue price	Period of option		At 31 December 2004	At 31 December 2005
		Earliest date	Latest date	Ordinary shares of £0.0001 each Number	Ordinary shares of £0.002 each Number
Enterprise Management Incentive Scheme					
19 Nov 2004	£1.56*	19 Nov 2005**	18 Nov 2014	300,000	15,000
1 Mar 2005	£1.56*	1 Mar 2006**	28 Feb 2015	-	10,000
23 May 2005	£1.56*	23 May 2006**	22 May 2015	-	500
1 Jul 2005	£1.56*	1 Jul 2006**	30 Jun 2015	-	100
ISO Sub-Plan					
19 Nov 2004	£1.56*	19 Nov 2005***	18 Nov 2014	300,000	15,000
29 Mar 2005	£1.56*	29 Mar 2006***	28 Mar 2015	-	875

* Original issue price was £0.078. Due to the 1 for 20 share consolidation that took place on 16 December 2005 the adjusted issue price is £1.56.

** 50% of the issued options can be exercised on the later of the first anniversary of the grant date (date shown above) or the date the shares are traded on a stock exchange. 100% of the issued options can be exercised on the later of the second anniversary of the grant date or the date the shares were traded on a stock exchange.

*** 100% of the issued options can be exercised on the later of the first anniversary of the grant date (date shown above) or the date the shares are traded on a stock exchange.

In addition to the above options the following agreements are also in place:

Mr R Parry was given the option on 12 September 2005 to acquire the lesser of 2.5% of issued share capital on the date of an initial public offering and the number of shares equal to £600,000 on Admission. The exercise price shall be equal to the market value of ordinary shares at the date of admission. The earliest these options can be exercised is from the first anniversary of Admission (33%), second anniversary of Admission (33%) and third anniversary (33%). The latest date they can be exercised is the day before their tenth anniversary.

Mr J Sodha was given a non-dilutive option agreement to acquire shares totalling 2% of the issued share capital immediately following the date of an initial public offering, reduced by the amount of options already held by him through the Enterprise Management Incentive Scheme.

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

14 RESERVES

Group

	Share premium £	Profit and loss account £
At 1 January 2005 (as previously stated)	99,900	(4,204)
Issue of share capital	65,012	-
Loss for the year	-	(126,924)
Prior year adjustments	-	(207,957)
Net exchange differences	-	24,242
At 31 December 2005	164,912	(314,843)

Company

	Share premium reserve £	Profit and loss account £
At 1 January 2005 (as previously stated)	99,900	277,671
Issue of share capital	65,012	-
Profit for the year	-	181,561
Prior year adjustments	-	(207,957)
At 31 December 2005	164,912	251,275

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT/FUNDS

	The Group		The Company	
	2005	2004 Restated	2005	2004 Restated
	£	£	£	£
(Loss)/profit for the financial period	(126,924)	(98,431)	181,561	192,549
Dividends and appropriations	-	(100,012)	-	(100,012)
	(126,924)	(198,443)	181,561	92,537
Exchange differences	24,242	7,309	-	-
Proceeds from ordinary shares issued for cash (note 13)	65,016	125	65,016	125
Net increase/(decrease) in shareholders' funds	(37,666)	(191,009)	246,577	92,662
Opening shareholders' (deficit)/funds **	(111,261)	79,748	170,614	77,952
Closing shareholders' (deficit)/funds	(148,927)	(111,261)	417,191	170,614

** 2004 Group was originally £5,448 before adding prior year adjustment of £74,300 and 2005 was originally £96,696 before deducting prior year adjustment of £207,957.

2004 Company was originally £3,652 before adding prior year adjustment of £74,300 and 2005 was originally £378,571 before deducting prior year adjustment of £207,957.

16 CAPITAL COMMITMENTS

The group and the company had no capital commitments at 31 December 2005 or 31 December 2004.

MOBILE STREAMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2005

17 CONTINGENT LIABILITIES

The Society of Composers, Authors & Music Publishers of Canada (SOCAN) have petitioned the Copyright Board for payment of a 10% royalty on all ringtone sales made in Canada. The outcome of the hearing is still outstanding and could result in a retroactive decision which will require Mobile Streams and other ringtone suppliers to pay SOCAN. Mobile Streams calculates that the maximum liability would be Canadian \$168,000 (2004: \$79,000). Mobile Streams has not accrued for this liability as the directors are of the opinion that the company will not have a retrospective liability.

Except for the above, the group and the company had no contingent liabilities at 31 December 2005 or 31 December 2004.

18 LEASING COMMITMENTS - GROUP

The group has commitments under operating leases for land and buildings and other leases to pay the following amounts in the next twelve months.

	Land and Buildings		Other	
	2005	2004	2005	2004
	£	£	£	£
Annual commitments under non-cancellable operating lease expiring:				
Within one year	43,857	10,789	45,222	-
Within two to five years	30,066	-	12,718	-
After five years	-	-	-	-
	<u>73,923</u>	<u>10,789</u>	<u>57,940</u>	<u>-</u>

19 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

The ultimate controlling party is S D Buckingham, a director who controls the company by virtue of his ownership of 87% of the issued share capital of the company.

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with group undertakings.

During the year the Company received administrative services from Newbury Kitchen Studio Limited in the sum of £2,500 (2004: £3,000) on normal commercial terms. Mr S Buckingham's parents are controlling shareholders in Newbury Kitchen Studio Limited.

20 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2005	Year ended 31 December Restated 2004
	£	£
Operating profit/(loss)	63,471	(1,607)
Depreciation charge	43,561	10,376
Increase in debtors	(877,326)	(341,406)
Increase in creditors	1,029,928	614,835
	<u>259,634</u>	<u>282,198</u>