

MOBILE STREAMS PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2009

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

Company registration number: 03696108

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Secretary: I D Brewer

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MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

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MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

CHAIRMAN'S STATEMENT

I am pleased to report a satisfactory set of results for 2009, despite a tough economic climate and the mobile media industry in a state of significant change. A trading EBITDA* of £0.1m (2008: £0.2m) was generated, with group revenues declining as expected to £7.1m (2008: £8.4m). The loss before tax was £1.3m, a significant reduction from 2008 (£2.3m).

During the year we undertook further actions to stabilise the business and align the group's global resources with its original core business of servicing mobile operators and the developing mobile internet and applications ("apps") markets. This included reducing senior management heads and downsizing the UK operation, leading to the relocation of the group head office to Hemel Hempstead. At the same time we accelerated the growth of our Mobile Internet business, particularly in Latin America, and commenced developing mobile apps, both our own and for partners, in our new Smartphone R&D Centre in Hong Kong. Our existing global reach combined with our robust distribution platforms and significant content resource places us in a very strong position to take a key role in the expansion of the mobile internet going forward.

In September we announced the departures of James Colquhoun and Ivan Donn from the Board of Directors and in October welcomed Ian Brewer as the new Chief Financial Officer and, in November, Arnd Arschentrup as Chief Operating Officer.

Lastly, I wish to thank the continued enthusiasm and hard work of our global team who have embraced the changes within the mobile market as well as within the company itself. I look forward with confidence to 2010.

Roger Parry
Chairman

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

In 2009, the Group made significant progress replacing mobile operator margin by developing its mobile internet business and repositioning resources across the Group to support that development.

Mobile operator

The combination of growth in the mobile internet market and tighter legislation again impacted our mobile operator business in 2009 as we had expected. Revenue in Europe decreased substantially, however our USA and Latin America regions saw a much smaller decline while Asia saw an increase in revenues.

During 2009 we enhanced our content delivery platform, MultiMobi (formerly Vuesia), by adding new services like Intelli-proxy and Wrapper technology. The platform improvements have enabled us to deliver content in more ways and with more flexibility to meet operator demands.

Mobile internet

During 2009 the Group continued to grow its mobile retailing business by launching additional services and expanding geographically.

In May we announced the launch of our flagship mobile internet store, ringtones.com, in the US. This service has allowed customers in the US to have access to our extensive library of content, delivered via the MultiMobi platform.

In August we reported on the launch of a portfolio of subscription-based content clubs in Argentina which give subscribers access to a number of content channels. This initiative has proven highly successful with subscriber levels having grown substantially month on month.

Our Hong Kong-based Smartphone R&D Centre was established in August 2009. The division is responsible for the development of apps for Apple iPhone and Google Android as well as feature phones. These include apps developed for customers as well as proprietary apps. In addition we provide distribution services for network operators, such as the two Google Android game storefronts we launched for partners in Singapore and Australia.

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.

Outlook

The current year has begun well and the Board expects the industry trends of 2009 to carry over into 2010. It is anticipated that further declines in high-volume/low margin operator services will be offset by growth in higher margin mobile internet and mobile applications services. The Board looks forward to updating the market on further developments of the business in the coming months.

6 months to 31 December 2009

Gross profits for the second half of 2009 were £1.8m, in line with the same period last year despite revenues declining 8% to £3.5m. Gross margin was 51%, up from 47% last year.

Year ended 31 December 2009

Group revenue in 2009 was £7.1m, a 15% decrease on 2008 (£8.4m). The Group generated a profit of £0.1m (2008: £0.2m) at trading EBITDA* level. Loss before tax was £1.3m (2008: £2.3m).

Gross margin improved to 50.5% (2008: 48.2%) reflecting the proportionate shift in business toward higher margin mobile internet revenues.

Selling, marketing and administrative expenses reduced by £0.4m to £3.5m (2008: £3.9m) 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 (2008: £0.8m) of non-cash impairment charges relating the write down of intangible assets and investments acquired in a prior year.

The Group had net cash outflows from operations of £0.5m (2008: inflow £0.5m) due mainly to the settlement of prior year tax liabilities and movements in working capital. Capital expenditure of £0.1m was significantly less than 2008 (£0.4m) as the development of the MultiMobi platform reached conclusion.

Basic loss per share more than halved to 3.320 pence per share (2008: 6.945 pence) due to the reduction in losses.

Adjusted profit per share (excluding depreciation, amortisation, impairments and share compensation expense) improved to 0.502p (2008: profit of 0.177p).

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

The Directors present their report and the financial statements of the Company for the year ended 31 December 2009.

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 for the year and the Group's/Company's financial position at the end of the year 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 (2008: Nil).

BUSINESS REVIEW

Financial overview

Revenue declined by 15% to £7.1m (2008: £8.4m). Despite the revenue decline, loss before tax reduced by 45% to £1.3m (2008: £2.3m), due to significantly reduced operating expenses and lower non-cash charges for asset impairments.

The Group's cash balance was £1.7m (2008: £2.3m) at the year-end. The reduction in cash was mainly due to the settlement of tax liabilities, restructuring costs relating to the UK office and investment in working capital.

Financial performance

Financial performance for the year has been analysed as follows:

	Year to 31 December 2009	Year to 31 December 2008
	£000's	£000's
Revenue	7,112	8,422
Gross profit	3,591	4,057
Trading EBITDA*	113	203
Loss before tax	(1,258)	(2,306)
Cash	1,659	2,260

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

Key performance indicators ("KPI's")

The KPI's used by the Group are monthly EBITDA, cash flows, revenues and gross margins by business segment, staff churn, content delivery and subscriber acquisition costs. Management review these on a regular basis, largely by reference to budgets and reforecasts. During 2009 the Group met its principal performance targets on a global basis.

Strategy

The Directors consider there to be one class of business, being the distribution of media content to the mobile phone. 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.

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 91% of the Group's revenue relates to overseas operations. The Company is therefore exposed to foreign currency fluctuations and the financial condition of the Company may be adversely impacted by foreign currency fluctuations.

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.

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.

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 debtors 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 (2008: 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 31 December 2009	Ordinary shares of £0.002 each 31 December 2008
S D Buckingham	18,257,500	18,257,500
M Carleton	-	-
I D Brewer (appointed 1 October 2009)	-	-
P Tomlinson	40,000	40,000
R G Parry	181,183	181,183

In addition, J Colquhoun and Ivan Donn resigned as Directors on 21 September 2009 and 30 September 2009 respectively.

Options

The table below summarises the exercise terms of the various options over ordinary shares of £0.002 (2008: £0.002) each which have been granted and were still outstanding at 31 December 2009 and 31 December 2008.

	Options Held at 1 Jan 2009	Options Granted during the year	Options exercised during the year	Options held at 31 December 2009	Exercise price	Earliest date from which exercisable	Latest expiry date
	Number	Number	Number	Number	£		
R G Parry	689,655	-	-	689,655	0.8700	15 Feb 2007	14 Feb 2016
I D Brewer	-	300,000	-	300,000	0.04625	13 Oct 2010	13 Oct 2019

J Colquhoun held 75,000 share options which lapsed on resignation.

Post balance sheet events

There have been no material post balance sheet events.

Research and development

During the year the Group continued to invest in the development of its MultiMobi media platform. During the year £0.1m (2008: £0.3m) of costs were incurred. These costs have been capitalised as intangible assets in the balance sheet and are being amortised over their expected life in accordance with Group accounting policies

Going Concern

The Group had cash balances of £1.7m 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, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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 elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the Company accounts under UK GAAP. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 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 the Directors are 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.

By order of the board

I D Brewer
Company Secretary

23 March 2010

We have audited the group financial statements of Mobile Streams Plc for the year ended 31 December 2009 which comprise the accounting policies, the consolidated income statement, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity 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 auditors

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 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/UKNP.

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 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS 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 year 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 matters where the Companies Act 2006 requires us 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.

MOBILE STREAMS PLC

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

Other matter

We have reported separately on the parent company financial statements of Mobile Streams Plc for the year ended 31 December 2009.

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

23 March 2010

ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Mobile Streams are for the year ended 31 December 2009. 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.

Preparation of financial statements in accordance with IAS 34 requires the use of some key assumptions and other sources of estimation uncertainty. It requires the management of Mobile Streams to exercise judgement when applying 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 2.

IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments have been adopted in the financial statements for the first time.

IAS 1 (Revised 2007) does not effect the financial position or losses of the Group, but gives rise to additional disclosures. IAS 1 (Revised 2007) affects the presentation of changes in owner equity and introduces a 'Statement of comprehensive income'. In accordance with the new standard the entity does not present a 'Statement of recognised income and expenses (SORIE)'. Further, a 'Statement of changes in equity' is presented. In addition, IAS 1 (Revised 2007) requires presentation of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary this year because the 2008 balance sheet is the same as that previously published.

The adoption of IFRS 8 has changed the segments that are disclosed in the financial statements. In the previous financial statements segments were identified by reference to the dominant source of and nature of the group's risks and returns. Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. The impact of the adoption of IFRS is to give additional disclosures of business segment revenues within geographic regions.

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

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. 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 42-49, which are prepared in accordance with UK GAAP.

ACCOUNTING POLICIES

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.

(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.

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 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)

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.

ACCOUNTING POLICIES

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. 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. Excess of the fair value of net assets over the cost of the combination is recognised immediately after acquisition in the income statement.

(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

Media content represents intangible assets that have acquired from third parties and also these that are internally generated. Content expenditure is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 Intangible Assets. For internally generated media content 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.

Intangibles acquired from third parties are recognised at cost. 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 media content is 2 years.

(d) Media platform development

Media platform developments represent intangible assets that have been internally generated, including capitalised direct staff costs. Platform expenditure is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 Intangible Assets. To meet this 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 capitalised, are amortised on a straight-line basis over the expected 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 media platform development is 2 years.

ACCOUNTING POLICIES

(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 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 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 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.

ACCOUNTING POLICIES

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.

b) Loans and receivables

Cash and trade receivables are classified as loans and receivables. Trade 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. 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.

c) 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. The Groups available for sale investments consist of unlisted securities, are shown at their fair value.

All available-for-sale financial assets are measured at fair value at balance sheet date, with subsequent changes in value recognised in equity. Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to the income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement but charged to equity.

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

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".

ACCOUNTING POLICIES

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 media content to the end consumer, who has accepted the product and collectability of the related receivable is reasonably assured from the customer.

b) Rendering of 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.

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.

ACCOUNTING POLICIES

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.

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 2009 group financial statements.

Standard or Interpretation	Effective for in reporting periods starting on or after
IAS 27 Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement (amendment to Eligible Hedged items)	1 July 2009
IFRS 3 Business Combinations (Revised 2008)	1 July 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of Assets from Customers	1 July 2009
IAS 32 Financial Instruments (amendment to Classification of Rights Issues)	1 February 2010

Management do not expect these standards or interpretations to affect the Group.

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

CONSOLIDATED INCOME STATEMENT

	Notes	2009 £000's	2008 £000's
Revenue	22	7,112	8,422
Cost of sales	22	(3,521)	(4,365)
Gross profit		3,591	4,057
Selling and marketing costs		(197)	(370)
Administrative expenses		(3,281)	(3,484)
Depreciation, amortisation and impairment	5	(1,344)	(2,621)
Share based compensation		(42)	48
Operating loss		(1,273)	(2,370)
Finance income	6	15	64
Loss before income tax		(1,258)	(2,306)
Income tax credit/(expense)	9	54	(203)
Loss for the year		(1,204)	(2,509)
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc		(1,204)	(2,509)

Total and continuing loss per share		Pence per share	Pence per share
Basic and diluted	7	(3.320)	(6.945)

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009 £000's	2008 £000's
Loss for the year	(1,204)	(2,509)
Exchange differences on translating foreign operations	292	(343)
Other recognised gains and losses	-	-
Total comprehensive income for the year	(912)	(2,852)
Attributable to equity shareholders of Mobile Streams plc	(912)	(2,852)

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2009 £000's	2008 £000's
Assets			
Non-current			
Goodwill	12	714	977
Intangible assets	12	331	910
Property, plant and equipment	11	79	203
		1,124	2,090
Current			
Trade and other receivables	13	1,725	2,153
Cash and cash equivalents	14	1,659	2,260
		3,384	4,413
Total assets		4,508	6,503
Equity			
Equity attributable to equity holders of Mobile Streams Plc			
Called up share capital	18	73	73
Share Premium		10,310	10,310
Translation reserve		(233)	(525)
Merger Reserve	20	153	635
Retained earnings		(9,238)	(8,558)
Total equity		1,065	1,935
Liabilities			
Non-current			
Deferred tax liabilities	16	38	63
Current			
Trade and other payables	15	3,239	3,827
Provisions	17	82	287
Current tax liabilities		84	391
		3,405	4,505
Total liabilities		3,443	4,568
Total equity and liabilities		4,508	6,503

There are no off balance sheet arrangements (2008: Nil) other than operating leases disclosed in Note 21 to the financial statements.

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

I D Brewer
Chief Financial Officer
 23 March 2010

Company number: 03696108

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of Mobile Streams Plc						Total
	Called up share capital	Share premium	Shares to be issued	Trans- lation reserve	Retained earnings	Merger reserve	Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 January 2008	71	10,468	479	(182)	(6,001)	-	4,835
Employee share based compensation	-	-	-	-	(48)	-	(48)
Shares issued	2	-	(479)	-	-	477	-
Transfer to Merger Reserve	-	(158)	-	-	-	158	-
Transactions with owners	2	(158)	(479)	-	(48)	635	(48)
Loss for the year	-	-	-	-	(2,509)	-	(2,509)
Exchange differences on translation of foreign operations	-	-	-	(343)	-	-	(343)
Total comprehensive income for the year	-	-	-	(343)	(2,509)	-	(2,852)
Balance at 31 December 2008	73	10,310	-	(525)	(8,558)	635	1,935
Balance at 1 January 2009	73	10,310	-	(525)	(8,558)	635	1,935
Employee share based compensation	-	-	-	-	42	-	42
Transfer to Retained Earnings	-	-	-	-	482	(482)	-
Transactions with owners	-	-	-	-	524	(482)	42
Loss for the year	-	-	-	-	(1,204)	-	(1,204)
Exchange differences on translation of foreign operations	-	-	-	292	-	-	292
Total comprehensive income for the year	-	-	-	292	(1,204)	-	(912)
Balance at 31 December 2009	73	10,310	-	(233)	(9,238)	153	1,065

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2009 £000's	2008 £000's
Cash flows from operating activities			
Loss before taxation		(1,258)	(2,509)
Adjustments :			
Share based payments		42	(48)
Depreciation	5	162	252
Amortisation	5	722	1,559
Impairment of intangibles and goodwill	5	460	291
Impairment of assets held for sale	5	-	519
Loss on disposal of fixed assets and intangible assets		18	-
Interest received	6	(15)	(64)
Changes in trade and other receivables		404	1,095
Changes in trade and other payables		(793)	(456)
Total cash (utilised in)/generated by operating activities		(258)	639
Income tax paid		(254)	(108)
Net cash from operating activities		(512)	531
Cash flows from investing activities			
Additions to property, plant and equipment	11	(5)	(58)
Additions to other intangible assets	12	(103)	(307)
Interest received	6	15	64
Total cash flows from investing activities		(93)	(301)
Net change in cash and cash equivalents		(605)	230
Cash and cash equivalents at beginning of year		2,260	2,301
Exchange gains/(losses) on cash and cash equivalents		4	(271)
Cash and cash equivalents at end of year	14	1,659	2,260

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 in the United Kingdom. The address of its registered office is 41 The Marlowes, Hemel Hempstead, Hertfordshire, HP1 1LD.

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 23 March 2010.

2. 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.

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.

(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.

(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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 and the Chief Operating Officer, who is not a director, 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 year ended 31 December 2009 are as follows:

	2009	2008
	£000's	£000's
Short- term employee benefits		
- salaries/remuneration	<u>452</u>	<u>307</u>

4. SERVICES PROVIDED BY THE GROUP'S AUDITOR AND NETWORK FIRMS

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor and network firms:

	2009	2008
	£000's	£000's
Fees payable to the Company's auditor for the audit of parent company and consolidated accounts	54	60
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	-	5
Interim procedures	5	11
Tax compliance and advisory services	<u>15</u>	<u>4</u>
	<u>74</u>	<u>80</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**5. DEPRECIATION, AMORTISATION AND IMPAIRMENT**

	2009 £000's	2008 £000's
Depreciation	162	252
Amortisation	722	1,559
Impairment of goodwill	460	-
Impairment of other intangibles	-	291
Impairment of assets held for sale	-	519
	<u>1,344</u>	<u>2,621</u>

6. FINANCE INCOME

	2009 £000's	2008 £000's
Interest receivable	<u>15</u>	<u>64</u>

7. 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.

	31 December 2009	31 December 2008
	Pence per share	Pence per share
Basic and diluted loss per share	<u>(3.320)</u>	<u>(6.945)</u>

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

	£000's	£000's
Loss for the year	<u>(1,204)</u>	<u>(2,509)</u>

For adjusted earnings per share

	£000's	£000's
Loss for the year	(1,204)	(2,509)
Add back: share compensation expense/(credit)	42	(48)
Add back: impairment of intangibles and goodwill	460	291
Add back: depreciation and amortisation	884	1,811
Add back: impairment of assets held for sale	-	519
Adjusted profit for the year	<u>182</u>	<u>64</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Weighted average number of shares	Number of shares	Number of shares
For basic earnings per share	36,268,192	36,125,445
Exercisable share options	958,652	771,297
For diluted earnings per share	<u>37,226,844</u>	<u>36,896,742</u>
	Pence per share	Pence per share
Adjusted earnings per share	0.502	0.177
Adjusted diluted earnings per share	0.489	0.173

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:

	2009	2008
	£000's	£000's
Wages and salaries	1,915	2,047
Social security costs	171	201
	<u>2,086</u>	<u>2,248</u>
Less: staff costs capitalised within media platform costs	<u>(100)</u>	<u>(133)</u>
	<u>1,986</u>	<u>2,115</u>

The average number of employees during the year was:

	2009	2008
	Number	Number
Management	6	6
Administration	56	60
	<u>62</u>	<u>66</u>

Remuneration in respect of Directors was as follows:

	2009	2008
	£000's	£000's
Emoluments	392	336
Share based payments	61	-
	<u>453</u>	<u>336</u>

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

	2009	2008
	£000's	£000's
Emoluments	182	158
	<u>182</u>	<u>158</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**9. INCOME TAX (CREDIT)/EXPENSE**

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

	2009	2008
	£000's	£000's
Loss for the year before taxation	(1,258)	(2,306)
Loss multiplied by standard rate of corporation tax in the United Kingdom of 28% (2008: 28.5%)	<u>(352)</u>	<u>(657)</u>
Expected tax expense	(352)	(657)
Adjustment for tax-rate differences	-	21
Adjustment for non-deductible expenses		
Expenses not deductible for tax purposes in the current year	153	270
Excess of depreciation over capital allowances	92	331
Movement on losses not provided	78	(97)
Prior year tax adjustments	(60)	211
Overseas taxation and losses	<u>35</u>	<u>124</u>
Actual tax (credit)/expense, net	<u>(54)</u>	<u>203</u>
Comprising		
Current tax (credit)/expense	(29)	446
Deferred tax credit resulting from the origination and reversal of temporary differences	<u>(25)</u>	<u>(243)</u>
	<u>(54)</u>	<u>203</u>

Please refer to note 17 for information on the Group's deferred tax assets and liabilities.

The Group has approximately £1.5m of trading losses available to offset against future trading profits. At this stage no deferred tax asset has been recognised and will not be recognised until such time as the relevant companies within the Group reach profitability.

10. DIVIDENDS

No dividends were paid or proposed during the year (2008: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**11. PROPERTY, PLANT AND EQUIPMENT**

	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

	Leasehold improvements £000's	Office furniture, plant and equipment £000's	Total £000's
Cost			
At 1 January 2008	44	588	632
Additions	-	58	58
Disposals	-	(112)	(112)
Translation adjustments	-	(5)	(5)
At 31 December 2008	44	529	573
Depreciation			
At 1 January 2008	12	211	223
Provided in the year	21	231	252
Disposals	-	(112)	(112)
Translation adjustments	-	7	7
At 31 December 2008	33	337	370
Net book value at 31 December 2008	11	192	203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**12. GOODWILL AND INTANGIBLE ASSETS**

Mobile Streams' intangible assets comprise its MultiMobi (formerly Vuesia) Media Platform, media content, goodwill on acquisition of subsidiaries and other acquired intangibles. Intangible assets are amortised in accordance with the Groups accounting policies.

	Media platform development and software £000's	Media content £000's	Goodwill £000's	Other intangibles £000's	Total £000's
Cost					
At 1 January 2009	2,157	332	2,473	2,364	7,326
Additions - internally generated	101	-	-	-	101
Additions - externally acquired	2	-	-	-	2
Disposals	(11)	-	-	-	(11)
Translation adjustments	100	-	197	-	297
At 31 December 2009	2,349	332	2,670	2,364	7,715
Accumulated amortisation and impairment					
At 1 January 2009	1,649	284	1,496	2,010	5,439
Amortisation	563	15	-	144	722
Impairment	-	-	460	-	460
Depreciation on Disposal	(7)	-	-	-	(7)
Translation adjustments	24	32	-	-	56
At 31 December 2009	2,229	331	1,956	2,154	6,670
Net book value at 31 December 2009	120	1	714	210	1,045
Cost					
At 1 January 2008	2,128	332	2,473	2,364	7,297
Additions - internally generated	303	-	-	-	303
Additions - externally acquired	4	-	-	-	4
Disposal	(265)	-	-	-	(265)
Translation adjustments	(13)	-	-	-	(13)
At 31 December 2008	2,157	332	2,473	2,364	7,326
Accumulated amortisation and impairment					
At 1 January 2008	768	253	1,496	1,287	3,804
Amortisation	1,096	31	-	432	1,559
Impairment	-	-	-	291	291
Depreciation on Disposal	(223)	-	-	-	(223)
Translation adjustments	8	-	-	-	8
At 31 December 2008	1,649	284	1,496	2,010	5,439
Net book value at 31 December 2008	508	48	977	354	1,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Goodwill**

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 segment. Following an impairment review at the balance sheet date the recoverable amount was below the carrying value as a result of a decline in forecast profits and therefore an impairment charge of £0.5m (2008: £Nil) has been recorded. 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 and reviewed and approved by the board of directors. Growth and discount rates used in the valuation of cash-generating units are 2 to 3% and 6% respectively, which are based on historical data and management estimates. 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. A growth rate of 1% would result in an increase of the impairment charge by £0.3m to £0.8m.

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:

	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
	3	207	210
	2008		
	The Nickels Group	Mobile Streams (Hong Kong) Limited	Total
	£000's	£000's	£000's
Customer relationships	5	18	23
Technology-based assets	-	323	323
Non-compete agreement	-	5	5
	5	346	351

13. TRADE AND OTHER RECEIVABLES

	2009	2008
	£000's	£000's
Trade receivables	766	1,109
Accrued receivables	561	559
Prepayments	398	485
	1,725	2,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 £60,000 (2008: £211,000) 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:

	2009 £000's	2008 £000's
Not more than 3 months	168	49
More than 3 months but not more than 6 months	80	-
More than 6 months but not more than 1 year	-	-

Provision for doubtful debts reconciliation

	2009 £000's	2008 £000's
Opening provision for doubtful debts	211	37
Change in provision during the year	(151)	174
Closing provision for doubtful debts	<u>60</u>	<u>211</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:

	2009 £000's	2008 £000's
Cash at bank and in hand	<u>1,659</u>	<u>2,260</u>

15. TRADE AND OTHER PAYABLES

	2009 £000's	2008 £000's
Trade payables	760	982
Other payables	122	296
Accruals and deferred income	<u>2,357</u>	<u>2,549</u>
	<u>3,239</u>	<u>3,827</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**16. DEFERRED TAXATION LIABILITIES**

	Balance 1 Jan 2008 £000's	Recognised in income £000's	Balance 31 Dec 2008 £000's	Recognised in income £000's	Balance 31 Dec 2009 £000's
Deferred tax liability on intangible assets	306	(243)	63	(25)	38

Deferred tax liability on intangible assets has decreased as a result of impairment and amortisation. The Company has not recognised deferred tax assets in respect of tax written values in excess of book values of other assets and will not do so until it is reasonable to do.

17. PROVISIONS

	£000's
Balance 1 January 2009	287
Change in provision during the year	<u>(205)</u>
Balance 31 December 2009	<u>82</u>

Provisions of £50,000 have been made for legal costs and compensation payments required to settle claims relating to content distribution royalties. Due to the inherent uncertainties of the outcome of such claims management has estimated the total cost of settlement based on advice received from legal advisers. Management anticipates that all outstanding claims will be concluded during 2010.

In addition a provision of £32k has been made for costs associated with the closure of the Brazil operation.

18. SHARE CAPITAL

	Number of shares (000's)
Balance at 31 December 2009 and 31 December 2008	<u><u>36,268</u></u>

The Company only has one class of shares. The total number of shares issued is 36,268,192 (2008: 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 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.

	2009 £000's	2008 £000's
Authorised 69,150,000 ordinary shares of £0.002 each (2008: 69,150,000)	<u>138</u>	<u>138</u>
Allotted, called up and fully paid: 36,268,192 ordinary shares of £0.002 each (2008: 36,268,192)	<u>73</u>	<u>73</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**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. 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 year and the assumptions used in the calculation are shown below:

Date of grant	13 October 2009	13 October 2009	13 October 2009
Share price at grant (£)	0.04625	0.04625	0.04625
Exercise price (£)	0.04625	0.04625	0.04625
Shares under option	100,000	100,000	100,000
Vesting period (years)	1	2	3
Expected volatility	40.59%	40.59%	40.59%
Option Life (years)	10	10	10
Expected life (years)	5	5	5
Risk-free rate	1.62%	1.62%	1.62%
Dividend yield	0.00%	0.00%	0.00%
Fair value per option (£)	0.008	0.011	0.014

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 as follows:

	2009		2008	
	Number (000's)	Weighted average exercise price	Number (000's)	Weighted average exercise price
Outstanding at 1 January	1,858	£0.27	3,370	£0.44
Granted	300	£0.05	370	£0.23
Forfeited	(576)	£0.40	(1,882)	£0.77
Outstanding at 31 December	<u>1,582</u>	<u>£0.47</u>	<u>1,858</u>	<u>£0.27</u>
Exercisable at 31 December	<u>1,114</u>	<u>£0.64</u>	<u>952</u>	<u>£0.49</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Range of exercise prices	Weighted average exercise price (£)	Number of Shares (000's)	2009		Weighted average exercise price (£)	Number of Shares (000's)	2008	
			Weighted average remaining life (years):				Weighted average remaining life (years):	
			Expected	Contractual			Expected	Contractual
£0 - £0.50	0.102	807	3.2	8.2	0.229	864	2.9	8.8
£0.51 - £1.00	0.859	775	1.1	6.1	0.847	994	3.0	8.1

No share options were exercised during the year (2008: Nil).

The total charge for the year relating to employee share based payment plans was £42,000 (2008: credit of £48,000), all of which related to equity-settled share based payment transactions.

20. MERGER RESERVE

	£000's
Balance 1 January 2009	635
Transfer to retained earnings	(482)
Balance 31 December 2009	<u>153</u>

The merger reserve was created on the issue of shares in consideration for the acquisition of Mobile Streams Europe GmbH. As referred to in Note 4 to the Company financial statements, the investment in Mobile Streams GmbH was impaired during 2008. A proportion of the merger reserve equal to the proportionate impairment of the investment has been transferred from the merger reserve to retained earnings.

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	
	2009 £000's	2008 £000's
Annual commitments under non-cancellable operating leases expiring:		
Within one year	44	42
Within two to five years	34	57
After five years	-	-
	<u>78</u>	<u>99</u>

There are no other operating leases. Lease payments recognised as an expense during the period amount to £135,000 (2008: £242,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**22. SEGMENT REPORTING**

The Group adopted IFRS 8 Operating Segments during the year. This has changed the segments disclosed in the financial statements. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the senior management team.

As at 31 December 2009, the Group is organised into 4 geographical segments, being the primary reporting format: 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.

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

£000's	Europe	Asia	North America	Latin America	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)
Segment assets	4,905	790	1,854	1,250	8,799
Segment liabilities	(1,081)	(1,376)	(4,854)	(2,260)	(9,571)
Capital expenditure	62	2	1	43	108
Number of customers that generated more than 10% of segment revenue	2	2	2	2	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental results for the year ended 31 December 2008 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Mobile Operator Services	767	2,491	1,628	1,714	6,600
Mobile Internet Services	620	-	545	25	1,190
Other Service fees	600	2	1	29	632
Total Revenue	1,987	2,493	2,174	1,768	8,422
Cost of sales	(725)	(1,802)	(901)	(937)	(4,365)
Gross profit	1,262	691	1,273	831	4,057
Selling, marketing and administration expenses	(1,146)	(737)	(1,061)	(910)	(3,854)
EBITDA*	116	(46)	212	(79)	203
Depreciation, amortisation & impairment	(1,893)	(72)	(620)	(36)	(2,621)
Share compensation credit	48	-	-	-	48
Finance income	48	10	2	4	64
Loss before tax	(1,681)	(108)	(406)	(111)	(2,306)
Taxation	(46)	5	(7)	(155)	(203)
Loss after tax	(1,727)	(103)	(413)	(266)	(2,509)
Segment assets	10,537	1,001	2,878	1,276	15,692
Segment liabilities	(1,198)	(1,693)	(4,869)	(2,270)	(10,030)
Capital expenditure	157	-	195	-	352
Number of customers that generated more than 10% of segment revenue	3	2	2	2	

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

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:

	2009 £000's	2008 £000's
Segment revenues		
Total segment revenues	7,112	8,422
Entity's revenues	7,112	8,422
Segment results		
Total segment loss after tax	(1,204)	(2,509)
Entity's loss after tax	(1,204)	(2,509)
Segment assets		
Total segment assets	8,799	15,692
Consolidation	(4,291)	(9,189)
Entity's assets	4,508	6,503
Segment liabilities		
Total segment liabilities	9,571	10,083
Consolidation	(6,128)	(5,515)
Entity's liabilities	3,443	4,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**23. CAPITAL COMMITMENTS**

The Group has no capital commitments as at 31 December 2009 (2008: nil).

24. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2009 (2008: Nil).

25. RELATED PARTY TRANSACTIONS

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

Although not a related party under IFRS, the Group receives management fee income from Zoombak Inc, a subsidiary of True Position Inc who are a minority shareholder in the company. Furthermore the Group holds certain options to acquire 10% of Zoombak at a fixed price per share. The options expire in January 2011. The Directors believe that, based on previous external valuations of Zoombak, it is unlikely that the options will be exercised and no value is attributable to them.

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.

	2009				2008			
	£000's				£000's			
	US	AUS	ARS	Other	US	AUS	ARS	Other
Nominal amounts	\$	\$	Peso		\$	\$	Peso	
Financial assets	500	566	689	520	701	590	635	968
Financial liabilities	(1,371)	(845)	(344)	(424)	(1,513)	(872)	(372)	(728)
Short-term exposure	(871)	(279)	345	96	(812)	(282)	263	240

Financial Statements for the year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the British Pound to US Dollar, Australian Dollar and Argentine Peso exchange rates.

Percentage movements used for sensitivity analysis are as follows. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

	2009	2008
US Dollar	8%	19%
Australian Dollar	5%	17%
Argentine Peso	14%	13%

If the British Pound had strengthened against the US Dollar ("US \$"), Australian Dollar ("AUS \$") and Argentine Peso ("ARG Peso") by the percentages above retrospectively, then this would have had the following impact:

	2009 £000's				2008 £000's			
	US \$	AUS \$	ARG Peso	Total	US \$	AUS \$	ARG Peso	Total
Net result for the year	52	(16)	10	46	11	4	10	25
Equity	205	(47)	31	189	258	(31)	25	252

If the British Pound had weakened against the US Dollar, Euro and Argentine Peso by the percentages above retrospectively, then this would have had the following impact:

	2009 £000's				2008 £000's			
	US \$	AUS \$	ARG Peso	Total	US \$	AUS \$	ARG Peso	Total
Net result for the year	(52)	16	(10)	(46)	(11)	(4)	(10)	(25)
Equity	(205)	47	(31)	(189)	(258)	31	(25)	(252)

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. Management prepares cashflow forecasts which are reviewed at Board meetings to ensure liquidity. The Group has no borrowing arrangements.

As at 31 December 2009, the Group's liabilities were all current and have contractual maturities as follows:

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

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

31 December 2008	Within 6 months £000's	6 to 12 months £000's
Trade and other payables	3,827	-

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 year ended 31 December 2009 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 AUDITORS

As explained more fully in the Directors' Responsibilities Statement 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 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/UKNP.

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 31 December 2009;
- 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 year 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.

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

OTHER MATTER

We have reported separately on the group financial statements of Mobile Streams Plc for the year ended 31 December 2009.

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

23 March 2010

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 loss for the parent company for the year was £3,174,000 (2008: £1,138,000).

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

TURNOVER

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

INVESTMENTS IN SUBSIDIARIES

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

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 capitalisation is based on matching the cost with anticipated revenues in future periods.

The Company continued to invest in expanding the capability of the media platform during 2009 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 of 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
-------------------	-------------------------------------

COMPANY ACCOUNTING POLICIES

DEFERRED TAXATION

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

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

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The 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

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 year ended 31 December 2009

COMPANY BALANCE SHEET

	Note	2009 £000's	2008 £000's
Fixed assets			
Intangible assets	2	-	-
Tangible fixed assets	3	129	630
Investments in subsidiaries	4	1,442	1,888
Total fixed assets		1,571	2,518
Current Assets			
Debtors	5	1,873	4,153
Cash at bank and in hand		911	1,119
Other assets		11	170
Total current assets		2,795	5,442
Creditors: amounts falling due within one year	6	(1,032)	(1,494)
Net current assets		1,763	3,948
Net assets		3,334	6,466
Capital and reserves			
Called up share capital	7	73	73
Merger reserve	8	27	112
Share premium	8	10,309	10,309
Profit and loss account	8	(7,075)	(4,028)
Shareholders' funds		3,334	6,466

The financial statements were approved by the Board of Directors on 23 March 2010.

I D Brewer
Chief Financial Officer

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

NOTES TO COMPANY FINANCIAL STATEMENTS

1. DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2009	2008
	£000's	£000's
Wages and salaries	652	1,103
Social security costs	62	122
	<u>714</u>	<u>1,225</u>
Less: staff costs capitalised within media platform costs	<u>(57)</u>	<u>(147)</u>
	<u>657</u>	<u>1,078</u>

The average number of employees during the year was:

	2009	2008
	Number	Number
Management	2	3
Administration	11	17
	<u>13</u>	<u>20</u>

Remuneration in respect of Directors was as follows:

	2009	2008
	£000's	£000's
Emoluments	<u>160</u>	<u>336</u>

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

	2009	2008
	£000's	£000's
Emoluments	<u>75</u>	<u>158</u>

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. INTANGIBLES

	Media content £000's
Cost	
At 1 January 2009 and 31 December 2009	<u>253</u>
Accumulated amortisation	
At 1 January 2009 and 31 December 2009	<u>253</u>
Net book value at 31 December 2009 and 31 December 2008	<u><u>-</u></u>

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £000's	Office furniture, plant and equipment £000's	Media platform development and software £000's	Total £000's
Cost				
At 1 January 2009	44	266	1,855	2,165
Additions	-	-	57	57
Disposals	(44)	(62)	(6)	(112)
At 31 December 2009	<u>-</u>	<u>204</u>	<u>1,906</u>	<u>2,110</u>
Depreciation				
At 1 January 2009	34	128	1,373	1,535
Provided in the year	10	77	465	552
Disposals	(44)	(56)	(6)	(106)
At 31 December 2009	<u>-</u>	<u>149</u>	<u>1,832</u>	<u>1,981</u>
Net book amount at 31 December 2009	<u><u>-</u></u>	<u><u>55</u></u>	<u><u>74</u></u>	<u><u>129</u></u>
Net book amount at 31 December 2008	<u><u>10</u></u>	<u><u>138</u></u>	<u><u>482</u></u>	<u><u>630</u></u>

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2009

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENT IN SUBSIDIARY COMPANIES

	£000's
Cost	
At 1 January 2009 and 31 December 2009	<u>3,898</u>
Amount provided	
At 1 January 2009	2,010
Provided in year	<u>446</u>
At 31 December 2009	<u>2,456</u>
Net book amount at 31 December 2009	<u><u>1,442</u></u>
Net book amount at 31 December 2008	<u><u>1,888</u></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 carrying value was in excess of the fair market value resulting in an impairment charge.

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
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.

5. DEBTORS

	2009	2008
	£000's	£000's
Trade debtors and receivables	186	229
Amounts owed by Group undertakings	<u>1,687</u>	<u>3,924</u>
	<u><u>1,873</u></u>	<u><u>4,153</u></u>

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)**6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2009	2008
	£000's	£000's
Trade creditors	65	250
Corporation tax	82	304
Amounts owed to Group undertakings	573	392
Accruals and deferred income	312	548
	<u>1,032</u>	<u>1,494</u>

7. SHARE CAPITAL

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

8. RESERVES

	Merger reserve £000's	Share Premium £000's	Profit and loss account £000's
At 1 January 2008	112	10,309	(4,028)
Transfer to profit and loss account	(85)	-	85
Share based compensation	-	-	42
Loss for the year	-	-	(3,174)
At 31 December 2009	<u>27</u>	<u>10,309</u>	<u>(7,075)</u>

The merger reserve arose on the acquisition of Mobile Streams Europe GmbH in a previous year. In 2008 part of the investment was impaired. During 2009 a transfer has been made from the merger reserve to retained earnings in proportion to the impairment of the investment.

9. LEASE COMMITMENTS

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

	Land and Buildings	
	2009	2008
	£000's	£000's
Annual commitments under non-cancellable operating leases expiring:		
Within one year	2	30
Within two to five years	-	-
After five years	-	-
	<u>2</u>	<u>30</u>

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

10. CAPITAL COMMITMENTS

The Company has no capital commitments at 31 December 2009 (2008: £Nil).

11. CONTINGENT LIABILITIES

As at 31 December 2009 there were no contingent liabilities (2008: £Nil).

12. RELATED PARTY TRANSACTIONS

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

The Company is charged a fee by its German subsidiary, Mobile Streams GmbH, for content acquisition, management and distribution services. During the year £0.4m was charged to the Company (2008: £0.4m).

The Company recharges corporate and content acquisition, management and distribution costs to its subsidiaries on a usage basis. During the year £0.8m of costs were recharged (2008: £1.3m).

The Company charges interest on a monthly basis at USA bank rates on the long term portion of the intercompany receivable from its subsidiary Mobile Streams Inc. During the year £0.1m of interest was charged (2008: £0.1m).

Although not a related party as defined, as disclosed in the note 25 to the Group financial statements, the Company receives management fee income Zoombak Inc, a subsidiary of True Position Inc, a minority shareholder in the Company.