

29 March 2018

Mobile Streams plc ("Mobile Streams" or the "Company") (AIM: MOS)

Interim Results

Mobile Streams announces its unaudited interim results for the six months ended 31 December 2018.

Highlights

- Unaudited revenues were £0.9m (31 December 2017: £1.83m). All revenue is from continuing operations.
- £0.55m of cash and cash equivalents at 31 December 2018 (£1.46m as at 31 December 2017), with no debt.

Post-period end update

- £0.29m of cash and cash equivalents as at 20 March 2019, with no debt. The cash balance includes £0.13m of net funds raised via the subscription which was announced on 27 February 2019.
- The Company is currently working with some of the largest carriers in the India market: Vodafone-Idea, Jio and BSNL.

Commenting, Simon Buckingham, CEO of Mobile Streams said: "Progress in India remained steady over the recent period as the market settles in response to the consolidation amongst the mobile telecom operators. Since tighter marketing regulations were imposed, revenue targets have continued to be impacted. Looking ahead to the rest of 2019, we anticipate increased performance from our relationship with the newest entrant to the Indian telecom market, however, investment is on hold with Airtel, our leading partner. In Argentina, trading has been steady in 2019, whilst operations in Indonesia have been delayed until the latter half of the calendar year."

India

The majority of revenue in India during the period, was generated from our HTML5 games service, mobilegaming.com, through our billing relationship with Airtel, one of the leading mobile operators in the country. These operations are currently on hold.

Airtel was recently usurped as the largest network by the Vodafone – Idea merger. Vodafone and Idea remain as individual entities with regards to our relationship with them, this development has prevented us increasing our business with these parties.

Argentina

Trading in Argentina remained stable with a small decline during the period. We continue with Movistar subscribers acquired via Google AdWords at declining volumes.

OPERATING REVIEW

During the period, both the Group's Mobile Internet revenues and its Mobile Operator revenues decreased. This was primarily due to increased regulation in the Indian telecom market. Devaluation of both the Argentine Peso and Indian Rupee against the British Pound was an additional factor in this decrease. On a like-for-like basis, revenues from Argentina during the period were ARS\$20.8m (6 months ended 31 December 2017: ARS\$38.8m) with India generating revenue of INR\$38.8m (6 months ended 31 December 2017: INR\$ 28.1m).

Mobile internet

Mobile Streams' performance during the six months ended 31 December 2018 was driven primarily from its Mobile Internet sales in India. During the period, Mobile Streams has continued with its strategy to develop a content offering direct to consumers across a wide range of mobile devices.

Mobile operator sales

Despite the recent signing of an agreement in India, with the third largest telecom operator Jio, this revenue stream has significantly reduced as consumer preference has moved from the operator branded stores to other third party channels such as iTunes, Google Play and our own service mobilegaming.com

FINANCIAL REVIEW

Group revenue for the six months ended 31 December 2018 was £0.92m, a decrease of 50% to the comparative period's figure of £1.83m. The gross profit was £0.41m which decreased by 39% during the period (2017: £0.67m). The gross profit margin increased from 36.7% to 44.2% as a result of decreased marketing (direct to consumer) costs related to the Mobile Internet division.

The Group recorded a loss after tax of £317k for the 6 months ended 31 December 2018 (2017: loss £587k), generating a loss per share of 0.32 pence per share (2017: 0.64 pence loss per share).

Adjusted loss per share (excluding depreciation, amortisation, impairments and share compensation expense) was 0.32 pence per share (2017: 0.63 pence adjusted loss per share).

Cash and cash equivalents

During the period, the Argentine Peso depreciated by approximately 22% against the British Pound. Current cash balances (as at 20 March 2019) are £ 0.29m.

OUTLOOK

The Directors have some reservations about the short term opportunities in India given the current developments amongst the telecom operators and increased regulations. Management's strategy is to offset revenue decline in India by expanding operations into Indonesia. It is expected that trading conditions in Argentina will remain consistent and therefore revenues in the second half of the financial year will be lower than originally expected.

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 December 2018 £000's	Unaudited 6 months ended 31 December 2017 £000's	Audited 12 months ended 30 June 2018 £000's
Revenue	919	1,833	3,046
Cost of sales	(513)	(1,162)	(1,868)
Gross profit	406	671	1,178
Selling and marketing costs	(198)	(440)	(638)
Administrative expenses **	(570)	(879)	(1,724)
Operating Loss	(362)	(648)	(1,184)
Finance income	63	82	255
Finance expense	-	(2)	(2)
Loss before tax	(299)	(568)	(931)
Tax expense	(18)	(19)	(84)
Loss for the period	(317)	(587)	(1,015)
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc	(317)	(587)	(1,015)

Earning Per Share

	Pence per share	Pence per share	Pence per share
Basic loss per share	(0.324)	(0.641)	(1.007)
Diluted loss per share	(0.324)	(0.641)	(1.007)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Unaudited 6 months ended 31 December	Unaudited 6 months ended 31 December	Audited 12 months ended 30 June
	2018	2017	2018
	£000's	£000's	£000's
Loss for the period	(317)	(587)	(1,015)
Exchange differences on translating foreign operations	(168)	(145)	(533)
Total comprehensive loss for the period	(485)	(732)	(1,548)
Total comprehensive loss for the period attributable to:			
Equity shareholders of Mobile Streams Plc	(485)	(732)	(1,548)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 December 2018 £000's	Unaudited 6 months ended 31 December 2017 £000's	Audited 12 months ended 30 June 2018 £000's
Assets			
Non- Current			
Intangible assets	-	-	-
Property, plant and equipment	4	12	7
Deferred tax asset	74	-	74
	78	167	81
Current			
Trade and other receivables	852	1,261	904
Cash and cash equivalents	554	1,466	1,039
	1,406	2,727	1,943
Total assets	1,484	2,894	2,024
Equity			
Equity attributable to equity holders of Mobile Streams Plc			
Called up share capital	200	182	200
Share Premium	12,550	12,463	12,550
Translation reserve	(3,954)	(3,398)	(3,786)
Retained earnings	(8,878)	(8,136)	(8,563)
Total equity	(82)	1,111	401
Liabilities			
Current			
Trade and other payables	1,384	1,516	1,410
Current tax liabilities	182	267	213
	1,566	1,783	1,623
Total liabilities	1,566	1,783	1,623
Total equity and liabilities	1,484	2,894	2,024

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 2017	182	12,463	(3,253)	(7,552)	1,839
Credit for share based payments	-	-	-	4	4
Transactions with owners	-	-	-	4	4
Loss for the 6 months ended 31 December 2017	-	-	-	(317)	(317)
Exchange differences on translating foreign operations	-	-	(145)	-	(145)
Total comprehensive income for the period	-	-	(145)	(317)	(462)
Balance at 31 December 2017	182	12,463	(3,398)	(7,865)	1,381
Balance at 1 January 2018	182	12,463	(3,398)	(7,865)	1,381
New Equity	18	87	-	-	105
Credit for share based payments	-	-	-	1	1
Transactions with owners	18	87	-	1	106
Loss for the 6 months ended 30 June 2018	-	-	-	(429)	(429)
Exchange differences on translating foreign operations	-	-	(388)	(270)	(658)
Balance at 30 June 2018	200	12,550	(3,786)	(8,563)	401
Balance at 1 July 2018	200	12,550	(3,786)	(8,563)	401
Credit for share based payments	-	-	-	3	3
Transactions with owners	-	-	-	3	3
Loss for the 6 months ended 31 December 2018	-	-	-	(317)	(317)
Exchange differences on translating foreign operations	-	-	(168)	-	(168)
Total comprehensive income for the period	-	-	(168)	(317)	(485)
Balance at 31 December 2018	200	12,550	(3,954)	(8,878)	(82)

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 2018.

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 twelve months ended 30 June 2018 has been extracted from the statutory accounts for that period. In addition, the financial information for the 6 months ended 31 December 2018 has been extracted from the unaudited Interim results. The full audited accounts of the Group for the 12 months ended 30 June 2018 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 2018, the Group was organised into four 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 2018 were as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Group
Mobile operator sales	1	(1)	6	-	6
Mobile internet sales	-	422	-	491	913
Other service fees	-	-	-	-	-
Total Revenue	1	421	6	491	919
Cost of sales	-	(197)	(3)	(314)	(513)
Gross profit	1	224	2	179	406
Operating expenses	(302)	(210)	(21)	(233)	(765)
EBITDA*	(301)	13	(19)	(54)	(360)
Depreciation, amortisation	-	-	-	(1)	(1)
Share based compensation	(3)	-	-	-	(3)
Finance income	0	-	-	63	63
Profit/(Loss) before tax	(303)	13	(18)	8	(300)
Income tax expense	-	-	-	(17)	(17)
Profit/(Loss) after tax	(303)	13	(18)	(10)	(317)

The segmental results for the year ended 30 June 2018 were as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Group
Mobile Operator Services	2	1	31	-	34
Mobile Internet Services	-	543	-	2,463	3,006
Other Service fees	5	-	1	-	6
Total Revenue	7	544	32	2,463	3,046
	0	0	0	0	
Cost of sales	(2)	(305)	(15)	(1,546)	(1,868)
Gross profit	5	239	17	917	1,178
Selling, marketing and administration expenses	(4,364)	198	(98)	1,913	(2,351)
Trading EBITDA*	(4,359)	437	(81)	2,830	(1,173)
Depreciation, amortisation and impairment	-	-	-	(6)	(6)
Share based compensation	(5)	-	-	-	(5)
Finance income	-	-	-	255	255
Finance expense	(39)	-	39	(2)	(2)
Loss before tax	(4,403)	437	(42)	3,077	(931)
Taxation	-	-	-	(84)	(84)
Loss after tax	(4,403)	437	(42)	2,993	(1,015)

The segmental results for the 6 months ended 31 December 2017 were as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Group
Mobile operator sales	1	1	25	-	28
Mobile internet sales	-	329	-	1,471	1,800
Other service fees	4	-	2	-	5
Total Revenue	5	331	27	1,471	1,833
Cost of sales	(1)	(220)	(13)	(929)	(1,162)
Gross profit	4	111	13	543	671
Operating expenses	(540)	(251)	(38)	(484)	(1,314)
EBITDA*	(537)	(140)	(25)	58	(643)
Depreciation, amortisation	-	-	-	(3)	(3)
Share based compensation	(4)	-	-	-	(4)
Revenue/expense intercompany	0	-	-	-	0
Finance income	0	-	-	80	80
Profit/(Loss) before tax	(541)	(140)	(25)	135	(570)
Income tax expense	-	-	-	(18)	(19)
Profit/(Loss) after tax	(541)	(140)	(25)	118	(588)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 2018	Unaudited 6 months ended 31 December 2017	Audited 12 months ended 30 June 2018
Loss for the period (£000's)	(317)	(587)	(1306)
Loss earnings per share (pence):			
Basic	(0.324)	(0.641)	(3.519)
Diluted	(0.324)	(0.641)	(3.519)

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 2018 £000's	6 months ended 31 December 2017 £000's	12 months ended 30 June 2018 £000's
Loss for the period	(317)	(587)	(1727)
Add back: share compensation expense	3	4	118
Add back: depreciation and amortisation	1	3	19
Adjusted Loss for the period	(312)	(578)	(1590)
	Pence per share	Pence per share	Pence per share
Adjusted loss per share	(0.320)	(0.633)	(2.414)
Adjusted diluted loss per share	(0.320)	(0.633)	(2.414)

Weighted average number of shares

	6 months ended 31 December 2018	6 months ended 31 December 2017	12 months ended 30 June 2018
Basic	97,992,286	91,593,533	65,910,376
Exercisable share options	-	-	-
Diluted	97,992,286	40,507,910	65,910,376

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 £0.55m at 31 December 2018 (30 June 2018: £1.04m) and no borrowings. Having reviewed cash flow forecasts and budgets for a year ahead the Directors have a reasonable expectation that the Group has resources to continue in operational existence for the foreseeable future. The Directors are analyzing further financing initiatives and a cost reduction program.

As at 31 December 2018, £0.45m (including short-term investments of £0.40m) of the Group's cash balance was held in Argentina. The Argentine Government has released the currency restrictions in December 2015. 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.