

MOBILE STREAMS PLC
FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED
30 JUNE 2011

MOBILE STREAMS PLC

Financial Statements for the 18 months ended 30 June 2011

Company registration number: 03696108

Registered office: Abacus House
33 Gutter Lane
London, EC2V 8AR

Directors: S D Buckingham
M Carleton
G Margent (appointed: 25 January 2011)
R G Parry
P Tomlinson
T Maunder (appointed: 25 January 2011)
I Brewer (appointed: 1 October 2009, Resigned: 25 January 2011)

Chairman: R G Parry

Secretary: G Margent
I Brewer (appointed: 15 September 2009, Resigned: 25 January 2011)

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

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
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MOBILE STREAMS PLC

Financial Statements for the 18 months ended 30 June 2011

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The past 18 months has seen the Group continue on its strategy to develop a content offer across a wide range of mobile devices direct to consumers and move yet further away from our original business of providing content to mobile network operators.

Group revenue for the 18 months ended 30 June 2011 was £15.5m (12 months period ended December 2009: £7.1m). Trading EBITDA* was a profit of £0.5m for the financial period (12 months period ended December 2009: £0.1m). Profit before tax was £0.1m (12 months period ended December 2009 loss of £1.3m).

Our operations outside Europe are strong and represent 92% of the overall revenues for the period. Latin America is highly successful and represents 66% (see note 22) of the total revenues for the 18 months period.

In September 2010 we announced the launch of the Appitalism.com service which combines a social community with an online store, enabling consumers to discover, discuss and download digital media from a catalogue of premium apps, songs, books, games and videos compatible with a broad range of digital devices. Appitalism is still at an early stage of development. It has a very large number of apps on offer and we are experimenting with various ways to generate revenue in a rapidly evolving market.

The Group has sought to align its resources with the areas of the business that have the greatest growth potential, particularly the sale of digital content through the Appitalism service and the mobile internet subscription services in Latin America. The Group Finance function has relocated to New York to be alongside the CEO's office and the financial year end of the Company changed from 31 December to 30 June. In December 2010 we announced the departure of Ian Brewer from the Board of Directors and in January 2011 welcomed Gabriel Margent as the new Chief Financial Officer. On behalf of the Board I would like to thank Ian for his valuable service.

Our global reach combined with our robust distribution platforms, significant content resource and experienced management team places us in a very strong position to take a key role in the expansion of the mobile internet going forward. Mobile Streams plc remains a young start up company in very fast growing sector. Making predictions of performance is therefore difficult but we continue to have a strong balance sheet and a clear focus on a strategy based on apps.

Roger Parry
Chairman

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

OPERATING REVIEW

During the 18 month period, the Group's Mobile Internet revenues grew rapidly, whilst its Mobile Operator revenues remained relatively flat. As consumers steadily update their phones from legacy feature and flip phone models to smartphones, they have generally used the operator content portals and app stores less, and used independent portals as well as the open mobile internet more actively.

The financial year end of the Company changed from 31 December to 30 June.

Management reviews the Group on a geographical basis which is organised into four geographical segments: Europe, North America, Latin America, and Asia Pacific. Revenues in these geographical segments are from external customers only and generated from three principal business activities: the sale of mobile content through MNO's (Mobile Operator Services), the sale of mobile content over the internet (Mobile Internet Services) and the provision of consulting and technical services (Other Service Fees).

Revenue from Europe was £1.2m for the 18 months ended 30 June 2011 (12 months period ended December 2009 £1.1m); Asia Pacific was £2.6m for the 18 months ended 30 June 2011 (12 months period ended December 2009 £2.7m); North America was £1.4m for the 18 months ended 30 June 2011 (12 months period ended December 2009 £1.7m) and Latin America was £10.2m for the 18 months ended 30 June 2011 (12 months period ended December 2009 £1.6m). See Note 22.

Mobile Operators

Through active management of operator channels by the Company's channel management teams around the world, we were successful in maintaining our mobile carrier revenue streams at relatively stable levels, despite generally reduced consumer visitors to these portals, which has been a continuing trend for the past couple of years. Our teams shared and implemented best retailing practices in order to increase the conversion of visitors into customers to maintain the overall revenue and margin levels at a relatively consistent level.

Mobile Streams maintains strong direct operator relationships in several markets around the world including Australia, Singapore, Argentina, Mexico and Colombia, as well as partnerships with strong known telecoms companies such as Infosys, Qualcomm and Huawei.

Mobile Internet

During the financial period, the Group continued to grow its mobile retailing business primarily by launching additional services. In September 2010 we launched our new flagship portal Appitalism.com, and in December 2010 we sold our legacy "Ringtones.com" domain name for US\$750,000, shown as Other income in the income statement.

The proliferation of app creators, developers, marketers and stores has made the monetisation of apps through efficient promotion and distribution across multiple platforms essential. With its global reach, content depth, technical expertise and strong partnerships, Mobile Streams is in a unique position to generate revenues from providing a number of services in this area, led by our Appitalism.com service which was developed and launched during the financial year.

In August 2009, we reported on the launch of a portfolio of subscription-based content clubs in Argentina, which give subscribers access to content channels. We have continued to steadily add new content clubs and offerings as well as increasing the marketing support behind these services. The Group generated Mobile Internet revenues of £7.5m for the 18 months ended 30 June 2011; 12 months ended 31 December 2009: £0.8m (12 months ended 31 December 2010 £4.1m). Mobile Internet revenues more than doubled in the 6 months ended 30 June 2011 to £3.4m compared to the 6 months ended 30 June 2010 of £1.6m.

The Group has an active subscriber base of more than 750,000 customers for its mobile internet subscription services (defined as someone who has purchased a content service in the previous 2 month period). Last year the subscriber numbers only reached 150,000.

OPERATING REVIEW

Outlook

The current year has begun well and the Board expects the industry trends of 2010-2011 to carry over into 2011-2012 with steady operator revenues boosted by app distribution deals coupled with continuing growth in mobile internet services. The Board looks forward to updating the market on further developments of the business in the coming months.

FINANCIAL REVIEW

18 months ended 30 June 2011

Group revenue for the 18 months ended 30 June 2011 was £15.5m.

Gross margin was 49.7%. The change in revenue mix, with a higher proportion of revenue coming from Operator Services, reduced the overall gross margin slightly from 50.5%.

Selling, marketing and administrative expenses were £7.6m. This included the investment in the new Appitalism business (other than capitalized development costs) as well as marketing costs incurred in acquiring Mobile Internet subscribers mainly in Latin America and market research cost associated with the Appitalism business.

The Group had net cash outflows from operations of £0.2m. The disposal of ringtones.com boosted cash and more than offset the capitalized development costs incurred in building the Appitalism.com site. During December 2010 the ringtones.com domain was sold for US\$750,000, shown as Other Income in the income statement. The Group retained the Latin America sub-domains under a lease back arrangement for a period of 12 months. The lease cost is being amortized over the 12 month period.

The Group recorded a loss after tax of £0.2m for the 18 months ended 30 June 2011, generating basic loss of 0.589 pence per share.

Adjusted earnings per share (excluding depreciation, amortisation, impairments and share compensation expense) was 0.542 pence per share.

12 months ended 31 December 2009

Group revenue in 2009 was £7.1m. The Group generated a profit of £0.1m at trading EBITDA* level. Loss before tax was £1.3m.

Gross margin was 50.5% reflecting the proportionate shift in business toward higher margin mobile internet revenues.

Selling, marketing and administrative expenses reduced by £1.6m from 2008 to £4.9m as a result of further cost reduction initiatives during the year and a reduction in mobile internet content marketing spend.

Loss before taxation included £0.5m of non-cash impairment charges relating to the write down of intangible assets and investments acquired in a prior year.

The Group had net cash outflows from operations of £0.5m due mainly to the settlement of prior year tax liabilities and movements in working capital. Capital expenditure was £0.1m.

Basic loss per share was 3.320 pence per share.

MOBILE STREAMS PLC

Financial Statements for the 18 months ended 30 June 2011

FINANCIAL REVIEW

Adjusted earnings per share (excluding depreciation, amortisation, impairments and share compensation expense) improved to 0.502 pence.

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

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Group for the 18 months ended 30 June 2011.

The principal activity of the group is the provision of technology and services for the publication of content, primarily for distribution on wireless devices. The Company is registered in England and Wales under company number 03696108.

Results and dividends

The trading results and the Group's/Company's financial position for the 18 months ended 30 June 2011 are shown in the attached financial statements, and are discussed further in the Business Review below.

The Company will not be paying a dividend this year (2009: Nil).

BUSINESS REVIEW**Financial overview**

The Group's cash balance was £1.1m (2009: £1.7m) at the year-end. The reduction in cash was mainly due to the movements in working capital associated with the Mobile Internet business and the investment in Appitalism. The disposal of ringtones.com boosted cash and more than offset the capitalised development costs incurred in building the Appitalism.com site.

Financial performance

Financial performance for the year has been analysed as follows:

	Period to 30 June 2011 £000's	Year to 31 December 2010 £000's	Year to 31 December 2009 £000's
Revenue	15,491	9,622	7,112
Gross profit	7,703	4,943	3,591
Selling and Marketing Costs	(2,238)	(1,140)	(197)
Administrative Expenses	(4,939)	(3,345)	(3,281)
Trading EBITA*	526	458	113
Depreciation and Amortisation	(392)	(317)	(1,344)
Share Based Compensation	(19)	-	(42)
Finance Income	8	6	15
Profit/Loss before tax	123	147	(1,258)

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

DIRECTORS' REPORT

Key performance indicators ("KPI's")

The KPI's used by the Group are monthly EBITDA*, cash projections, growth in revenue. Management review these on a regular basis, largely by reference to budgets and reforecasts.

Earnings before tax, interest, amortisation, depreciation, share compensation expense and impairment of assets (EBITDA*). It is a non-GAAP metric that is measured exactly as stated. All tax, interest, amortisation, depreciation, share compensation expense and impairment of assets entries in the income statement are reversed out from the bottom-line net income.

The Cash Flow Projection shows how cash is expected to flow in and out which is an important business decision-making tool.

Growth in revenue is a measure of how we are growing our business. Our goal is to achieve year-on-year growth. Gross profit as a percentage of revenue is a measure of our profitability.

Strategy

The Group's revenues are generated through relationships with mobile operators and content aggregators and retailing directly to the consumer.

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks.

The Directors have set out below the principal risks facing the business.

Contracts with Mobile Network Operators (MNOs)

While Mobile Streams maintains relationships with numerous MNOs in the various territories, a small number of operators account for a high portion of the Company's business.

As the Company grows, management are using geographic and product diversity to counter this risk.

Contracts with rights holders

The majority of content provided by Mobile Streams is licensed from rights holders. While Mobile Streams is not dependent on any single rights holder for its entertainment content, termination, non-renewal or significant renegotiation of a contract could result in lower revenue.

The Company continues to enter into new content licensing arrangements to mitigate these risks.

Competition

Competition from alternative providers could adversely affect operating results by either providing price pressure, or by replacement.

Products and pricing of competitors are continuously monitored to ensure the Group is able to react quickly to changes in the market.

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

DIRECTORS' REPORT

Evolution of mobile entertainment content

Mobile entertainment content is constantly evolving in terms of what is popular, how it is distributed and business models.

Management continues to review changes in the market, explore new business models and form new relationships with content partners.

Fluctuations in currency exchange rates

Approximately 92% of the Group's revenue relates to overseas operations. The Group is therefore exposed to foreign currency fluctuations and the financial condition of the Company may be adversely impacted by foreign currency fluctuations. See note on page 9 "Financial risk management objectives and policies".

The Group has operations in Europe, Asia Pacific, North America and Latin America. As a result it faces both translation and transaction currency risks.

Currency exposure is not hedged.

Dependencies on key executives and personnel

The success of the business is substantially dependent on the Executive Directors and senior management team.

The Company has incentivised all key and senior personnel with share options and has taken out key man insurance policies on its Chief Executive Officer, Simon Buckingham.

Intellectual Property Rights

The protracted and costly nature of litigation, particularly in North America, may make it difficult to take a swift or decisive action to prevent infringement of the Company's intellectual property rights.

Although the Directors believe that the Company's content and MultiMobi technology platform and other intellectual property rights do not infringe the IP rights of others, third-parties may assert claims of infringement which could be expensive to defend or settle. The Company holds suitable insurance to reduce the risk and extent of financial loss.

Technology Risk

A significant portion of the future revenues are dependent on the Company's technology platforms. Instability or interruption of availability for an extended period could have an adverse impact on the Company's financial position.

Mobile Streams has invested in resilient hardware architecture and continues to maintain software control processes to minimise this risk.

Management controls and reporting procedures and execution

The ability of the Company to implement its strategy in a competitive market requires effective planning and management control systems. The Company's future growth will depend upon its ability to expand whilst improving operational, financial and management risk.

DIRECTORS' REPORT

Regulatory Risk

The Company may be affected by the prevailing regulatory and legal environment.

Management works closely with its key partners to ensure that the Company adapts to, and remains compliant with, legal and regulatory changes.

Cash / Tax Risk

The Group operates in many markets and under many different tax jurisdictions. A specific ruling or change in tax regime could result in higher tax payments or increase the difficulty of repatriation of funds from those markets. The Group engages local tax advisers in its core markets to monitor changes in tax regulation and to ensure tax compliance.

Going Concern Risk

The current uncertain economic climate and changing market place may impact the Company's cash flows and thereby its ability to pay its creditors as they fall due.

A principal responsibility of management is to manage liquidity risk, as detailed in Note 26 to the financial statements. The Company uses annual budgeting, forecasting and regular performance reviews to assess the longer term profitability of the Group and make strategic and commercial changes as required to ensure cash resources are maintained.

Financial risk management objectives and policies

The Group uses various financial instruments. These include cash and various items, such as trade receivables and trade payables that arise directly from its operations. The numerical disclosures relating to these policies are set out in notes to the financial statements.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. The Company does not currently use derivative products to manage foreign currency or interest rate risks.

The main risks arising from the Group's financial instruments are market risk, currency risk, liquidity risk and credit risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. In this review interest rate and price risk have been ignored as they are not considered material risks to the business. The Group's policies for currency risk are set out below.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk. Currently, there is generally an alignment of assets and liabilities in a particular market, and no hedging instruments are used. In Latin American markets cash in excess of working capital is converted into a hard currency such as US Dollars. The Company will continue to review its currency risk position as the overall business profile changes.

DIRECTORS' REPORT

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group currently has no borrowing arrangements in place and prepares cashflow forecasts which are reviewed at Board meetings to ensure liquidity.

Credit risk

The Group's principal financial assets are bank deposits, cash and trade receivables. The credit risk associated with the bank deposits and cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Group's trade receivables. Most of the Group's trade receivables are large mobile network operators or media groups. Whilst historically credit risk has been low management continuously monitors its financial assets and performs credit checks on prospective partners.

Policy on payment on trade payables

It is the Group's policy to settle supplier accounts in accordance with individual terms of business. The number of days purchases outstanding at the year-end in respect of the Group were 50 days (2009: 50 days).

Directors and their interests

The present membership of the Board, together with their beneficial interests in the shares of the Company, is set out below. Except where indicated, all Directors served on the Board throughout the year.

Shares held or controlled by Directors

	Ordinary shares of £0.002 each 30 June 2011	Ordinary shares of £0.002 each 31 December 2009
S D Buckingham	18,257,500	18,257,500
M Carleton	-	-
G Margent (appointed 25 January 2011)	-	-
P Tomlinson	40,000	40,000
R G Parry	181,183	181,183
T Maunder (appointed 25 January 2011)	-	-

In addition Ian Brewer resigned as Director on 25 January 2011.

DIRECTORS' REPORT**Options**

The table below summarises the exercise terms of the various options over ordinary shares of £0.002 (2009: £0.002) each which have been granted and were still outstanding at 30 June 2011.

	Options Held at 1 Jan-10 Number	Options Granted During the period Number	Options exercised During the period Number	Options held at 30 Jun-11 Number	Exercise price £	Earliest date from which exercisable	Latest expiry date
R G Parry	689,655	-	-	689,655	0.87	15-Feb-07	14-Feb-16
R G Parry	-	250,000	-	250,000	0.343	23-Mar-12	22-Mar-21
G Margent	-	250,000	-	250,000	0.343	23-Mar-12	22-Mar-21
I Brewer	300,000	-	150,000	0*	0.04625	13-Oct-10	12-Oct-19

*Ian Brewer held 150,000 share options which lapsed on resignation.

The remuneration of each of the Directors for the period ended 30 June 2011 is set out below:

	Salary £'000	Fees £'000	Benefits £'000	2011 Total £'000	2009 Total £'000
S D Buckingham	186	36	12	234	182
G Margent	88	-	-	88	-
I Brewer	76	-	6	82	25
T Maunder	-	9	-	9	-
R G Parry	-	45	-	45	90
P Tomlinson	-	30	-	30	20
A Arscentrup	-	-	-	-	60
J Colquhoun	-	-	-	-	75
Total	350	120	18	488	452

Benefits comprise of medical health insurance.

Post balance sheet events

There have been no significant post balance sheet events.

DIRECTORS' REPORT

Going Concern

The Group had cash balances of £1.1m at the year end and no borrowings. Having reviewed cashflow forecasts and budgets for the year ahead the Directors have a reasonable expectation that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Board consider Mobile Streams to be a going concern. No material uncertainties related to events that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP has indicated its willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

During the period ended 30 June 2011 the Board and the Audit Committee approved an extension to the engagement term of the Senior Statutory Auditor responsible for the audit opinion in relation to Mobile Streams plc. The term was extended from 5 to 6 years. The Audit Committee is satisfied that this extension does not in any way prejudice the objectivity and independence of the auditor.

By order of the board


G Margent
Company Secretary
21 September 2011

We have audited the group financial statements of Mobile Streams Plc for the period ended 30 June 2011 which comprise the accounting policies, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2011 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

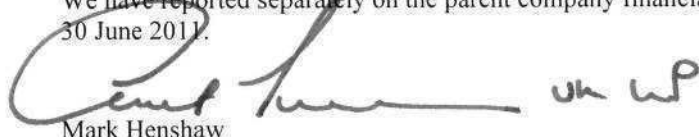
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Mobile Streams Plc for the period ended 30 June 2011.

A handwritten signature in black ink, appearing to read 'Mark Henshaw', with the initials 'MH WP' written to the right of the signature.

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

21 September 2011

ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 30 June 2011. They have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU. All references to IFRS in these statements refer to IFRS as adopted by the EU.

The historical cost convention has been applied as set out in the accounting policies.

Consolidation

Subsidiaries are all entities over which the group has the power to govern the operating and financial policies generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control is lost.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, in line with IFRS 3, Business Combinations. Any assets acquired and liabilities and contingent liabilities assumed that are identifiable are measured initially at their fair values at the acquisition date. Goodwill is stated after separating out identifiable intangible assets. The excess of the cost of a business combination over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of a business combination is less than the fair value, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The separate financial statements and notes of the company are presented on pages 44-49, which are prepared in accordance with UK GAAP.

Foreign currency translation

(a) Presentational currency

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

ACCOUNTING POLICIES

(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 recognised in the income statement.

Foreign currency balances are translated at the year-end using exchange rates prevailing at the year-end.

(c) Group companies

The financial results and position of all group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation 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 to the 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 (cumulative translation reserve)

Property, plant and equipment

All property, plant and equipment (PPE) are stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the purchase of the items.

Depreciation is calculated to write off the cost of property, plant and equipment less estimated residual value on a straight line basis over their estimated useful life. The following rates and methods have been applied:

Leasehold improvements	Over the life of the lease
Plant and equipment	33% straight line
Office furniture	Between 10% and 33% straight line

The asset's residual value and useful life is reviewed, and adjusted if required, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal of assets are determined by comparing proceeds received to the carrying amount. Any gain/loss is included in the income statement.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of net identifiable assets of the acquired entity at the date of acquisition. This goodwill for subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for impairment testing.

ACCOUNTING POLICIES**(b) Assets acquired through business combinations**

These consist of customer relationships, technology based assets and non-compete agreements acquired through business combinations. To meet this definition, the intangibles must be identifiable either by being separable, or by arising from contractual or other legal rights. Intangibles acquired through business combinations are recognised at fair value. Where a reliable estimate of useful life of the intangible can be obtained, the intangible asset is to be amortised using the straight line basis, over the useful life. Where there is an indication of impairment of intangibles, the intangible will be tested for impairment. The estimated useful lives of these assets are:

Customer relationships	3 years
Technology based assets	3 years
Non-compete agreements	3.5 years

(c) Media content and Media platform development

Media content and Media platform developments represent intangible assets that have been acquired from third parties and also that are internally generated, including capitalised direct staff costs. Content and platform expenditure are charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 Intangible Assets. To meet the criteria of an intangible the Group must demonstrate the following criteria. Firstly the technical feasibility of completing the asset so that it will be available for use, its intention to complete the intangible (or sell it), its ability to use or sell the intangible, that the intangible will generate future economic benefit, adequate resources are available to complete the intangible and the expenditure can be reliably measured. Intangible assets, if capitalised, are amortised on a straight-line basis over the period of the expected benefit. Amortisation commences when the asset is ready for use.

(d) Appitalism

Appitalism developments represent intangible assets that have been internally generated, including capitalized direct staff costs. To meet the intangible asset criteria the group must demonstrate the technical feasibility of completing the asset so that it will be available for use, its intention to complete the intangible (or sell it), its ability to use or sell the intangible, that the intangible will generate future economic benefit, adequate resources to complete the intangible and the expenditure can be reliably measured. Intangible assets, if capitalized are amortised on a straight line basis.

(e) Software

Software represents assets that have been acquired from third parties. To meet this definition the intangibles must be both identifiable and either separable, or arise from contractual or other legal rights. Intangibles acquired from third parties are stated at cost less accumulated amortisation and impairment losses. Where a reliable estimate of useful life of the intangible can be obtained, the intangible asset is to be amortised using the straight line basis, over the useful life. Where there is an indication of impairment of intangibles with a definite life, the intangible will be tested for impairment. The estimated useful life of acquired software is 2 years.

Amortisation is shown in “depreciation, amortisation and impairment” in the income statement.

Impairment of assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation, but are instead tested annually for impairment and also tested whenever an event or change in situation indicates that the carrying amount may not be recoverable. Assets that are subject to amortisation are also tested for impairment whenever an event or

ACCOUNTING POLICIES

change in situation indicates that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is determined by the higher of the fair value of an asset less costs to sell and the value in use. In order to assess impairment, assets are grouped at the lowest levels for which separate cash flows can be identified (cash-generating units).

Impairment is shown in “depreciation, amortisation and impairment” in the income statement.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred income tax is determined using tax rates known by the balance sheet date and are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax liabilities are provided in full, with no discounting.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statements, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

Provisions

Provisions, including those for legal claims, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases risks specific to the liability.

Financial Assets

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits held with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

ACCOUNTING POLICIES

b) Loans and receivables

Cash and trade receivables are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where there is no intention of trading. They are included as current assets, unless maturity is greater than 12 months after the balance sheet date. Trade receivables are included in trade and other receivables in the balance sheet. Trade receivables are recognised initially at fair value and later measured at amortised cost using the effective interest method, less provision for impairment. An impairment provision for trade receivables is established when there is evidence the Group will not be able to collect all amounts due according to the terms of the receivables. The provision is calculated as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash represents the nominal value in Mobile Streams controlled bank accounts at the period end.

Financial Liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

The Group's financial liabilities consist of trade and other payables, which are measured subsequent to initial recognition at amortised cost using the effective interest rate method.

All interest-related charges are reported in the income statement as "finance costs".

Revenue recognition

As at 30 June 2011, the Group is organised into four geographical segments: Europe, North America, Latin America, and Asia Pacific. Revenues are from external customers only and generated from three principal business activities: the sale of mobile content through MNO's (Mobile Operator Services), the sale of mobile content over the internet (Mobile Internet Services) and the provision of consulting and technical services (Other Service Fees).

Revenue includes the fair value of sale of goods and services, net of value-added tax, rebates and discounts and after eliminating intercompany sales within the Group. Revenue is recognised as follows:

a) Mobile Operator Services & Mobile Internet Services

Sales of goods are recognised when a Group entity has delivered media content to the end consumer, who has accepted the product and collectability of the related receivable is reasonably assured from the customer.

b) Other services

Rendering of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction, on the basis of the actual service provided as a proportion of the total services to be provided.

c) Interest income

Interest receivable is recognised in the income statement using the effective interest method. If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the income statement.

ACCOUNTING POLICIES

d) Deferred income

Revenue that has been collected from customers but where the above conditions are not met is recorded in the Statement of Financial Position under other creditors and deferred income and released to the income statement when the conditions are met.

Share based payments

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Group has applied the requirements of IFRS 2 (Amended) Share-based Payments to all grants of equity instruments.

The cost of equity settled transactions with employees is measured by reference to the fair value at the grant date of the equity instruments granted. The fair value is determined by using the Black-Scholes method.

The cost of equity-settled transactions is recognised, together with a corresponding increase in retained earnings, over the periods in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). At each balance sheet date before vesting the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. Market conditions are taken into account in determining the fair value of the options granted, at grant date, and are subsequently not adjusted for. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

No expense or increase in equity is recognised for awards that do not ultimately vest. Awards where vesting is conditional upon a market condition are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are charged to the share premium account.

Leased assets

In accordance with IAS 17, all the Group's leases are determined to be operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Operating leases are leases in which the risks and rewards of ownership are not transferred to the lessee.

Equity balances

a) Called up share capital

Called up share capital represents the nominal value of cash received from the issue of ordinary shares.

ACCOUNTING POLICIES

b) Share premium

The share premium account represents the incremental paid up capital above the nominal value of ordinary shares issued.

c) Translation Reserve

The translation reserve represents the cumulative translation adjustments on translation of foreign operations.

d) Merger Reserve

The merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares issued allotted directly to acquire another entity meeting the specific requirements of section 612 of the Companies Act 2006.

Standards and interpretations not yet applied

The following new Standards and Interpretations, which have been adopted by the European Union and are yet to become mandatory, have not been applied in the 2011 group financial statements.

Standard or Interpretation	Effective for in reporting periods on or after
IFRS 9 Financial Instruments	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (revised June 2011)	1 January 2013
IAS 24 (Revised 2009) Related Party Disclosures	1 January 2011
IAS 27 (Revised) Separate Financial Statements	1 January 2013
Amendment to IAS 32 Classification of Rights Issues	1 February 2010
Presentation of Items of Other Comprehensive Income - Amendments to IAS 1	Effective 1 July 2012

CONSOLIDATED INCOME STATEMENT

	Notes	18 months ended 30 June 2011	12 months ended 31 December 2009
		£000's	£000's
Revenue	22	15,491	7,112
Other Income *	22	484	-
Cost of Sales	22	(8,272)	(3,521)
Selling and Marketing Costs		(2,238)	(197)
Administrative Expenses **		(5,350)	(4,667)
Operating Profit/(Loss)		115	(1,273)
Finance income	6	8	15
Profit/(Loss) before tax		123	(1,258)
Tax (expense)/credit		(337)	54
(Loss) for the period		(214)	(1,204)
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc			
		(214)	(1,204)

Loss Per Share

		Pence per share	Pence per share
Basic (loss) per share	7	(0.589)	(3.320)
Diluted (loss) per share	7	(0.572)	(3.320)

* Other Income includes the sale of the ringtones.com domain.

** Administrative expenses include Depreciation, Amortisation and Impairment £0.4m (2009: £1.3m); Share Based Compensation £19k, (2009: £42k). Administrative expenses £4.9m (2009: £3.3m).

MOBILE STREAMS PLC

Financial Statements for the 18 months ended 30 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	18 months ended 30 June 2011	12 months ended 31 December 2009
	£000's	£000's
(Loss) for the period	(214)	(1,204)
Exchange differences on translating foreign operations	15	292
Total comprehensive (loss) for the period	(199)	(912)
Total comprehensive (loss) for the period attributable to:		
Equity shareholders of Mobile Streams plc	(199)	(912)

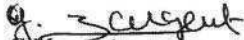
MOBILE STREAMS PLC

Financial Statements for the 18 months ended 30 June 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	18 months ended 30 June 2011 £000's	12 months ended 31 December 2009 £000's
Assets			
Non-current			
Goodwill	12	714	714
Intangible assets	12	348	331
Property, plant and equipment	11	37	79
		1,099	1,124
Current			
Trade and other receivables	13	2,235	1,725
Cash and cash equivalents	14	1,100	1,659
		3,335	3,384
Total assets		4,434	4,508
Equity			
Equity attributable to equity holders of Mobile Streams Plc			
Called up share capital	18	73	73
Share Premium		10,317	10,310
Translation reserve		(218)	(233)
Merger Reserve	20	153	153
Retained earnings		(9,452)	(9,238)
Total equity		873	1,065
Liabilities			
Non-current			
Deferred tax liabilities	16	13	38
Current			
Trade and other payables	15	3,107	3,239
Provisions	17	-	82
Current tax liabilities		441	84
		3,548	3,405
Total liabilities		3,561	3,443
Total equity and liabilities		4,434	4,508

The financial statements were authorised by the Board of Directors and were signed on its behalf by:


 G. Margent
 Chief Financial Officer
 21 September 2011

Company number: 03696108

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of Mobile Streams Plc					
	Called up share capital	Share premium	Trans- lation reserve	Retained earnings	Merger reserve	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 January 2009	73	10,310	(525)	(8,558)	635	1,935
Employee share based compensation	-	-	-	50	-	50
Transactions with owners	-	-	-	50	-	50
Loss for the year	-	-	-	(502)	-	(502)
Exchange differences on translation of foreign operations	-	-	374	-	-	374
Total comprehensive income for the year	-	-	374	(502)	-	(128)
Balance at 30 June 2009	73	10,310	(151)	(9,010)	635	1,857
Balance at 1 July 2009	73	10,310	(151)	(9,010)	635	1,857
Employee share based compensation	-	-	-	(8)	-	(8)
Transfer to Retained Earnings	-	-	-	482	(482)	-
Transactions with owners	-	-	-	474	(482)	(8)
Loss for the year	-	-	-	(702)	-	(702)
Exchange differences on translation of foreign operations	-	-	(82)	-	-	(82)
Total comprehensive income for the year	-	-	(82)	(702)	-	(784)
Balance at 31 December 2009	73	10,310	(233)	(9,238)	153	1,065
Balance at 1 January 2010	73	10,310	(233)	(9,238)	153	1,065
Employee share based compensation	-	7	-	-	-	7
Exchange differences on translation of foreign operations	-	-	15	-	-	15
Profit/(loss) for the 18 months ended 30 June 2011	-	-	-	(214)	-	(214)
Total comprehensive income for the period	-	7	15	(214)	-	(192)
Balance at 30 June 2011	73	10,317	(218)	(9,452)	153	873

CONSOLIDATED CASH FLOW STATEMENT

	Notes	18 months ended 30 June 2011	12 months ended 31 December 2009
		£000's	£000's
Operating activities			
Profit/(loss) before taxation		123	(1,258)
Adjustments:			
Share Based Payments		19	42
Depreciation	5	83	162
Amortisation	5	309	722
Impairment of intangibles and goodwill	5	-	460
Profit on disposal of fixed assets		-	18
Interest received	6	(8)	(15)
Changes in Trade and other receivables		(450)	404
Changes in Trade and other payables		(214)	(793)
Tax paid		(64)	(254)
Net Cash from operating activities		(202)	(512)
Investing activities			
Additions to property, plant and equipment		(43)	(5)
Additions to other intangible assets		(317)	(103)
Interest received	6	8	15
Net Cash used in investing activities		(352)	(93)
Financing activities			
Issue of share capital (net of expenses paid)		7	-
Net Cash used in investing activities		7	-
Net change in cash and cash equivalents		(547)	(605)
Cash and cash equivalents at beginning of period		1,659	2,260
Exchange (losses)/gains on cash and cash equivalents		(12)	4
Cash and cash equivalents, end of period	14	1,100	1,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mobile Streams Plc (the Company) and its subsidiaries (together 'the Group') provide technology and services for the publication of content, primarily for distribution on wireless devices. The Group has subsidiaries in Europe, Asia, North America and Latin America. The Group has made various strategic acquisitions to build its market share in these regions.

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Abacus House, 33 Gutter Lane, London, EC2V 8AR.

The Company is listed on the London Stock Exchange's Alternative Investment Market.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 September 2011.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are evaluated on a regular basis and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Judgements are evaluated on a regular basis and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

2.1 Critical accounting estimates, judgements and assumptions

The Group makes estimates and assumptions concerning the future. These estimates, by definition, will rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates

(a) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require estimates to be made. Refer to note 12.

Judgement

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions/calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different to what is initially recorded, such differences will impact the income tax and deferred tax provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(c) Intangible assets

The Group is required to identify and assess the useful life of intangible assets and determine if there is a finite or indefinite life. Judgement is required in determining if an intangible asset has a finite life and the extent of this finite life in order to calculate the amortisation charge on the asset. The Group tests annually whether intangible assets with an indefinite life have suffered any impairment, in accordance with the accounting policy. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require estimates to be made. Where there is no observable market value for an intangible asset, management will make use of a valuation technique to determine the value of an intangible. In doing so, certain assumptions and estimates will be made. Refer to note 12.

d) Share based payments

The Group is required to measure the fair value of equity settled transactions with employees at the grant date of the equity instruments. The fair value is determined by using the Black-Scholes method. This requires assumptions regarding interest free rates, share price volatility and expected life of an employee share option. The volatility of the Company's share price on each date of grant was calculated as the average of volatilities of share prices of companies in the Peer Group on the corresponding dates. The volatility of share price of each company in the Peer Group was calculated as the average of annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over 1, 2, 3, 4 and 5 years back from the date of grant, where applicable. The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option. The expected life of an employee share option is 5 years.

e) Deferred taxation

Judgement is required by management in determining whether the Group should recognise a deferred tax asset. Management considered whether there is sufficient certainty its tax losses available to carry forward would ultimately be offset against future earnings, this judgement impacts on the degrees to which deferred tax assets are recognised (see note 16).

3. DIRECTORS' AND OFFICERS' REMUNERATION

The Directors are regarded as the key management personnel of Mobile Streams Plc.

Charges in relation to remuneration received by key management personnel for services in all capacities during the 18 months ended 30 June 2011 are as follows:

				2011 £000's	2009 £000's
Short- term employee benefits					
- salaries/remuneration				<u>488</u>	<u>452</u>
				2011	2009
	Salary	Fees	Benefits	Total	Total
	£'000	£'000	£'000	£'000	£'000
S D Buckingham	186	36	12	234	182
G Margent	88	-	-	88	-
I Brewer	76	-	6	82	25
T Maunder	-	9	-	9	-
R G Parry	-	45	-	45	90
P Tomlinson	-	30	-	30	20
A Arscentrup	-	-	-	-	60
J Colquhoun	-	-	-	-	75
Total	<u>350</u>	<u>120</u>	<u>18</u>	<u>488</u>	<u>452</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**4. SERVICES PROVIDED BY THE GROUP'S AUDITOR AND NETWORK FIRMS**

During the 18 months ended 30 June 2011 the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor and network firms:

	2011 £000's	2009 £000's
Fees payable to the Company's auditor for the audit of parent company and consolidated accounts	54	54
Non-Audit services:		
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	6	5
Interim procedures	30	15
Tax compliance and advisory services	90	74
	<u>90</u>	<u>74</u>

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	Notes	2011 £000's	2009 £000's
Depreciation	11	84	162
Amortisation	12	308	722
Impairment of goodwill		-	460
		<u>392</u>	<u>1,344</u>

6. FINANCE INCOME

	2011 £000's	2009 £000's
Interest receivable	<u>8</u>	<u>15</u>

7. EARNINGS/(LOSS) PER SHARE

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

	2011	2009
	Pence per share	Pence per share
Basic (loss) per share	(0.589)	(3.320)
Diluted /(loss) per share	(0.572)	(3.320)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	£000's	£000's
Profit/(Loss) for the period	<u>(214)</u>	<u>(1,204)</u>
For adjusted earnings per share	£000's	£000's
Profit/(Loss) for the period	(214)	(1,204)
Add back: share compensation expense/(credit)	19	42
Add back: impairment of goodwill	-	460
Add back: depreciation and amortisation	<u>392</u>	<u>884</u>
Adjusted profit for the period	<u>197</u>	<u>182</u>

	Number of shares	Number of shares
Weighted average number of shares		
For basic earnings per share	36,313,610	36,268,192
Exercisable share options	<u>1,077,661</u>	<u>958,652</u>
For diluted earnings per share	<u>37,391,271</u>	<u>37,226,844</u>
	Pence per share	Pence per share
Adjusted earnings per share	0.542	0.502
Adjusted diluted earnings per share	0.527	0.489

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

8. DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2011 £000's	2009 £000's
Wages and salaries	2,503	1,915
Social security costs	<u>232</u>	<u>171</u>
	<u>2,735</u>	<u>2,086</u>
Less: staff costs capitalised within media platform costs	<u>-</u>	<u>(100)</u>
	<u>2,735</u>	<u>1,986</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The average number of employees during the year was:

	2011	2009
	Number	Number
Management	5	6
Administration	42	56
	<u>47</u>	<u>62</u>

9. INCOME TAX (CREDIT)/EXPENSE

The tax charge is based on the loss for the year and represents:

	2011	2009
	£000's	£000's
Profit (Loss) for the year before taxation	123	(1,258)
Profit (Loss) multiplied by standard rate of corporation tax in the United Kingdom of 26% (2009: 28%)	32	(352)
Expected tax expense	32	(352)

10. DIVIDENDS

No dividends were paid or proposed during the year (2009: £nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Office furniture, plant and equipment £000's
Cost	
At 1 January 2010	379
Additions	44
Disposals	(2)
Translation adjustments	-
At 30 June 2011	<u>421</u>
Depreciation	
At 1 January 2010	300
Provided in the year	84
Disposals	-
Translation adjustments	-
At 30 June 2011	<u>384</u>
Net book value at 30 June 2011	<u>37</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Leasehold improvements £000's	Office furniture, plant and equipment £000's	Total £000's
Cost			
At 1 January 2009	44	529	573
Additions	-	5	5
Disposals	(44)	(213)	(257)
Translation adjustments	-	58	58
At 31 December 2009	-	379	379
Depreciation			
At 1 January 2009	33	337	370
Provided in the year	11	151	162
Disposals	(44)	(198)	(242)
Translation adjustments	-	10	10
At 31 December 2009	-	300	300
Net book value at 31 December 2009	-	79	79

12. GOODWILL AND INTANGIBLE ASSETS

The carrying amount of goodwill is entirely attributable to Mobile Steams (Hong Kong) Limited and its subsidiaries in Singapore and Australia which make up the Asia Pacific reportable segment. Following an impairment review at the balance sheet date the fair value was higher than the carrying value and therefore no impairment was required. An impairment charge of £0.5m was recorded in 2009. The recoverable amount was determined based on value-in-use calculations, covering a five year forecast assuming continued profits from the existing customer relationships and content repertoire offering. The valuation is wholly based on budgets which have been prepared by senior management. Growth of 6% is based on historical information and the discount rate of 1.24% based on the 5 year bond rate are used in the valuation of cash-generating units. These rates are used to extrapolate cash flows beyond the forecast period. There was no change in the method of estimation during the year.

Management consider the growth rate to be the key estimated component used in the valuation. By using a lower growth rate the recoverable amount would be impacted. If the growth rate were 3%, the fair value would be £0.2m lower than the carrying value, with a growth rate of 4% the fair value would be £0.1m lower than the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Media platform development and software £000's	Media content £000's	Appitalism £000's	Other intangibles £000's	Subtotal £000's	Goodwill £000's	Total £000's
Cost							
At 1 January 2010	2,349	332	-	2,364	5,045	2,670	7,715
Additions - internally generated	-	-	326	-	326	-	326
Additions - externally acquired	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-
At 30 June 2011	2,349	332	326	2,364	5,371	2,670	8,041
Accumulated amortisation and impairment							
At 1 January 2010	2,229	331	-	2,154	4,714	1,956	6,670
Amortisation	115	1	54	138	308	-	308
Impairment	-	-	-	-	-	-	-
Depreciation on Disposal	-	-	-	-	-	-	-
Translation adjustments	-	-	-	-	-	-	-
At 30 June 2011	2,344	332	54	2,292	5,022	1,956	6,978
Net book value at 30 June 2011	5	-	272	72	349	714	1,063

	Media platform development and software £000's	Media content £000's	Appitalism £000's	Other intangibles £000's	Subtotal £000's	Goodwill £000's	Total £000's
Cost							
At 1 January 2009	2,157	332	-	2,364	4,853	2,473	7,326
Additions - internally generated	101	-	-	-	101	-	101
Additions - externally acquired	2	-	-	-	2	-	2
Disposals	(11)	-	-	-	(11)	-	(11)
Translation adjustments	100	-	-	-	100	197	297
At 31 December 2009	2,349	332	-	2,364	5,045	2,670	7,715
Accumulated amortisation and impairment							
At 1 January 2009	1,649	284	-	2,010	3,943	1,496	5,439
Amortisation	563	15	-	144	722	-	722
Impairment	-	-	-	-	-	460	460
Depreciation on Disposal	(7)	-	-	-	(7)	-	(7)
Translation adjustments	24	32	-	-	56	-	56
At 31 December 2009	2,229	331	-	2,154	4,714	1,956	6,670
Net book value at 31 December 2009	120	1	-	210	331	714	1,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Other intangible assets**

Mobile Streams' other intangible assets comprise acquired customer relationships, technology based assets and non-compete agreements. The carrying amounts for the reporting periods under review can be analysed as follows:

	2011		Total
	The Nickels Group	Mobile Streams (Hong Kong) Limited	
	£000's	£000's	£000's
Customer relationships	-	-	-
Technology-based assets	-	5	5
Non-compete agreement	-	-	-
	<u>-</u>	<u>5</u>	<u>5</u>
	2009		
	The Nickels Group	Mobile Streams (Hong Kong) Limited	Total
	£000's	£000's	£000's
Customer relationships	3	11	14
Technology-based assets	-	195	195
Non-compete agreement	-	1	1
	<u>3</u>	<u>207</u>	<u>210</u>

13. TRADE AND OTHER RECEIVABLES

	2011 £000's	2009 £000's
Trade receivables	673	766
Accrued receivables	1,030	561
Prepayments	472	398
	<u>2,175</u>	<u>1,725</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value.

Trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables, on the basis of age and collectability, were found to be impaired and a provision for doubtful debts of £68,000 (2009: £60,000) has been recorded.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The profile of financial assets past due but not impaired is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2011 £000's	2009 £000's
Not more than 3 months	20	168
More than 3 months but not more than 6 months	84	80
More than 6 months but not more than 1 year	-	-

Provision for doubtful debts reconciliation

	2011 £000's	2009 £000's
Opening provision for doubtful debts	60	211
Change in provision during the year	8	(151)
Closing provision for doubtful debts	<u>68</u>	<u>60</u>

Trade and other receivables that are not past due or impaired are considered to be collectible within the Group's normal payment terms.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2011 £000's	2009 £000's
Cash at bank and in hand	<u>1,100</u>	<u>1,659</u>

15. TRADE AND OTHER PAYABLES

	2011 £000's	2009 £000's
Trade payables	578	760
Other payables	93	122
Accruals and deferred income	2,436	2,357
	<u>3,107</u>	<u>3,239</u>

All amounts are short term. The carrying values are considered to be a reasonable approximation of fair value.

16. DEFERRED TAXATION LIABILITIES

	Balance 1 Jan 2009 £000's	Recognised in income £000's	Balance 31 Dec 2009 £000's	Recognised in income £000's	Balance 30 June 2011 £000's
Deferred tax liability on intangible assets	63	(25)	38	(25)	13

Deferred tax liability on intangible assets has decreased as a result of impairment and amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**17. PROVISIONS**

Balance 1 January 2010	82
Change in provisions during the period	<u>(82)</u>
Balance at 30 June 2011	<u>-</u>
Provision used during the period: Restructuring and Redundancy	78
Subsidiary Closure	<u>4</u>
	<u>82</u>

18. SHARE CAPITAL

The Company only has one class of shares. The total number of shares issued is 36,457,692 (2009: 36,268,192) with a par value of £0.002 per share. All issued shares are fully paid.

The Group's main source of capital is the parent company's equity shares. The policy which is met by the Group is to retain sufficient authorised share capital so as to be able to issue further shares to fund acquisitions, settle share based transactions and raise new funds. Share based payments relate to employee share options schemes. The schemes have restrictions on headroom so as not to dilute the value of issued shares of the Company. The Group has not raised debt financing in the past and expects not to do so in the future.

	2011	2009
	£000's	£000's
Authorised		
69,150,000 ordinary shares of £0.002 each (2009: 69,150,000)	<u>138</u>	<u>138</u>
Allotted, called up and fully paid:		
36,457,692 ordinary shares of £0.002 each (2009: 36,268,192)	<u>73</u>	<u>73</u>

19. SHARE BASED PAYMENTS

The Group operates three share option incentive plans – an Enterprise Management Incentive Scheme, a Global Share Option Plan and an ISO Sub Plan - in order to attract and retain key staff. The remuneration committee can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant and are equity settled. The contractual life of an option is 10 years. Exercise of an option is subject to continued employment. Options are valued at date of grant using the Black-Scholes option pricing model.

The fair value per option of options granted during the period and the assumptions used in the calculation are shown below:

	23 March 2011	23 March 2011	23 March 2011
Date of grant	23 March 2011	23 March 2011	23 March 2011
Share price at grant (£)	0.3430	0.3430	0.3430
Exercise price (£)	0.3430	0.3430	0.3430
Shares under option	166,667	166,667	166,667
Vesting period (years)	1	2	3
Expected volatility	44.64%	44.64%	44.64%
Option Life (years)	10	10	10
Expected life (years)	5	5	5
Risk-free rate	0.9435%	0.9435%	0.9435%
Dividend yield	0.00%	0.00%	0.00%
Fair value per option (£)	0.061	0.087	0.106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The volatility of the Company's share price on the date of grant was calculated as the average of volatilities of share prices of companies in the Peer Group on the corresponding date. The volatility of share price of each company in the Peer Group was calculated as the average of annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over 1, 2, 3, 4 and 5 years back from the date of grant, where applicable. The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option. The expected life of an employee share option is 5 years.

Share options in issue at the year-end under the various schemes are:

1. Personal to the Option Holder and are not transferable, or assignable.
2. Shall not be exercisable on or after the tenth anniversary of the grant date.
3. Subject to the rules of the Plans, the Options shall Vest as follows:
 - 33.3% vest on the First Anniversary of the grant of option
 - 66.6% vest on the Second Anniversary of the grant of option
 - 100% vest on the Third Anniversary of the grant of option

	2011		2009	
	Number (000's)	Weighted average exercise price	Number (000's)	Weighted average exercise price
Outstanding at 1 January 2010	1,582	£0.47	1,858	£0.27
Granted	1,375	£0.31	300	£0.05
Exercised	(165)	£0.31	-	-
Forfeited	(292)	£0.26	(576)	£0.40
Outstanding at 30 June 2011	<u>2,500</u>	<u>£0.48</u>	<u>1,582</u>	<u>£0.47</u>
Exercisable at 30 June 2011	<u>1,085</u>	<u>£0.62</u>	<u>1,114</u>	<u>£0.64</u>

Range of exercise prices	Weighted average exercise price (£)	2011		2009	
		Number of Shares (000's)	Weighted average remaining life (years): Contractual	Number of Shares (000's)	Weighted average remaining life (years): Contractual
£0 - £0.50	0.304	1,801	7.6	807	8.2
£0.51 - £1.00	0.869	699	4.9	775	6.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

165,000 share options were exercised during the 18 months ended 30 June 2011 at a weighted average share price of £0.3130 (2009: Nil).

The total charge for the year relating to employee share based payment plans was £19,000 (2009: £42,000), all of which related to equity-settled share based payment transactions.

20. MERGER RESERVE

	£000's
Balance 1 January 2010 & 30 June 2011	<u>153</u>

The merger reserve was created on the issue of shares in consideration for the acquisition of Mobile Streams Europe GmbH.

21. OPERATING LEASES

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

	Land and Buildings	
	2011	2009
	£000's	£000's
Annual commitments under non-cancellable operating leases expiring:		
Within one year	111	44
Within two to five years	72	34
After five years	-	-
	<u>183</u>	<u>78</u>

There are no other operating leases. Lease payments recognised as an expense during the period amount to £210,000 (2009: £135,000).

22. SEGMENT REPORTING

As at 30 June 2011, the Group is organised into 4 geographical segments: Europe, North America, Latin American, and Asia Pacific. Revenues are from external customers only and generated from three principal business activities: the sale of mobile content through MNO's (Mobile Operator Services), the sale of mobile content over the internet (Mobile Internet Services) 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.

91% of revenue in Latin America is derived from 2 major customers and 97% of revenue in Asia Pacific is derived from 3 major customers. See Chairman's statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental results for the 18 months ended 30 June 2011 are as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Consol	Group
Mobile Operator Services	290	2,535	1,191	3,143	-	7,159
Mobile Internet Services	279	-	175	7,016	-	7,470
Other Service fees	668	108	44	42	-	862
Total Revenue	1,237	2,643	1,410	10,201	-	15,491
Other Income	484	-	-	-	-	484
Cost of sales	(194)	(1,775)	(236)	(6,069)	-	(8,274)
Gross profit	1,527	868	1,174	4,132	-	7,701
Selling, marketing and administration expenses	(1,467)	(664)	(1,647)	(3,397)	-	(7,175)
EBITDA*	60	204	(473)	735	-	526
Depreciation, amortisation and impairment	(275)	(5)	(73)	(39)	-	(392)
Share based compensation	(19)	-	-	-	-	(19)
Finance income	4	4	-	-	-	8
Profit/(Loss) before tax	(230)	203	(546)	696	-	123
Taxation	80	-	-	(417)	-	(337)
Profit/(loss) after tax	(150)	203	(546)	279	-	(214)
Segmental assets	254	553	583	2,257	787	4,434
Segmental liabilities	246	825	735	1,742	13	3,561

The segmental results for the year ended 31 December 2009 are as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Consol	Group
Mobile Operator Services	315	2,604	1,263	1,330	-	5,512
Mobile Internet Services	291	-	234	265	-	790
Other Service fees	525	80	157	48	-	810
Total Revenue	1,131	2,684	1,654	1,643	-	7,112
Cost of sales	(225)	(1,762)	(694)	(840)	-	(3,521)
Gross profit	906	922	960	803	-	3,591
Selling, marketing and administration expenses	(507)	(781)	(1,343)	(847)	-	(3,478)
EBITDA*	399	141	(383)	(44)	-	113
Depreciation, amortisation & impairment	(700)	(43)	(107)	(34)	-	(884)
Goodwill impairment	-	(460)	-	-	-	(460)
Share compensation expense	(42)	-	-	-	-	(42)
Finance Income	12	3	-	-	-	15
Loss before tax	(331)	(359)	(490)	(78)	-	(1,258)
Taxation	(45)	-	-	99	-	54
Profit/(loss) after tax	(376)	(359)	(490)	21	-	(1,204)
Segmental assets	1,328	645	514	1,097	924	4,508
Segmental liabilities	508	990	1,371	536	38	3,343

* Earnings before interest, tax, depreciation, amortisation and share compensation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The totals presented in the Group's operating region segments reconcile to the Group's key financial figures as presented in its financial statements as follows:

	2011 £000's	2009 £000's
Segment revenues		
Total segment revenues	<u>15,491</u>	<u>7,112</u>
Entity's revenues	<u>15,491</u>	<u>7,112</u>
Segment results		
Total segment (loss) after tax	<u>(214)</u>	<u>(1,204)</u>
Entity's (loss) after tax	<u>(214)</u>	<u>(1,204)</u>
Segment assets		
Total segment assets	<u>9,861</u>	<u>8,799</u>
Consolidation	<u>(5,427)</u>	<u>(4,291)</u>
Entity's assets	<u>4,434</u>	<u>4,508</u>
Segment liabilities		
Total segment liabilities	<u>11,156</u>	<u>9,571</u>
Consolidation	<u>(7,595)</u>	<u>(6,128)</u>
Entity's liabilities	<u>3,561</u>	<u>3,443</u>

INTEREST REVENUE

Interest Revenue for the period ended 18 month 30 June, 2011 is £8k comprised of Europe £4k, and Asia £4k.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**DEFERRED TAX**

	Europe	Asia Pacific	North America	Latin America	Other	Group
Deferred Tax	-	-	-	-	(13)	(13)
	-	-	-	-	(13)	(13)

BENEFITS

	Europe	Asia Pacific	North America	Latin America	Other	Group
Benefits	-	(38)	(70)	(2)	-	(110)
	-	(38)	(70)	(2)	-	(110)

23. CAPITAL COMMITMENTS

The Group has no capital commitments as at 30 June 2011 (2009: nil).

24. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2011 (2009: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**25. RELATED PARTY TRANSACTIONS****Key Management**

The only related party transactions that occurred during the year were the remuneration of senior management disclosed in note 3.

Other Related Parties

Although not a related party under IFRS, the Group has received management fee income from Zoombak Inc, a subsidiary of True Position Inc who are a minority shareholder in the company. Furthermore as announced on 28 September 2010, Mobile Streams' agreement to provide management services to Zoombak, LLC, the location based devices and services subsidiary of TruePosition, Inc. ended in early January 2011. In addition to the fixed management fee that was paid by TruePosition to the Company, the Zoombak management services agreement included certain performance related provisions whereby bonus sums would become payable to Mobile Streams depending on the financial performance of Zoombak. The Company had raised invoices amounting to its calculation of these bonuses in prior years, however, TruePosition disputed these invoices.

The Company and TruePosition have now negotiated and executed a settlement agreement that amicably resolves the outstanding matters relating to the Zoombak management services agreement. Furthermore, Zoombak made a one-time payment of \$250,000 (£155,000) to the Company, shown as revenue in the income statement. This contract has now been terminated.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to currency and liquidity risk, which result from both its operating and investing activities. The Group's risk management is coordinated in close co-operation with the board of Directors and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Group is exposed are described below. Also refer to the accounting policies.

Foreign currency risk

The Group is exposed to transaction foreign exchange risk. The currencies where the Group is most exposed to volatility are US Dollars, Australian Dollars and Argentine Peso.

Currently, there is generally an alignment of assets and liabilities in a particular market and no hedging instruments are used. In Latin American markets cash in excess of working capital is converted into a hard currency such as US Dollars. The Company will continue to review its currency risk position as the overall business profile changes.

Foreign currency denominated financial assets and liabilities, which are all short-term in nature, are translated into local currency at the closing rate are as follows.

	2011 £000's				2009 £000's			
	US \$	AUS \$	ARS Peso	Other	US \$	AUS \$	ARS Peso	Other
Nominal amounts								
Financial assets	292	486	2,050	254	500	566	689	520
Financial liabilities	(738)	(739)	(1,646)	(196)	(1,371)	(845)	(344)	(424)
Short-term exposure	(446)	(253)	404	58	(871)	(279)	345	96

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Percentage movements for the period in regards to the British Pound to US Dollar, Australian Dollar and Argentine Peso exchange rates are as follows. These percentages have been determined based on the average market volatility in exchange rates in the previous 18 months.

	2011	2009
US Dollar	8%	8%
Australian Dollar	24%	5%
Argentine Peso	18%	14%

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Management prepares cashflow forecasts which are reviewed at Board meetings to ensure liquidity. The Group has no borrowing arrangements.

As at 30 June 2011, the Group's liabilities were all current and have contractual maturities as follows:

30 June 2011	Within 6 months £000's	6 to 12 months £000's
Trade and other payables	3,107	-

The maturity of the Group's financial liabilities, which were all current at the previous year end, were as follows:

31 December 2009	Within 6 months £000's	6 to 12 months £000's
Trade and other payables	3,239	-

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MOBILE STREAMS PLC

We have audited the parent company financial statements of Mobile Streams Plc for the period ended 30 June 2011 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the group financial statements of Mobile Streams Plc for the period ended 30 June 2011.

A handwritten signature in black ink, appearing to read 'Mark Henshaw', with a stylized flourish at the end.

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
21 September 2011

COMPANY ACCOUNTING POLICIES

BASIS OF PREPARATION

As used in the financial statements and related notes, the term 'Company' refers to Mobile Streams Plc. The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with the UK Generally Accepted Accounting Principles ("UK GAAP").

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below. The company has taken advantage of section 408 of the Companies Act 2006 and has not included the parent company income statement in the financial statements. The profit for the parent company for the period ended 30 June 2011 was £134,000 (12 months ended 31 December 2009: loss £3,174,000).

The following paragraphs describe the main accounting policies. The policies have been consistently applied to all the years presented.

Revenue recognition

As at 30 June 2011, the Group is organised into four geographical segments: Europe, North America, Latin America, and Asia Pacific. Revenues are from external customers only and generated from three principal business activities: the sale of mobile content through MNO's (Mobile Operator Services), the sale of mobile content over the internet (Mobile Internet Services) and the provision of consulting and technical services (Other Service Fees).

Revenue includes the fair value of sale of goods and services, net of value-added tax, rebates and discounts and after eliminating intercompany sales within the Group. Revenue is recognised as follows:

a) Mobile Operator Services & Mobile Internet Services

Sales of goods are recognised when a Group entity has delivered media content to the end consumer, who has accepted the product and collectability of the related receivable is reasonably assured from the customer.

b) Other services

Rendering of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction, on the basis of the actual service provided as a proportion of the total services to be provided.

c) Interest income

Interest receivable is recognised in the income statement using the effective interest method. If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the income statement.

d) Deferred income

Revenue that has been collected from customers but where the above conditions are not met is recorded in the Statement of Financial Position under other creditors and deferred income and released to the income statement when the conditions are met.

INVESTMENTS IN SUBSIDIARIES

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

COMPANY ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS

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:

Leasehold improvements	Over the life of the lease
Plant and equipment	33% straight line
Media platform development	33% - 50% straight line
Office furniture	Between 10% and 33% straight line

Media platform costs represent the cost of the initial development of websites and media platforms, which support the Company's core operations.

The Company continued to invest in expanding the capability of the media platform during 2010-2011 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 2 years and the asset is being depreciated on this basis.

INTANGIBLE ASSETS

The intangible assets represent the cost of creating original media content. Intangible assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is calculated to write down the cost of intangible assets over their estimated useful lives. The following rates and methods have been applied:

Intangible assets	Between 2 and 4 years straight line
-------------------	-------------------------------------

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 rate 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 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 account in equal amounts over the lease term.

SHARE BASED PAYMENTS

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity settled transactions

COMPANY ACCOUNTING POLICIES

The Group has applied the requirements of Financial Reporting Standard 20 “Share Based Payments” to all grants of equity instruments.

The cost of equity settled transactions with employees is measured by reference to the fair value at the grant date of the equity instruments granted. The fair value is determined by using the Black-Scholes method.

The cost of equity-settled transactions is recognised, together with a corresponding increase in retained earnings, over the periods in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management’s best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, market conditions are taken into account in determining the fair value of options granted, at grant date, and are not subsequently adjusted for. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

No expense or increase in equity is recognised for awards that do not ultimately vest. Awards where vesting is conditional upon a market condition are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

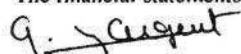
MOBILE STREAMS PLC

Financial Statements for the 18 months ended 30 June 2011

COMPANY BALANCE SHEET

	Note	2011 £000's	2009 £000's
Fixed assets			
Tangible fixed assets	2	2	129
Investments in subsidiaries	1	1,442	1,442
Total fixed assets		1,444	1,571
Current Assets			
Debtors	3	2,610	1,873
Cash at bank and in hand		83	911
Other assets		2	11
Total current assets		2,695	2,795
Creditors: amounts falling due within one year	4	(690)	(1,032)
Net current assets		2,005	1,763
Net assets		3,449	3,334
Capital and reserves			
Called up share capital	5	73	73
Merger reserve	6	-	27
Share premium	6	10,317	10,309
Profit and loss account	6	(6,941)	(7,075)
Shareholders' funds		3,449	3,334

The financial statements were approved by the Board of Directors on 21 September 2011.



G Margent
Chief Financial Officer

Company registration number:

03696108

NOTES TO COMPANY FINANCIAL STATEMENTS**1. INVESTMENT IN SUBSIDIARY COMPANIES**

	£000's
Cost	
At 1 January 2010 and 30 June 2011	<u>3,898</u>
Net book amount at 30 June 2011	<u>1,442</u>

At the year-end the Company's investments were reviewed for impairment. A valuation of the investment in Mobile Streams Asia Limited indicated that the fair market value was in excess of the carrying value and therefore no impairment charge needs to be recognized.

Investments in Subsidiary undertakings comprise:

	Proportion held		Total held by Group	Country of incorporation
	Directly by Mobile Streams Plc	By other Group companies		
Mobile Streams Inc.	100%	-	100%	USA
Appitalism, Inc.	100%	-	100%	USA
Mobile Streams De Argentina SRL	50%	50%	100%	Argentina
Mobile Streams De Brasil Midia Digital Para Celulares Ltda	79%	21%	100%	Brazil
Mobile Streams Chile Ltda	50%	50%	100%	Chile
Mobile Streams De Colombia Ltda	50%	50%	100%	Columbia
Mobile Streams of Mexico S De RL De CV	50%	50%	100%	Mexico
The Nickels Group Inc	-	100%	100%	USA
Mobile Streams Venezuela SA	100%	-	100%	Venezuela
Mobile Streams Asia Limited	100%	-	100%	UK
Mobile Streams Australia Pty Limited	-	100%	100%	Australia
Mobile Streams (Hong Kong) Limited	100%	-	100%	Hong Kong
Mobile Streams Singapore Limited	-	100%	100%	Singapore
Mobile Streams Europe GmbH	100%	-	100%	Germany

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

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)**2. FIXED ASSETS**

	Investment in Subs £000's	Tangible Assets £000's	Intangible Assets £000's	Total £000's
Balance at 1 January 2010	1,442	52	76	1,570
Additions	-	-	-	-
Disposals	-	-	-	-
At 30 June 2011	1,442	52	76	1,570
Depreciation provided for the year	-	50	76	126
Disposals	-	-	-	-
At 30 June 2011	-	50	76	126
Net book value at 30 June 2011	1,442	2	-	1,444

3. DEBTORS

	2011 £000's	2009 £000's
Trade debtors and receivables	131	186
Amounts owed by Group undertakings	2,479	1,687
	2,610	1,873

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £000's	2009 £000's
Trade creditors	17	65
Corporation tax	-	82
Amounts owed to Group undertakings	459	573
Accruals and deferred income	214	312
	690	1,032

5. SHARE CAPITAL

For details of share capital refer to note 18 to the Group financial statements.

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)**6. RESERVES**

	Merger Reserve £000's	Share Premium £000's	Profit and loss Account £000's
At 1 January 2010	27	10,309	(7,075)
Transfer to profit and loss account	(27)	-	-
Share based compensation	-	8	
Profit for the year	-	-	134
At 30 June 2011	-	10,317	(6,941)

The merger reserve arose on the acquisition of Mobile Streams Europe GmbH in a previous year. In 2008 part of the investment was impaired.

7. CAPITAL COMMITMENTS

The Company has no capital commitments at 30 June 2011 (2009: £Nil).

8. CONTINGENT LIABILITIES

As at 30 June 2011 there were no contingent liabilities (2009: £Nil).

9. RELATED PARTY TRANSACTIONS

During the year the Company remunerated senior management personnel as disclosed in note 3 in the Group financial statements.

No disclosure is required in consolidated financial statements of transactions and balances eliminated on consolidation. The company has taken advantage of this exemption.

Although not a related party as defined, as disclosed in the note 25 to the Group financial statements, the Company has received management fee income Zoombak Inc, a subsidiary of True Position Inc, a minority shareholder in the Company. Furthermore as announced on 28 September 2010, the Company's agreement to provide management services to Zoombak, LLC, the location based devices and services subsidiary of TruePosition, Inc. ended in early January 2011.

10. INTANGIBLE ASSETS

An impairment review of our investments at the balance sheet date have been performed and demonstrated that the recoverable amount was below the carrying value and therefore an impairment charge of £0.5m has been recorded.