

MOBILE STREAMS PLC

Unaudited Interim Financial Statements for the 6 months ended 31 December 2014



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Mobile Streams plc. Registered in England & Wales No. 03696108

27 March 2015

Interim Results

Mobile Streams plc (“Mobile Streams” or the “Company”) (AIM: MOS) updates its shareholders on its unaudited interim results for the six months ended 31 December 2014:

- Revenues of £18.5m (£27.0m for the 6 months ended 31 December 2013). All revenue is from continuing operations
- Mobile Internet revenues were £18.1m (6 months ended 31 December 2013: £25.8m)
- EBITDA* of £313k (6 months ended 31 December 2013: £1.2m)
- Post-tax loss of £302k (6 months to 31 December 2013: £706k profit)
- £3.2m of cash and cash equivalents at 31 December 2014 (30 June 2014: £3.0m), with no debt. £0.9m of the Company's cash and cash equivalents were located in Argentina, compared to £3.2m as at 31 December 2013

The sudden devaluation of the Argentinean Peso in January 2014 presented operational challenges in Argentina which significantly reduced our reported revenues and profits but which we have now confronted. Our strategy to offer our mobile internet services in large emerging markets is progressing. We have continued to make progress in Brazil during the period where services can now be billed and marketed to consumers on all four major Brazilian mobile carriers and active subscribers now exceed 35,000**.

With limited opportunities in the formerly core regions of the U.S. and Europe caused by the high penetration of Apple and mobile operator billing partnerships with Google Play, the decision was taken to expand the Company's operations beyond the core Latin America region and invest in India and Africa; two regions with relatively nascent smartphone markets and large populations.

In India, we instigated discussions with the top three mobile operators in the country to utilise their carrier billing services and we expect to launch mobile internet services towards the end of the current financial year. We have also signed agreements with two gaming partners who work with local phone manufacturers in India.

In Africa, the initial focus has been on the countries which we believe have the greatest potential: Nigeria, Kenya and Ghana. In January 2015, we signed an agreement to provide apps and games for a Nigerian mobile operator. Additionally, we extended our agreement with an existing partner to provide all of our mobile content on another Nigerian mobile operator's platform. We have also signed a strategic agreement to distribute mobile content for mobile internet services in Africa, developing our data intelligence of consumer habits and trends in the region.

These results are in line with the Board's expectations as communicated to the market. We remain excited about opportunities to grow our presence during financial year 2015, particularly in Brazil and India.

* Earnings before interest, tax, depreciation, amortization and share compensation.

** Active Subscribers are defined as customers who have paid to use one of the Company's Mobile Internet services in the past two months.

OPERATING REVIEW

Mobile Internet

During the period, we continued to invest in our mobile internet subscription services, in particular in our core Latin American markets of Argentina, Mexico, Colombia and Brazil. Additionally, we started investigating how we can launch these services in new emerging markets such as India and Africa.

Mobile Operators

The Mobile Operator segment continued its gradual decline in revenues over the period as the Company continued to execute its strategy of building services on the open Mobile Internet. Consumers tend to buy less content from Operator managed content services as they upgrade from traditional mobile devices to smartphones and tablets.

FINANCIAL REVIEW

For the 6 months ended 31 December 2014.

Gross profit for the six month period ended 31 December 2014 was £5.0m (2013: £8.1m). Gross margin was 26.9%, down from 30.1% in 2013.

Mobile Internet revenue has decreased by 30.2% to £18.0m (2013: £25.8m). The cost of sales on Mobile Internet revenue is much higher than on Operator revenue due to marketing costs resulting in a lower overall Gross profit margin.

The Group recorded a loss after tax of £302k for the 6 months ended 31 December 2014 (2013: profit £706k), generating a loss per share of 0.814 pence per share (2013: 1.924 pence earnings per share).

Adjusted loss per share (excluding depreciation, amortisation, impairments and share compensation expense) was 0.461 pence per share (2013: 2.408 pence adjusted earnings per share).

Cash and cash equivalents

Argentina, where the majority of the Company's cash was held at the end of 2013, has imposed strict rules for companies with the purpose of greater control over the foreign exchange market. The company relocated cash during 2014 and the proportion of its cash in Argentina was down to 28% by 31 December 2014. The remaining cash in Argentina is the working capital needed for normal operations.

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 December 2014	Unaudited 6 months ended 31 December 2013	Audited 12 months ended 30 June 2014
	£000's	£000's	£000's
Revenue	18,488	26,992	46,572
Cost of sales	(13,519)	(18,863)	(34,344)
Gross profit	4,969	8,129	14,228
Selling and marketing costs	(1,884)	(4,070)	(7,871)
Administrative expenses **	(1,903)	(3,079)	(6,361)
Operating profit	182	980	(4)
Profit on Liquidation of Subsidiary	-	44	-
Finance income	26	93	170
Finance expenses	-	(1)	(19)
Profit before tax	208	1,116	169
Tax expenses	(310)	(410)	(718)
(Loss)/Profit for the period	(302)	706	(549)
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc	(302)	706	(549)
Earnings Per Share			
	Pence per share	Pence per share	Pence per share
Basic (Loss)/earnings per share	(3.814)	1.924	(1.517)
Diluted (Loss)/earnings per share	(3.814)	1.865	(1.517)

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

MOBILE STREAMS PLC

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 December 2014 £000's	Unaudited 6 months ended 31 December 2013 £000's	Audited 12 months ended 30 June 2014 £000's
(Loss)/profit for the period	(302)	706	(560)
Exchange differences on translating foreign operations	70	(768)	(1,347)
Disposal of subsidiary	-	(151)	-
Total comprehensive loss for the period	(232)	(213)	(1,907)
Total comprehensive (loss)/income for the period attributable to:			
Equity shareholders of Mobile Streams plc	(232)	(213)	(1,907)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 December 2014	Unaudited 6 months ended 31 December 2013	Audited 12 months ended 30 June 2014
	£000's	£000's	£000's
Assets			
Non-Current			
Goodwill	-	380	-
Intangible assets	1	1	-
Property, plant and equipment	127	130	107
Deferred tax asset	-	130	280
	128	641	287
Current			
Trade and other receivables	3,188	6,777	6,484
Cash and cash equivalents	3,238	4,633	2,964
	6,426	11,410	9,448
Total assets	6,554	12,071	9,828
Equity			
Equity attributable to equity holders of Mobile Streams Plc			
Called up share capital	74	74	74
Share Premium	10,579	10,579	10,579
Translation reserve	(1,971)	(1,614)	(2,041)
Retained earnings	(6,334)	(4,880)	(6,135)
Total equity	2,348	4,159	2,477
Liabilities			
Current			
Trade and other payables	4,299	5,450	5,680
Current tax liabilities	1,907	2,461	1,668
	6,206	7,911	7,348
Total Liabilities	6,206	7,911	7,348
Total equity and Liabilities	8,554	12,071	9,825

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 31 December 2014 €100's	Unaudited 6 months ended 31 December 2013 €100's	Audited 12 months ended 30 June 2014 €100's
Operating activities			
Profit before taxation	200	1,136	153
Adjustments:			
Profit on Liquidation of Subsidiary	-	(40)	-
Share based payments	103	165	327
Depreciation	20	13	36
Impairments	-	-	300
Interest received	-	-	(170)
Changes in Trade and other receivables	1,306	1,644	1,926
Changes in Trade and other payables	(1,301)	60	(50)
Disposal of Subsidiary	-	-	(15)
Tax Paid	(271)	(401)	(403)
Total cash utilized in operating activities	(7)	2,473	2,054
Investing Activities			
Additions to property, plant and equipment	-	(110)	(110)
Interest paid	-	(1)	-
Interest received	26	53	170
Net Cash used in investing activities	26	(58)	52
Issue of share capital (net of expenses paid)	-	-	110
Net Cash used in financing activities	-	-	110
Net change in cash and cash equivalents	19	2,467	2,257
Cash and cash equivalents at beginning of period	2,964	2,051	2,051
Exchange gains/(loss) on cash and cash equivalents	256	(665)	(1,140)
Cash and cash equivalents, end of period	3,339	4,633	2,964

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share premium	Reserves reserve	Minor interest	Retained earnings	Total Equity
	€000	€000	€000	€000	€000	€000
Balance at 1 July 2013	73	18,397	(383)	139	(6,893)	3,833
Exercise of Share Options	1	222	-	-	-	223
Credit for share based payments	-	-	-	-	165	165
Disposal of subsidiary	-	-	-	(139)	139	-
Transactions with owners	1	222	-	(169)	318	380
Disposal of subsidiary	-	-	(131)	-	131	-
Profit(loss) for the 6 months ended 31 December 2013	-	-	-	-	708	708
Exchange differences on translating foreign operations	-	-	(788)	-	-	(788)
Total comprehensive income for the period	-	-	(919)	-	897	(29)
Balance at 31 December 2013	74	18,619	(1,614)	-	(4,986)	4,189
Balance at 1 January 2014	74	18,579	(1,614)	-	(4,880)	4,159
Transactions with owners	-	-	-	-	-	-
Disposal of subsidiary	-	-	1	-	(1)	-
Loss for the 6 months ended 31 Dec 2014	-	-	-	-	(1,254)	(1,254)
Exchange differences on translating foreign operations	-	-	(428)	-	-	(428)
Total comprehensive income for the period	-	-	(427)	-	(1,255)	(1,682)
Balance at 1 July 2014	74	18,679	(2,041)	-	(6,135)	2,677
Credit for share based payments	-	-	-	-	103	103
Transactions with owners	-	-	-	-	108	108
Profit(loss) for the 6 months ended 31 December 2014	-	-	-	-	(302)	(302)
Exchange differences on translating foreign operations	-	-	70	-	-	70
Total comprehensive income for the period	-	-	70	-	(302)	(232)
Balance at 31 December 2014	74	18,679	(1,971)	-	(6,394)	2,388

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results of Mobile Streams PLC are prepared in accordance with the requirements of IAS 34 Interim Financial Reporting as adopted by the EU and prepared in accordance with the accounting policies set out in the last financial statements for the 12 months ended 30 June 2014.

The interim results, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

The comparative financial information for the 12 months ended 30 June 2014 has been extracted from the statutory accounts for that period. In addition, the financial information for the 6 months ended 31 December 2013 has been extracted from the unaudited Interim results. The full audited accounts of the Group for the 12 months ended 30 June 2014 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and have been delivered to the Registrar of Companies.

The auditor’s report on these financial statements was unqualified and did not contain statements under S498(2) or S498(3) of the Companies Act 2006.

2. SEGMENT REPORTING

As at 31 December 2014, the Group was organised into 4 geographical segments: Europe, North America, Latin America, and Asia Pacific. Revenues were from external customers only and generated from three principal business activities: the sale of mobile content through MNO’s (Mobile Operator sales), the sale of mobile content over the internet (Mobile Internet sales) and the provision of consulting and technical services (Other Service Fees).

All operations are continuing and all inter-segment transfers are priced and carried out at arm’s length.

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental results for the 6 months ended 31 December 2014 were as follows:

			North	Latin	
2014's	Europe	Asia Pacific	Americas	Americas	Group
Mobile operator miles	9	92	18	284	403
Mobile internet miles	-	-	26	18,025	18,051
Other service fees	13	-	1	8	21
Total Revenues	24	92	45	38,937	39,498
Cost of sales	(11)	(15)	(26)	(13,417)	(13,569)
Gross profit	13	77	19	4,920	4,929
Operating expenses	(277)	(130)	(90)	(4,159)	(4,656)
EBITDA*	(264)	(53)	(71)	761	213
Depreciation, amortisation	-	-	(1)	(27)	(28)
Share based compensation	(103)	-	-	-	(103)
Revenue/expense intercompany	619	-	-	(619)	-
Finance income	2	-	1	23	26
Profit/(Loss) before tax	264	(153)	(71)	128	208
Income tax expense	-	-	(2)	(203)	(205)
Profit/(Loss) after tax	264	(153)	(73)	(75)	(22)

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

The segmental results for the year ended 30 June 2014 were as follows:

			North	Latin	
2014's	Europe	Asia Pacific	Americas	Americas	Group
Mobile operator miles	56	309	230	1,138	1,733
Mobile internet miles	3	-	250	46,333	46,686
Other service fees	30	3	3	6	42
Total revenues	89	312	483	47,877	48,673
Cost of sales	(28)	(22)	(26)	(23,177)	(24,343)
Gross profit	61	290	457	24,700	24,530
Operating expenses	(213)	(303)	3	(12,073)	(18,686)
EBITDA*	(152)	(3)	460	12,627	1,192
Depreciation, amortisation	(380)	(1)	(9)	(28)	(418)
Share compensation expense	-	-	-	(328)	(328)
Finance income/(expense)	-	-	-	157	157
Profit before tax	(532)	(4)	451	12,366	1,171
Taxation	-	-	-	(713)	(713)
Profit/(Loss) after tax	(532)	(4)	451	11,653	458

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental results for the 6 months ended 31 December 2013 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Mobile operator sales	31	223	48	871	1,173
Mobile internet sales	4	-	182	23,843	24,029
Other services from	3	3	-	8	14
Total Revenue	38	236	231	28,922	29,527
Cost of sales	(31)	(173)	(173)	(18,482)	(20,059)
Gross profit	7	63	58	10,440	9,128
Operating expenses	100	(168)	271	(7,173)	(8,070)
EBITDA*	87	(105)	287	867	1,136
Depreciation, amortisation	-	(7)	(9)	(7)	(14)
Share based compensation	(163)	-	-	-	(163)
Profit on liquidation of subsidiary	44	-	-	-	44
Finance expense	-	(2)	-	53	51
Profit/(Loss) before tax	(14)	(107)	288	948	1,118
Income tax expense	-	-	-	(310)	(310)
Profit/(Loss) after tax	(14)	(107)	288	638	808

The segmental assets at 31 December 2014 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Non current fixed assets					
Property, plant & equipment	-	-	1	128	129
Intangible assets	-	-	1	-	1
Goodwill	-	-	-	-	-
Deferred tax	-	-	-	-	-
Current assets	1,397	98	638	6,288	8,421
Cash and cash equivalent	1,317	12	562	1,349	3,240
Accounts receivable	18	48	8	988	1,062
Accrued receivables	17	4	43	1,391	1,462
Prepayments	4	11	10	1,836	1,861
Minimum guarantees and advances	-	-	-	14	14
Other assets	45	23	17	978	1,063
TOTAL ASSETS	1,397	98	649	6,416	8,554
Current liabilities	(437)	(178)	(280)	(8,288)	(8,203)
Trade Payables	(18)	(39)	(46)	(1,428)	(1,631)
Accrued contract costs	(10)	(222)	(245)	(890)	(1,167)
Other accrued liabilities	(278)	105	(17)	(1,010)	(1,200)
Other payables	7	(17)	10	(299)	(299)
Corporate income tax payable	-	-	-	(1,907)	(1,907)
TOTAL LIABILITIES	(437)	(178)	(280)	(8,288)	(8,203)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental assets at 6 months ended 30 June 2014 were as follows:

£000's	Europe	North Asia America	Latin America	Consol	Total	
Non current fixed assets						
Property, plant & equipment	-	1	-	106	-	107
Deferred tax	-	-	-	260	-	260
Current assets	800	122	299	8,377	-	9,498
Cash at bank and in hand	698	53	95	2,118	-	2,964
Accounts receivable	27	34	7	4,274	-	4,342
Accrued receivable	17	3	131	1,071	-	1,222
Prepayments	12	12	9	485	-	518
Minimum guarantees and advances	-	-	-	14	-	14
Other assets	46	20	17	315	-	398
TOTAL ASSETS	800	122	299	8,643	-	9,825
Current liabilities	(474)	(266)	(332)	(6,276)	-	(7,348)
Trade Payables	(26)	(85)	(44)	(1,904)	-	(2,859)
Accrued contract costs	(30)	(243)	(281)	(596)	-	(1,150)
Other accrued liabilities	(411)	75	(16)	(1,667)	-	(2,019)
Other payables	(7)	(13)	9	(441)	-	(452)
Corporate income tax payable	-	-	-	(1,668)	-	(1,668)
TOTAL LIABILITIES	(474)	(266)	(332)	(6,276)	-	(7,348)

The segmental assets at 6 months ended 31 December 2013 were as follows:

£000's	Europe	North Asia America	Latin America	Consol	Group	
Non current fixed assets						
Property, plant & equipment	-	-	8	127	-	130
Intangible assets	-	-	1	-	-	1
Goodwill	-	-	-	-	380	380
Deferred tax	-	-	-	190	-	190
Current assets	415	102	418	10,475	-	11,410
Cash and cash equivalent	328	42	269	3,994	-	4,633
Accounts receivable	4	10	7	3,069	-	3,090
Accrued receivable	13	21	118	2,359	-	2,511
Prepayments	11	11	9	351	-	382
Other assets	59	18	15	702	-	794
TOTAL ASSETS	415	102	422	10,751	380	12,070
Current liabilities	(260)	(337)	(680)	(6,764)	-	(7,911)
Trade Payables	(41)	(134)	(56)	(616)	-	(847)
Accrued contract costs	(43)	(241)	(476)	(619)	-	(1,379)
Other accrued liabilities	(218)	51	(27)	(2,604)	-	(2,798)
Other payables	42	(13)	9	(464)	-	(426)
Corporate income tax payable	-	-	-	(2,461)	-	(2,461)
TOTAL LIABILITIES	(260)	(337)	(680)	(6,764)	-	(7,911)

3. EARNINGS PER SHARE**Earnings per share**

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

	Unaudited 6 months ended 31 December 2014	Unaudited 6 months ended 31 December 2013	Audited 12 months ended 30 June 2014
(Loss)/profit for the period (£000's)	<u>(382)</u>	<u>706</u>	<u>(560)</u>
Loss earnings per share (pence):			
Basic	(0.814)	1.924	(1.617)
Diluted	(0.814)	1.865	(1.617)

Adjusted earnings per share

Adjusted earnings per share is calculated to reflect the underlying profitability of the business by excluding non-cash charges for depreciation, amortisation, impairments and share compensation charges.

	6 months ended 31 December 2014 £000's	6 months ended 31 December 2013 £000's	12 months ended 30 June 2014 £000's
(Loss)/profit for the period	(382)	706	(560)
Add back: share compensation expense	103	165	328
Add back: impairment of intangibles and goodwill	-	-	380
Add back: depreciation and amortisation	28	13	36
Adjusted (Loss)/profit for the period	(171)	884	184
	Pence per share	Pence per share	Pence per share
Adjusted (loss)/earnings per share	(0.461)	2.408	0.499
Adjusted diluted (loss)/earnings per share	(0.461)	2.336	0.479

Weighted average number of shares

	6 months ended 31 December 2014	6 months ended 31 December 2013	12 months ended 30 June 2014
Basic	37,075,083	36,711,489	36,908,888
Exercisable share options	1,463,763	1,144,630	1,302,963
Diluted	<u>38,538,846</u>	<u>37,856,119</u>	<u>38,211,851</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The adjusted EPS has been calculated to reflect the underlying profitability of the business by excluding non-cash charges for depreciation, amortisation, impairments and share compensation charges.

4. PROVISIONS

The Company maintains a provision of £340,000 against a possible tax liability as was reported in our last annual report and accounts.

5. GOING CONCERN

The Group had cash balances of £3.2m (including short-term investments of £1.4m) at 31 December 2014 (30 June 2014: £3.0m) and no borrowings. Having reviewed cash flow forecasts and budgets for a year ahead the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future.

As at 31 December 2014, £0.9m (including short-term investments of £0.2m) of the Group's cash balance was held in Argentina. The Argentine Peso has remained relatively stable since the end of the last reported audited statements (30 June 2014) although we cannot predict future movements in the currency and the impact on our financial performance.

In order to strengthen the parent company balance sheet and have cash reserves in a range of less volatile currencies, the Group has stepped up the repatriation of funds from Argentina during 2014. As a result of these actions, around 72% of the Group's cash is now located outside of Argentina.

The risk is also mitigated by the launch of similar businesses in Colombia, Mexico and Brazil where the cross border transfers of funds are not restricted.

6. 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 the balance sheet date are reported in the income statement.

Foreign currency balances are translated at the balance sheet date using exchange rates prevailing at the period end.

(c) Group companies

The financial results and position of all group entities that have a functional currency different from the presentational currency of the Group are translated into the presentational currency as follows:

i- assets and liabilities for each balance sheet are translated at the closing exchange rate at the date of the balance sheet

ii - income and expenses for each income statement are translated at average exchange rates (unless it is not a reasonable approximation to the exchange rate at the date of transaction)

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

The exchange rates used in respect of Argentinean pesos are the official published exchange rates.