MOBILE STREAMS PLC

UNAUDITED INTERIM
FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

30 JUNE 2008

Company no 03696108

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CHIEF EXECUTIVE'S REVIEW

Mobile Streams has continued to focus on operational efficiencies and key relationships, resulting in substantial cost savings and enabling the business to achieve a profitable result at EBITDA* level, ending the half year with cash balances of £2.3m, unchanged from the year end.

By applying rigorous scrutiny over new and existing business we have been able to cut cash operational expenses by 16% and headcount by 26% whilst still achieving revenue growth of 7% compared to the same period in 2007. This has been aided by the centralisation of core operational activities and by establishing regional technology centres of excellence in Hong Kong, Argentina and the UK, resulting in cost savings and improved business processes. Investment in proprietary technology has continued in 2008 but at a greatly reduced rate, building on the extensive investment made in prior years.

The Company has continued to extend the depth and breadth of our content offering during 2008, entering into licensing arrangements with The Press Association and Turner Broadcasting System (Cartoon Network).

Mobile Streams has continued to develop its consumer business powered by Ringtones.com, however progress has been hampered by the speed that operators open their gateways to the mobile internet and continued technology teething problems as search engines and billing partners refine their methodologies and operations.

Outlook

Management expect further change in the industry over the next two years as business models are tested further. Going forwards our experience and relationships will ensure that Mobile Streams remains a key player in the mobile media industry. Second half trading has been consistent with the trading patterns experienced in the first half, consequently the Board expect to achieve a small positive EBITDA* for the full year.

*Calculated as profit before tax, amortisation, depreciation, asset impairments/revaluations and share compensation expense

FINANCIAL REVIEW

Group turnover in the six months to 30 June 2008 was 4.6m a 7% increase on the same period in 2007 (2007: £4.3m). Trading EBITDA* was a profit of 0.04m (2007: breakeven).

A non-cash charge of £519,000 was recorded in the profit and loss account relating to the full impairment of assets held for sale due to the worsening economic climate and uncertain nature of realising these investments. Management has used its judgment to estimate the amount of the impairment as required by IAS 36, where possible applying the discounted cash flow method of valuation to assist with the estimation of the current fair value.

Loss before tax was 1.3m including share compensation (same period 2007: loss £0.5m including share compensation).

During the six months to 30 June incurred a net cash outflow of £125,000 relating to the acquisition of tangible and intangible fixed assets. During the period the group also reclassified £141,000 of intangible fixed assets relating to a software license which had previously been recorded within current assets. The investment in fixed assets was predominantly for further development of the group's technology platform and associated software. The group continues to invest in the development of proprietary technology.

The Group incurred a net cash inflow from operations of £66,000 (30 June 2007: outflow £713,000). The cash balance at 30 June 2008 was £2.3m (30 June 2007: £2.5m).

Basic earnings per share amounted to a loss of 3.66p per share (2007: loss of 1.567 per share).

Adjusted earnings per share (excluding asset impairments/revaluations, share based compensation, depreciation and amortisation) amounts to a profit of 0.182p per share (2007: loss of 1.549 per share).

James Colquhoun
Finance Director

*Calculated as profit before tax, amortisation, depreciation, asset impairments/revaluations and share compensation expense

CONSOLIDATED INTERIM INCOME STATEMENT

Unaudited interim financial statements for the half year ended 30 June 2008

	Notes	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 Dec 2007
		£'000's	£'000's	£'000's
Sales Revenue		4,631	4,336	9,098
Cost of sales		(2,352)	(1,719)	(4,108)
Gross profit		**2,279**	**2,617**	**4,990**
Selling and marketing costs		(245)	(177)	(623)
Administration expenses		(1,949)	(2,367)	(5,127)
Other operating expenses		(5)	(67)	(116)
Depreciation, amortisation and impairment		(1,442)	(522)	(3,357)
Share based compensation		36	(144)	(240)
Restructuring costs		(45)	-	(363)
Operating Loss		**(1,371)**	**(660)**	**(4,836)**
Finance income		31	114	180
Loss before income tax		**(1,340)**	**(546)**	**(4,656)**
Income tax expense		34	(1)	432
Loss for period		**(1,306)**	**(547)**	**(4,224)**
Attributable to:				
Attributable to equity shareholders of Mobile Streams Plc		**(1,306)**	**(547)**	**(4,224)**
Total and continuing earnings per share		Pence per share	Pence per share	Pence per share
Basic and Diluted	9	(3.66)	(1.567)	(12.024)

CONSOLIDATED INTERIM BALANCE SHEET

Unaudited interim financial statements for the half year ended 30 June 2008

	Notes	As at 30 June 2008	As at 30 June 2007	As at 31 Dec 2007
		£'000's	£'000's	£'000's
Assets				
Non-current				
Goodwill		945	2,292	977
Other intangible assets		1,920	3,120	2,516
Property, plant and equipment		348	522	409
Available-for-sale assets		-	466	467
		3,213	6,400	4,369
Current				
Trade and other receivables		2,557	3,126	3,248
Cash and cash equivalents		2,300	2,530	2,301
		4,857	5,656	5,549
Total assets		**8,070**	**12,056**	**9,918**
Equity				
Equity attributable to shareholders of Mobile Streams				
Called up share capital	8	73	71	71
Share premium		10,944	10,465	10,468
Shares to be issued		-	477	479
Translation reserve		(183)	(244)	(182)
Retained earnings		(7,345)	(2,508)	(6,001)
Total equity		**3,489**	**8,261**	**4,835**
Liabilities				
Non-current				
Deferred tax liabilities		245	576	306
		245	576	306
Current				
Trade and other payables		3,629	3,045	4,283
Provisions		681	-	442
Current tax liabilities		26	174	52
		4,336	3,219	4,777
Total liabilities		4,581	3,795	5,083
Total equity and liabilities		**8,070**	**12,056**	**9,918**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Unaudited interim financial statements for the half year ended 30 June 2008

(all amounts presented in £ '000's)

	Called up share capital	Share premium	Shares to be issued	Translation reserve	Retained earnings	Total Equity
Balance at 1 January 2007	**69**	**10,290**	**637**	**(178)**	**(2,017)**	**8,801**
Exchange differences on translation of foreign operations	-	-	-	(66)	-	(66)
Net income recognised directly in equity	-	-	-	(66)	-	(66)
Loss for the 6 months period to 30 June 2007	-	-	-	-	(547)	(547)
Total recognised income and expense for the period	-	-	-	(66)	(547)	(613)
Employee share based compensation	-	-	-	-	144	144
Shares issued	2	175	-	-	-	177
Shares to be issued	-	-	(160)	-	-	(160)
Other recognised gains and losses	-	-	-	-	5	5
Balance at 30 June 2007	**71**	**10,465**	**477**	**(244)**	**(2,415)**	**8,354**
Balance at 1 July 2007	**71**	**10,465**	**477**	**(244)**	**(2,415)**	**8,354**
Exchange differences on translation of foreign operations	-	-	-	62	-	62
Net income recognised directly in equity	-	-	-	62	-	62
Loss for the 6 months period to 31 December 2007	-	-	-	-	(3,677)	(3,677)
Total recognised income and expense for the period	-	-	-	62	(3,677)	(3,615)
Employee share based compensation	-	-	-	-	96	96
Shares issued		3	-	-	-	3
Shares to be issued	-	-	2	-	-	2
Other recognised gains and losses	-	-	-	-	(5)	(5)
Balance at 31 December 2007	**71**	**10,468**	**479**	**(182)**	**(6,001)**	**4,835**
Balance at 1 January 2008	**71**	**10,468**	**479**	**(182)**	**(6,001)**	**4,835**
Exchange differences on translation of foreign operations	-	-	-	(1)	-	(1)
Net income recognised directly in equity	-	-	-	(1)	-	(1)
Loss for the 6 months period to 30 June 2008	-	-	-	-	(1,306)	(1,306)
Total recognised income and expense for the period	-	-	-	(1)	(1,306)	(1,307)
Employee share based compensation	-	-	-	-	(36)	(36)
Shares issued	2	476	-	-	-	478
Shares to be issued	-	-	(479)	-	-	(479)
Other recognised gains and losses	-	-	-	-	(2)	(2)
Balance at 30 June 2008	**73**	**10,944**	**-**	**(183)**	**(7,345)**	**3,489**

CONSOLIDATED INTERIM CASH FLOW STATEMENT

Unaudited interim financial statements for the half year ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	£'000's	£'000's	£'000's
Cash flows from operating activities			
Result for the period before tax	(1,340)	(546)	(4,656)
Adjustments:			
Share based payments	(36)	144	240
Depreciation	53	259	123
Amortisation	869	263	1,028
Impairment of assets held for sale	519	-	-
Interest Received	(31)	(114)	(180)
Impairment of intangibles and goodwill	-	-	2,206
Changes in trade and other receivables	499	(341)	(505)
Changes in trade and other payables	(414)	(296)	1,384
Income tax paid	(53)	(82)	(64)
Total cash flows from operating activities	66	(713)	(424)
Cash flows from investing activities			
Additions/Disposals to property, plant and equipment	8	(115)	(180)
Additions to other intangible assets	(133)	(657)	(1,282)
Available for sale financial assets	-	(124)	(87)
Interest received	31	114	180
Total cash flows from investing activities	(94)	(782)	(1,369)
Cash flows from financing activities			
Issue of share capital (net of expenses paid)	1	18	23
Total cash flow from financing activities	1	18	23
Net change in cash and cash equivalents	(27)	(1,477)	(1,770)
Cash and cash equivalents at beginning of period	2,301	4,073	4,073
Exchange gains/(losses) on cash and cash equivalents	26	(66)	(2)
Cash and cash equivalents at end of period	**2,300**	**2,530**	**2,301**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited interim financial statements for the half year ended 30 June 2008

1. GENERAL INFORMATION

Mobile Streams plc (the Company) and its subsidiaries (together 'the Group') deliver mobile media solutions via distribution, content and an integrated technology platform, Vuesia. The Group has subsidiaries based around the world in Europe, Asia, North America and Latin America.

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is Medius House, 63-69 New Oxford Street, London, WC1A 1DG.

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

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 December 2007, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 237(2) of the Companies Act 1985.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 22 September 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim consolidated financial statements of Mobile Streams are for the six months ended 30 June 2008. All references to IFRS in these statements refers to IFRS as adopted by the EU. These interim statements have been prepared using the recognition and measurement principles of IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these statements. The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2008, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. The policies set out below have been consistently applied to all years presented and comparative information has been restated and represented under IFRS.

Preparation of interim financial statements in accordance with IAS 34 requires the use of some critical accounting estimates. It requires management of Mobile Streams to exercise judgement when applying the Company's accounting policies. The specific areas involving a higher degree of judgement and/or complexity and areas where assumptions/estimates are significant to the financial statements are disclosed in Note 3. The historical cost measurement basis has been used in preparation of these interim statements, with the exception of certain financial instruments which are measured at fair value.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

2.2 Consolidation - subsidiaries

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, plus costs directly attributable to the acquisition, 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. 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.

2.3 Foreign currency translation

(a) Functional and presentation currency

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in British pounds, which is the Company's functional and presentation currency.

(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 balance date are recognised in the income statement. Any translation gains or losses on non-monetary items are recognised in equity to the extent that they relate to gains and losses on non-monetary items which are recorded in equity. Otherwise, these translation gains or losses are recognised in the income statement.

(c) Group companies

The financial results and position of all group entities that have a functional currency different from the presentation currency 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 balance sheet

ii income and expenses for each income statement are translated at average exchange rates (unless it is not a reasonable approximation, in which case translated at dates of transactions)

iii all resulting exchange differences are recognised as a separate component of equity (cumulative translation reserve)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

2.4 Property, plant and equipment (tangible assets)

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 lives. 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 values and useful lives are 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.

2.5 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 (the purchase method). Intangibles acquired in a business combination are acquired at fair value. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for impairment testing.

(b) Other intangible assets

Other intangible assets represent intangible items that have been acquired through business combinations and through separate acquisition. To meet this definition, the intangibles must be both identifiable and separable, or arise from contractual or other legal rights. Intangibles acquired through business combinations are recognised at fair value and separately acquired intangibles are recognised at cost. Where a reliable estimate of useful life of the intangible can be obtained, the intangible asset is to be amortised over the useful life. When an indefinite life exists for an intangible asset, the intangible will not be amortised, but must be tested annually for impairment. The useful lives of finite life intangible assets is as follows:

Media content	2 years
Media platform developments	2 - 3 years
Customer relationships	2 - 5 years
Technology based assets	2 - 5 years
Non compete agreement	3.5 years

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

2.6 Impairment of assets

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

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are classified within borrowings in current liabilities on the balance sheet.

2.8 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 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 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.

2.9 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 has been reliably estimated.

Provisions are measured at the present value of 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 specific to the liability, including risks specific to the liability.

2.10 Financial Assets & Financial Liabilities

The group can classify its investments into the below categories depending on the purpose for which the investments were acquired. The classification is determined at initial recognition and is re-evaluated at every reporting date.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

a) 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 balance sheet date. Loans and receivables are included in trade and other receivables in the balance sheet.

b) Trade receivables

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 effective interest rate. The provision is recognised in the income statement.

c) Interest paid

Interest payable is recognised in the income statement on an accruals basis.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They form part of non-current assets unless management intends to dispose of the investment within 12 months of balance sheet date.

Purchases and sales of investments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for financial assets not carried at fair value through the profit and loss. They are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and risks and rewards of ownership have been transferred. Financial assets at fair value through profit or loss and available for sale assets are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Any realised and unrealised gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are included in the income statement in the period they arise. Unrealised gains/losses arising from changes in fair value of non-monetary securities (available for sale) are recognised in equity. When available for sale assets are sold or impaired the accumulated fair value adjustments are included in the income statement.

Fair value of investments are based on current bid prices. If the market is not active or securities are unlisted, fair value can be determined via valuation techniques such as use of recent arm's length transactions, reference to similar instruments and discounted cash flow analysis.

The Group assesses at each balance sheet date whether there is evidence that financial assets are impaired.

The Group does not have any financial liabilities as at the balance sheet date.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

2.11 Revenue recognition

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) Sales of goods

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

b) Rendering of services

Rendering of services are recognised in the accounting period in which the services are rendered, by reference to 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 on an accruals basis. If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the income statement.

2.12 Share based compensation

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’).

a) Equity settled transactions

The group has applied the requirements of IFRS 2 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 equity, 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, in the case of an instrument subject to a market condition, be treated as vesting as described above. 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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are booked to the share premium account.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and 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.

3.1 Critical accounting estimates 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.

(a) Goodwill

The Group will test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amount of cash-generating units have been determined based on value-in-use calculations. These calculations require estimates to be made.

(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.

(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. Intangible assets that are identified to have an indefinite useful life will be tested annually for any impairment in accordance with the accounting policy stated in Note 2.6. The recoverable amount of cash-generating units have been determined based on value-in-use calculations. These calculations require estimates to be made.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

4. SEASONAL/CYCLICAL TRENDS

Typically, the scale of mobile media content is subject to seasonal fluctuations with peak demand falling in the second half of each year, particularly around the Christmas period. Revenues are also subject to cyclical fluctuation due to Mobile Network Operator upgrades/development of their infrastructure; this generally follows their peak season 'technical freezes'. However, this trend was less marked in 2007 where for the six months ended 30 June 2007 sales revenue represented 48% of the annual sales revenue for the year ended 31 December 2007. (30 June 2006: 41% of annual sales revenue for the year ended 31 December 2006).

5. RELATED PARTY TRANSACTIONS

There were no related party transactions during the 6 months ended 30 June 2008. (2007: Trading relationship entered with Zoombak LLC, by virtue of shared directors. During the 2007 financial year £200,000 was earned, all of which remained outstanding at 31 December 2007).

6. IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

During 2006, the Group, through its wholly owned subsidiary Mobile Streams Inc, made an investment in Mobile Greetings Inc in the form of interest bearing convertible loan stock. This was subsequently converted to share capital in the 2007 financial year. As at 31 December 2007 the total value attributed to the investment was £430,000 and was shown as asset held for sale and accrued interest receivable. Mobile Greetings' principal activities are the creation and publication of mobile phone content.

The Group, through the parent company also invested £89,000 in FunkySexyCool Inc in the 2007 financial year.

The Company continues to monitor the carrying value of its investments, and for indicators of impairment in accordance with IAS36. Due to the worsening economic climate and uncertain nature of realising an economic benefit both holdings have been fully impaired. Management has used its judgment in concluding that a full impairment of both Mobile Greetings Inc and FunkySexyCool Inc was required in accordance with IAS 36. The discounted cash flow method of valuation has been applied where possible to assist with the estimation of the current fair value of financial assets.

	2008 **£000's**	**2007** **£000's**
Assets held for sale		
At 1 January 2008	467	378
Accrued interest converted to common stock in Mobile Greeting Inc	52	-
	519	**378**
Additions	-	89
Impairment	(519)	-
At 30 June 2008	**-**	**467**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

7. SEGMENTAL REPORTING

Primary reporting format - geographical segments

As at 30 June 2008, the Group is organised into 4 geographical segments: Europe, North America, Latin American, and Asia. All operations are continuing.

The segment results excluding impairment losses of £519,000 for the 6 months ended 30 June 2008 are as follows:

£000's	Europe	North America	Latin America	Asia	Group
Total gross segment sales	1,179	1,231	910	1,311	4,631
Operating loss	(573)	(194)	(24)	(61)	(852)
Finance income – net					31
Loss before income tax					**(821)**
Income tax expense					34
Loss for the period					**(787)**

The segment results for the 6 months ended 30 June 2007 are as follows:

£000's	Europe	North America	Latin America	Asia	Group
Total gross segment sales	1,402	1,228	1,092	614	4,336
Operating loss	(40)	(84)	(413)	(123)	(660)
Finance income – net					114
Loss before income tax					**(546)**
Income tax expense					(1)
Loss for the period					**(547)**

The segment results excluding impairment losses of £2,206,000 for the 6 months ended 31 December 2007 are as follows:

£000's	Europe	North America	Latin America	Asia	Group
Total gross segment sales	1,874	689	1,085	1,114	4,762
Operating loss	(1,806)	(163)	216	(215)	(1,968)
Finance income - net					66
Loss before income tax					**(1,902)**
Income tax expense					431
Loss for the period					**(1,471)**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Unaudited interim financial statements for the half year ended 30 June 2008

8. SHARE CAPITAL

	Number of shares (000's)	Ordinary shares (000's)	Treasury Shares (000's)	Total (000's)
Balance at 1 January 2007	**34,640**	**34,640**	**-**	**34,640**
New share issues	915	915	-	915
Balance at 30 June 2007	**35,555**	**35,555**	**-**	**35,555**
New share issues	93	93	-	93
Balance at 31 December 2007	**35,648**	**35,648**	**-**	**35,648**
New share issues	620	620	-	620
Balance at 30 June 2008	**36,268**	**36,268**	**-**	**36,268**

The total number of shares issued is 36,268,192 (December 2007: 35,647,924) with a par value of £0.002 per share. All issued shares are fully paid.

9. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

	Period Ended 30 June 2008	Period Ended 30 June 2007	Period Ended 31 December 2007
Profit attributable to equity holders of the Company (£000's)	(1,306)	(547)	(4,224)
Weighted average number of ordinary shares in issue (000's)	35,981	34,891	35,128
Basic earnings per share (£ per thousand share)	(36.63)	(15.67)	(120.24)

Diluted

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

The calculation is performed for the share options to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and the yet to be recognised expenses in terms of the option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where there is a loss for the period in question, there is no dilution applied.

As the Group is showing a loss for all periods being reported, no dilution is applicable, hence diluted earnings per share is the same as basic earnings per share.