

MOBILE STREAMS PLC

Unaudited Interim Financial Statements for the 6 months ended 31 December 2016



Unaudited Interim Financial Statements

for the 6 months ended 31 December 2016

Mobile Streams PLC. Registered in England & Wales No. 03696108
31 March 2017

Interim Results

Mobile Streams is pleased to announce its unaudited interim results for the six months ended 31 December 2016. These were in line with management's expectations as set out in the Company's trading update on 15 March 2017.

Highlights

- Subscriber numbers in India exceeded 150,000 active subscribers as at the time of publication
- Successful fundraising of £2.2m (before expenses) to fund growth in India
- £2.8m of cash and cash equivalents at 31 December 2016 (31 December 2015: £1.5m), with no debt. The company's cash balance on March 23 is £2.6m
- Revenues of £3.6m (H1 2015: £8m). All revenue is from continuing operations
- Mobile Internet revenues were £3.58m (6 months ended 31 December 2015: £7.9m)
- EBITDA* loss of £712k (6 months ended 31 December 2015: £104k loss)
- Post-tax loss of £879k (6 months to 31 December 2015: £321k loss)

* Earnings before interest, tax, depreciation, amortisation and share compensation ("EBITDA") is a non IFRS measure which the Group uses to assess its performance. It is defined as earnings before interest, tax, depreciation, amortisation and share compensation.

India

The Company is pleased to announce that Mobile Streams India Private Limited has exceeded the important milestone of reaching 175,000 active subscribers to its MobileGaming.com games subscription service. This shows strong growth of 34% in a little over 6 weeks since the Company's last trading update in January 2017.

In India, most of the growth in active subscribers to date has been driven by subscription growth enabled by its direct billing connections with two of the three largest local mobile phone operators. The Company is working to add additional direct billing connections for the one remaining local top three network operator as well as to two additional local Indian mobile network operators, each with approximately 100 million subscribers.

The Company also announces that it has now launched its browser based games service to complement its app download service in India. This HTML5 based service has now gone live with billing connectivity from our largest partner, with another large partner scheduled to launch before the end of the current financial year.

Argentina

As announced on 26 January 2017, trading in Argentina continues to be challenging as a result of general market conditions and regulation in the local market for mobile content subscriptions. The Company has recently received notification from a local billing partner that it has increased the revenue share payment to the Company for new subscriptions. Unfortunately, this positive news is offset somewhat by a second billing partner deciding to discontinue its mobile billing subscription services. The net result of these changes is that the Company expects revenue and EBITDA for the current financial year to be materially lower than market expectations.

Commenting, Simon Buckingham, CEO of Mobile Streams said: "We are of course delighted in the growth that we are seeing in India and are confident that our strategy of focusing our efforts here is the correct one. The news from Argentina is disappointing but our Indian business is establishing itself and gaining good momentum."

OPERATING REVIEW

Mobile internet

The Group anticipated the shift to the open Mobile Internet business model several years ago and added new products at new price points in new markets, which includes basically the start-up in India during the last fiscal year.

The mobile internet business model (based on Mobile Internet) shifted to a model based on the operator platforms and the revenue based on internet decreased. This was mostly the result of the economic conditions in Argentina which includes the devaluation of the Argentine peso during the last 2 years, resulting in a fall in sales.

During the first semester, Latin America, primarily Argentina, accounted for the majority of revenues, as during the last years.

Mobile operators

The Group has several contracts with mobile operators that allow the distribution of content through their mobile portals, although the revenue has been reduced by more than 56% year on year partially because of the fact that consumers prefer to use the open mobile internet services on their smartphones and partly because of our own increased focus on Mobile Internet services.

There was a reduction in the number of consumer visitors to these portals, which has been a continuing trend for several years. Our teams share and implement the best retailing practices in order to increase the conversion of visitors into customers to mitigate the natural decline in this revenue stream as the market changes.

FINANCIAL REVIEW

For the 6 months ended 31 December 2016.

Gross profit for the six month period ended 31 December 2016 was £1.1m (2015: £2.1m). Gross margin was 29.6%, up from 25.9% in 2015.

Mobile Internet revenue has decreased by 54.7% to £3.58m (2015: £7.9m). The cost of sales on mobile internet revenue is much higher than on operator revenue because of marketing costs resulting in a lower overall gross profit margin.

The Group recorded a loss after tax of £879k for the 6 months ended 31 December 2016 (2015: loss £321k), generating a loss per share of 2.175 pence per share (2015: 0.865 pence loss per share).

Adjusted loss per share (excluding depreciation, amortisation, impairments and share compensation expense) was 1.9 pence per share (2015: 0.674 pence adjusted loss per share).

Cash and cash equivalents

The Argentine peso remained stable during the semester, caused by the release of currency restrictions, meaning that currency can now flow freely in and out of Argentina. This policy was adopted by the country's new elected president in November 2015. Current cash balances are £ 2.7m.

Capital Fundraising

The fundraising of £2.2 million gross proceeds (£2 million net proceeds) completed at the end of December 2016 is enabling us to both continue and also accelerate our strategy of building subscribers and revenues in the Indian market during calendar year 2017. Whilst Argentina remains a challenging place to do business, we expect India to continue to grow steadily throughout 2017 as we focus on and invest in the market.

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 December 2016	Unaudited 6 months ended 31 December 2015	Audited 12 months ended 30 June 2016
	£000's	£000's	£000's
Revenue	3,640	8,033	12,786
Cost of sales	(2,563)	(5,948)	(9,256)
Gross profit	1,077	2,085	3,530
Selling and marketing costs	(349)	(771)	(1,333)
Administrative expenses **	(1,549)	(1,489)	(3,048)
Operating Loss	(821)	(175)	(851)
Finance income	78	47	118
Finance expense	(2)	(13)	(4)
Loss before tax	(745)	(141)	(737)
Tax expense	(134)	(180)	(569)
Loss for the period	(879)	(321)	(1,306)
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc	(879)	(321)	(1,306)

Earning Per Share

	Pence per share	Pence per share	Pence per share
Basic loss per share	(2.167)	(0.865)	(3.519)
Diluted loss per share	(2.167)	(0.865)	(3.519)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 December 2016	Unaudited 6 months ended 31 December 2015	Audited 12 months ended 30 June 2016
	£000's	£000's	£000's
Loss for the period	(879)	(321)	(1,306)
Exchange differences on translating foreign	74	(822)	(1,017)
Total comprehensive loss for the period	(805)	(1,143)	(2,323)
Total comprehensive loss for the period attributable to:			
Equity shareholders of Mobile Streams Plc	(805)	(1,143)	(2,323)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 December 2016	Unaudited 6 months ended 31 December 2015	Audited 12 months ended 30 June 2016
	£000's	£000's	£000's
Assets			
Non- Current			
Intangible assets	-	1	-
Property, plant and equipment	8	52	20
Deferred tax asset	189	-	189
	197	53	209
Current			
Trade and other receivables	1,870	3,307	2,576
Cash and cash equivalents	2,780	1,512	1,367
	4,650	4,819	3,943
Total assets	4,847	4,872	4,152
Equity			
Equity attributable to equity holders of Mobile Streams Plc			
Called up share capital	1,164	74	74
Share Premium	11,482	10,579	10,579
Translation reserve	(3,076)	(2,955)	(3,150)
Retained earnings	(6,723)	(5,059)	(5,943)
Total equity	2,847	2,639	1,560
Liabilities			
Current			
Trade and other payables	1,463	1,607	1,595
Current tax liabilities	537	626	997
	2,000	2,233	2,592
Total liabilities	2,000	2,233	2,592
Total equity and liabilities	4,847	4,872	4,152

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 31 December 2016	Unaudited 6 months ended 31 December 2015	Audited 12 months ended 30 June 2016
	£000's	£000's	£000's
Operating activities			
Profit before taxation	(745)	(141)	(737)
Adjustments:			
Shared based payments	97	44	146
Depreciation	14	27	59
Interest received	(78)	(47)	(118)
Changes in Trade and other receivables	706	709	304
Changes in Trade and other payables	(132)	(483)	13
Tax Paid	(460)	(219)	(237)
Interest paid	(2)	(13)	-
Total cash utilised in operating activities	(600)	(123)	(570)
Investing Activities			
Additions to property, plant and equipment	(1)	(1)	(8)
Interest received	78	47	118
Net Cash generated from investing activities	77	46	110
Issue of share capital (net of expenses paid)	1,993	-	-
Net Cash generated from financing activities	1,993	-	-
Net change in cash and cash equivalents	1,470	(77)	(460)
Cash and cash equivalents at beginning of period	1,367	2,098	2,098
Exchange (loss)/ gain on cash and cash equivalents	(57)	(509)	(271)
Cash and cash equivalents, end of period	2,780	1,512	1,367

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share premium	Translation reserve	Retained earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's
Balance at 1 July 2015	74	10,579	(2,133)	(4,782)	3,738
Credit for share based payments	-	-	-	44	44
Transactions with owners	-	-	-	44	44
Loss for the 6 months ended 31 December 2015	-	-	-	(321)	(321)
Exchange differences on translating foreign operations	-	-	(822)	-	(822)
Total comprehensive income for the period	-	-	(822)	(321)	(1,143)
Balance at 31 December 2015	74	10,579	(2,955)	(5,059)	2,639
Balance at 1 January 2016	74	10,579	(2,955)	(5,059)	2,639
Credit for share based payments	-	-	-	101	101
Transactions with owners	-	-	-	101	101
Loss for the 6 months ended 30 June 2016	-	-	-	(985)	(985)
Exchange differences on translating foreign operations	-	-	(195)	-	(195)
Balance at 30 June 2016	74	10,579	(3,150)	(5,943)	1,560
Balance at 1 July 2016	74	10,579	(3,150)	(5,943)	1,560
Credit for share based payments	-	-	-	97	97
Transactions with owners	-	-	-	97	97
Loss for the 6 months ended 31 December 2016	-	-	-	(879)	(879)
Exchange differences on translating foreign operations	-	-	74	-	74
Issue of share capital (net of expenses paid)	1,090	903	-	-	1,993
Total comprehensive income for the period	-	-	74	(879)	(805)
Balance at 31 December 2016	1,164	11,482	(3,076)	(6,725)	2,845

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 2016.

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 2016 has been extracted from the statutory accounts for that period. In addition, the financial information for the 6 months ended 31 December 2016 has been extracted from the unaudited Interim results. The full audited accounts of the Group for the 12 months ended 30 June 2016 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 2016, 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.

The segmental results for the 6 months ended 31 December 2016 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Mobile operator sales	17	-	35	-	52
Mobile internet sales	-	113	2	3,466	3,581
Other service fees	6	-	1	-	7
Total Revenue	23	113	38	3,466	3,640
Cost of sales	(9)	(81)	(6)	(2,467)	(2,563)
Gross profit	14	32	32	999	1,077
Operating expenses	(297)	(147)	(73)	(1,272)	(1,789)
EBITDA*	(283)	(115)	(41)	(273)	(712)
Depreciation, amortisation	-	-	-	(14)	(14)
Share based compensation	(97)	-	-	-	(97)
Finance income	-	-	-	77	77
Profit/(Loss) before tax	(380)	(115)	(41)	(210)	(746)
Income tax expense	(84)	-	-	(49)	(133)
Profit/(Loss) after tax	(464)	(115)	(41)	(259)	(879)

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

The segmental results for the 6 months ended 31 December 2015 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Mobile operator sales	8	5	19	80	112
Mobile internet sales	-	-	4	7,901	7,905
Other service fees	15	-	-	1	16
Total Revenue	23	5	23	7,982	8,033
Cost of sales	(40)	(14)	(10)	(5,884)	(5,948)
Gross profit / (loss)	(17)	(9)	13	2,098	2,085
Operating expenses	(291)	(86)	(70)	(1,742)	(2,189)
EBITDA*	(308)	(95)	(57)	356	(104)
Depreciation, amortisation	-	-	-	(27)	(27)
Share based compensation	(44)	-	-	-	(44)
Revenue/expense intercompany	238	-	-	(238)	-
Finance income	-	-	1	33	34
Profit/(Loss) before tax	(114)	(95)	(56)	124	(141)
Income tax expense	-	-	-	(180)	(180)
Profit/(Loss) after tax	(114)	(95)	(56)	(56)	(321)

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

The segmental results for the year ended 30 June 2016 were as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Group
Mobile Operator Services	31	6	58	80	175
Mobile Internet Services	-	21	11	12,552	12,584
Other Service fees	23	-	-	5	28
Total Revenue	54	27	69	12,637	12,786
Cost of sales	(33)	(29)	(30)	(9,165)	(9,257)
Gross profit/(loss)	21	(2)	39	3,472	3,530
Operating expenses	(557)	(317)	(113)	(3,189)	(4,176)
EBITDA*	(536)	(319)	(74)	283	(646)
Depreciation, amortisation and impairment	-	(1)	-	(57)	(58)
Share based compensation	(146)	-	-	-	(146)
Finance income/expense	-	-	-	113	113
Profit/(Loss) before tax	(682)	(320)	(74)	339	(737)
Taxation	-	-	-	(569)	(569)
Loss after tax	(682)	(320)	(74)	(230)	(1,306)

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

MOBILE STREAMS PLC

Unaudited Interim Financial Statements for the 6 months ended 31 December 2016

The segmental assets at 31 December 2016 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Non current fixed assets					
Property, plant & equipment	-	-	-	8	8
Intangible assets	-	-	-	-	-
Deferred tax	-	-	-	189	189
Current assets	1,887	201	151	2,411	4,650
Cash and cash equivalents	1,853	44	59	824	2,780
Accounts receivable	4	89	4	349	446
Accrued receivables	11	3	40	182	236
Prepayments	13	3	12	678	706
Minimum guarantees and advances	-	-	-	4	4
Other assets	6	62	36	374	478
TOTAL ASSETS	1,887	201	151	2,608	4,847
Current liabilities	(156)	(56)	(313)	(1,475)	(2,000)
Trade Payables	(72)	(29)	(35)	(157)	(293)
Accrued content costs	(33)	(30)	(261)	(322)	(646)
Other accrued liabilities	(52)	22	(17)	(376)	(423)
Other payables	1	(19)	-	(83)	(101)
Corporate income tax payable	-	-	-	(537)	(537)
TOTAL LIABILITIES	(156)	(56)	(313)	(1,475)	(2,000)

The segmental assets at 31 December 2015 were as follows:

£000's	Europe	Asia	North America	Latin America	Group
Non current fixed assets					
Property, plant & equipment	-	-	-	52	52
Intangible assets	-	-	1	-	1
Current assets	183	218	347	4,071	4,819
Cash and cash equivalents	108	35	254	1,115	1,512
Accounts receivable	14	54	13	590	671
Accrued receivables	8	104	40	471	623
Prepayments	25	10	10	1,678	1,723
Minimum guarantees and advances	-	-	-	13	13
Other assets	28	15	30	204	277
TOTAL ASSETS	183	218	348	4,123	4,872
Current liabilities	(167)	(68)	(275)	(1,723)	(2,233)
Trade Payables	(72)	(37)	(30)	(168)	(307)
Accrued content costs	(30)	(17)	(230)	(447)	(724)
Other accrued liabilities	(43)	(1)	(15)	(302)	(361)
Other payables	(22)	(13)	-	(180)	(215)
Corporate income tax payable	-	-	-	(626)	(626)
TOTAL LIABILITIES	(167)	(68)	(275)	(1,723)	(2,233)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental assets at 30 June 2016 were as follows:

£000's	Europe	Asia	North America	Latin America	Total
Non current fixed assets					
Property, plant & equipment	-	-	1	19	20
Intangible assets	-	-	-	-	-
Current assets	84	116	176	3,756	4,132
Cash and cash equivalents	29	35	60	1,243	1,367
Accounts receivable	-	56	7	490	553
Accrued receivables	12	8	39	374	433
Prepayments	15	5	11	1,223	1,254
Minimum guarantees and advances	-	-	-	13	13
Other assets	28	12	59	224	323
Deferred tax asset	-	-	-	189	189
TOTAL ASSETS	84	116	177	3,775	4,152
Current liabilities	(162)	35	(297)	(2,168)	(2,592)
Trade Payables	(70)	(47)	(37)	(195)	(349)
Accrued content costs	(35)	(16)	(243)	(383)	(677)
Other accrued liabilities	(57)	108	(17)	(443)	(409)
Other payables	-	(10)	-	(150)	(160)
Corporate income tax payable	-	-	-	(997)	(997)
TOTAL LIABILITIES	(162)	35	(297)	(2,168)	(2,592)

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 2016	Unaudited 6 months ended 31 December 2015	Audited 12 months ended 30 June 2016
Loss for the period (£000's)	(879)	(321) -	1,306
Loss earnings per share (pence):			
Basic	(2.167)	(0.865)	(3.519)
Diluted	(2.167)	(0.865)	(3.519)

Adjusted earnings per share

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

	6 months ended 31 December 2016 £000's	6 months ended 31 December 2015 £000's	12 months ended 30 June 2016 £000's
Loss for the period	(879)	(321) -	1,306
Add back: share compensation expense	97	44	146
Add back: depreciation and amortisation	14	27	59
Adjusted Loss for the period	(768)	(250) -	1,101
	Pence per share	Pence per share	Pence per share
Adjusted loss per share	(1.894)	(0.674)	(2.967)
Adjusted diluted loss per share	(1.894)	(0.674)	(2.967)

Weighted average number of shares

	6 months ended 31 December 2016	6 months ended 31 December 2015	12 months ended 30 June 2016
Basic	40,507,910	37,100,536	37,114,283
Exercisable share options	-	2,330,960	-
Diluted	40,507,910	39,431,496	37,114,283

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. GOING CONCERN

The Group had cash balances of £2.8m at 31 December 2016 (30 June 2016: £1.4m) 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 2016, £0.7m (including short-term investments of £0.6m) of the Group's cash balance was held in Argentina. The Argentine Government has released the currency restrictions in December 2015. Since then, the Peso has remained relatively stable, although we cannot predict future movements in the currency and the impact on our financial performance.

5. FOREIGN CURRENCY TRANSLATION

(a) Presentational currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date the transaction occurs. Any exchange gains or losses resulting from these transactions and from the translation of monetary assets and liabilities at the balance sheet date are reported in the income statement except when these represent a net investment in a subsidiary when they are charged or credited to equity.

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

(c) Group companies

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

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

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

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

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