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MOBILE STREAMS PLC

FINANCIAL STATEMENTS

FOR THE FOR THE YEAR ENDED

31 DECEMBER 2007

Company no 03696108

MOBILE STREAMS PLC

Company registration number	03696108
Registered office	Medius House 63-69 New Oxford Street London WC1A 1DG
Directors	S D Buckingham M Carleton J A Colquhoun I A L Donn R G Parry P Tomlinson
	Appointed 21 May 2007
Chairman	R G Parry
Secretary	J A Colquhoun
Bankers	National Westminster Bank plc PO Box 13 30 Market Place Newbury RG14 1AS
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants Grant Thornton House Melton Street Euston Square London NW1 2EP

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CHAIRMAN'S STATEMENT

Group revenue in 2007 was £9 1m, an 11% increase on 2006 (£8 2m) Trading EBITDA* was a loss of £1 2m for the period (2006 breakeven) Loss before tax was £4 7m (2006 £2 0m)

During 2007, Mobile Streams invested heavily in building a global mobile content business covering 13 subsidiaries on 4 continents. Leveraging its expertise and technology platform across multiple operating regions both increases Mobile Streams' return on technology investment and assists its global customers with the implementation of their mobile strategies. The Company's global footprint and geographical scale has enabled it to reduce its dependence on any one customer or region.

2007 was a year of significant change for the mobile content industry. The traditional means of distributing mobile content through portals operated by mobile network operators was challenged by the fact that growth from this revenue source by and large stalled during the period. As such, mobile operators turned to new business partnerships with internet companies such as Google and Yahoo¹ to take their mobile content business to the next level. However, these initiatives were largely experimental and proved demanding to deploy technically. This transition and instability created an environment which led to losses being accumulated by the Company as it waited for delayed mobile internet launches.

In the context of these industry changes 2007 was a transitional year for the Company, its first full year as a public company. The management was required to respond to the changes in market climate, to integrate the three acquisitions made during 2006 and to explore new business models such as platforms and content creation.

As the year progressed, it became clear to management that the Company would need to pare back and focus its activities, which contributed to the end of year losses. As such, two company divisions were created - Managed Services for mobile content supplied to mobile network operators and media companies - and Consumer Services to focus on the emerging Mobile Internet. Building an on and off portal presence in its operating markets enables Mobile Streams to leverage its local content, billing relationships and market presence to achieve scale and maximize future returns. This enables the Company to serve the current operator portal business model whilst investing in new deployments of search engines such as Google and Yahoo¹ by the network operators.

Outlook and Trading

Since the beginning of the 2008 financial year, Mobile Streams has traded at around the breakeven mark at an EBITDA* level. There is a small monthly cash outflow from the investment in the Vuesia platform. Revenues from Managed Services have been solid, with growing revenue coming from the Asia Pacific region where the Company has carved out a position as the games channel manager for several network operators such as Optus Australia, Vodafone Australia, SingTel Singapore and AIS Thailand. New launches of Consumer Services powered by our Ringtones.com brand have continued in markets such as Australia and Argentina where the Company already has established operations. The Company expects to see a continuation in these market trends during 2008, with overall revenues from managed operator services remaining broadly flat along with continued launches of consumer services, albeit with small initial volumes, in select markets where Mobile Streams has current operations and the search engines are establishing partnerships with local mobile operators.

Roger Parry
Chairman

*Calculated as loss before tax, interest, amortisation, depreciation, impairments, share compensation expense and fund raising and flotation cost

CHIEF EXECUTIVE'S STATEMENT

Traditionally, mobile network operators have managed their mobile content portals, usually appointing master content providers such as Mobile Streams to aggregate and refresh content channels within the portal. This business model limited the number of suppliers whose content would be presented in the portal. For incumbent suppliers such as Mobile Streams it meant relatively consistent and predictable revenue streams.

In order to stimulate new growth in mobile content, the mobile operators formed partnerships with mobile portals such as Yahoo! and Google. This trend started mainly in the UK and European regions in 2007. Consumers immediately migrated away from using the operator portals as a means to discover and purchase content and turned instead to the Google search box that they were familiar with from the PC Internet. Despite this there was little new growth in Mobile Internet usage, rather the usage simply migrated from on-portal to off-portal traffic.

Mobile Streams anticipated these developments and hired its first head of consumer services in mid 2006 to prepare for their launch. Whilst our position as an operator portal supplier would be reduced, the overall opportunity for the Company would be enlarged. To use the case of Vodafone, Mobile Streams supplied the comedy channel to Vodafone Live in the UK, but would now have the opportunity to sell not just comedy content but more music, games, graphics and adult content too. What we did not anticipate was the time it would take for these deployments to be stabilised from a technology standpoint. Additionally, the operators continued to tweak the Mobile Internet model as they sought to change the balance between on and off portal search traffic, which affected management and development of the services. The instability and immaturity in consumer services has led the Company to delay the timescales over which it expects the Consumer Services business to reach critical mass and scale, locally and globally.

Mobile Streams solidified its key operator relationships in Europe, North America, Latin America and Asia during 2007. We have a number of key supplier relationships with network operators on several continents. Our business covers the main types of mobile content that consumers are most interested in, music, adult and games. We have the opportunity to distribute this content on and off portal.

The Company's strategic partnership with Liberty Media remained strong during the year, resulting in the successful launch in the USA in December 2007 of Zoombak, the mobile location services company. Mobile Streams earns an annual management service fee, a capped percentage of Zoombak's revenues and profits and holds warrants over 10% of the Zoombak equity. 2008 will see the full deployment and rollout of Zoombak in the US and other markets such as the UK.

As such, I am convinced that there is significant incremental opportunity for Mobile Streams to strengthen its results by leveraging all the investments it has made and knowledge it has gained in 2007 and for the nine years that the Company has been operating. As the Mobile Internet opens up around the world over time, I am confident that the Company is well placed to benefit.

Simon Buckingham
Chief Executive Officer

FINANCIAL REVIEW

Group revenue in the year was £9.1m, an 11% increase on 2006 (£8.2m). Trading EBITDA* was a loss of £1.2m for the period (2006 breakeven). Loss before tax was £4.7m (£2.0m). Overall gross margin was 54.9% (2006 58.6%).

We now have a genuine global distribution footprint with 13 subsidiaries on 4 continents. Leveraging our expertise and technology platform across multiple operating regions both increases our return on technology investment and assists our global customers with the implementation of their mobile strategies. Our global footprint and geographical scale has enabled us to reduce our dependence on any one customer or region, and facilitate our growth.

The Group has adopted International Financial Reporting Standards for the first time. The principal impact of this change is the requirement to separately identify intangible assets acquired in business combinations. The impact of these changes are detailed in note 26 of the accounts.

£1,467,000 was invested during the year on property, plant and equipment, and intangible assets. This was predominantly for the further development of the Vuesia platform. The Group continues to invest in the development of the Vuesia platform, albeit at a much reduced rate as it focuses on earning returns from investments in prior years.

The Group incurred an impairment charge of £2,206,000 relating to goodwill and intangible assets. The impairment charge under IFRS differs to the impairment charge under UK GAAP as follows:

Impairment under UK GAAP	1,583,000
Additional impairment under IFRS	<u>623,000</u>
Total	2,206,000

The additional impairment under IFRS relates to deferred tax on intangible assets acquired via business acquisitions. IAS 12 requires the group to add deferred tax on intangible assets acquired via business combinations to goodwill and test for impairment annually. Further detail of the impairment can be seen at note 12.

The Group incurred a net cash outflow from operations of £0.4m (2006 outflow £1.7m), net cash outflows from investing activities were £1.4m (2006 outflow £3.8m). The cash balance at 31 December 2007 was £2.3m (2006 £4.1m).

Basic earnings per share amounted to a loss of 12.024 per share (2006 loss of 6.753p).

Adjusted earnings per share (excluding depreciation, amortisation, impairments, flotation/fund raising costs and share compensation expense) amounted to a loss of 1.785p (2006 profit of 0.325p).

J Colquhoun
Finance Director

*Calculated as loss before tax, interest, amortisation, depreciation, impairments, share compensation expense and fund raising and flotation cost.

DIRECTORS REPORT

The Directors present their report and the financial statements of the Company for the year ended 31 December 2007

The principal activity of the group is the provision of technology and services for the publication of content, primarily for distribution on wireless devices

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

BUSINESS REVIEW**Financial overview**

During the period the Company continued to grow revenues which increased 11% to £9.1m (2006: £8.2m)

The operating loss of £4.8m (2006: loss £2.2m) was due to asset impairment, one time restructuring costs and a disappointing performance for the European region

The Directors are satisfied with the progress made during the year and believe that Mobile Streams Plc is well placed to take advantage of the continued opening up of the Mobile Internet

Financial performance

Financial performance for the year has been analysed as follows

	Year to 31 December 2007	Year to 31 December 2006	Change
	£000's	£000's	£000's
Revenue	9,098	8,223	875
Gross profit	4,990	4,821	169
Trading EBITDA*	(1,239)	(41)	(1,198)
Loss before tax	(4,656)	(1,969)	(2,687)

* calculated as loss before tax, amortisation, depreciation, interest, flotation/fundraising costs, share compensation expense and impairment of assets

DIRECTORS REPORT

Strategy

The Directors consider there to be one class of business, being the distribution of mobile phone content. This is managed in two divisions:

- Managed Services: providing mobile content services to mobile operators and media companies
- Consumer Services: selling content directly to consumers

A more detailed review of company performance can be found in the financial review.

Principal risks and uncertainties

The management of the business and the nature of the Group's/Company'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.

Competition

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

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 constantly monitor changes in the market and invest in new and evolving areas to remain at the forefront of the industry. This has already been demonstrated in the historical changes from mono-tones, to polyphonic tones to truetones and video, and more recently games.

DIRECTORS REPORT

Fluctuations in currency exchange rates

Approximately 69% of our revenue relates to overseas operations. As a Company, we are 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 stock options and has taken out key man insurance policies on some of the key personnel.

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 Directors believe that the Company's content and Vuesia 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.

Technology Risk

A significant portion of the future revenues are dependent on the Vuesia platform. Any instability or interruption of its 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 maintains a software control process 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.

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.

DIRECTORS REPORT

Financial risk management objectives and policies

The Group uses various financial instruments. These include cash, equity investments, 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/Company 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 risk.

The main risks arising from the Group's/Company'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 interest rate and price risk have been ignored as they are not considered a material risk to the business. The Group's/Company's policies for currency risk is set out below.

Currency risk

The Group/Company 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/Company 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 arrangement in place and prepares cashflow forecasts which are reviewed at Board meetings to ensure liquidity.

Credit risk

The Group's/Company'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/Company's trade receivables. Most of the Group's trade receivables are large mobile network operators or media groups. History suggests that the credit risk is low.

DIRECTORS REPORT

Directors and their interests

The present membership of the Board together with their beneficial interests in the shares of the Company are set out below. All Directors with the exception of the following served on the Board throughout the year.

J Sodha	Resigned May 2007
P A Murphy	Resigned May 2007
J A Colquhoun	Appointed May 2007

Shares held or controlled by Directors

	Ordinary shares of £0.002 each 31 December 2007	Ordinary shares of £0.002 each 31 December 2006
S D Buckingham	18,227,500	18,007,500
M Carleton	-	-
I A L Donn	352,500	332,500
P Tomlinson	40,000	-
R G Parry	256,183	106,183
J A Colquhoun	-	-

Options

The table below summarises the exercise terms of the various options over ordinary shares of £0.002 (2006 £0.002) each which have been granted, and were still outstanding at 31 December 2007 and 31 December 2006.

	Options Held at 1 Jan 2007	Options Granted during the year	Options exercised during the year	Gain on exercise of options £	Options held at 31 December 2007	Exercise price £	Earliest date from which exercisable	Latest expiry date
R G Parry ¹	689,655	-	-	-	689,655	0.8700	15 Feb 2007	14 Feb 2016
J Sodha ²	490,000	-	490,000	180,000	-	0.0318	1 Mar 2006	28 Feb 2015
J Sodha ³	155,077	-	155,077	62,000	-	0.0020	1 Mar 2006	28 Feb 2015
J Sodha ⁴	100,000	-	-	-	-	0.4000	7 Dec 2007	6 Dec 2016
J Colquhoun ⁵	24,500	-	-	-	24,500	0.4600	17 Aug 2007	16 Aug 2016
J Colquhoun ⁵	25,500	-	-	-	25,500	0.4000	7 Dec 2007	6 Dec 2016

DIRECTORS REPORT

1 Mr Parry's options were granted on 15 February 2006 and can be exercised from the first anniversary of the grant date (33%), second anniversary of the grant date (67%) and third anniversary of grant date (100%)

2 Mr Sodha's existing options can be exercised from the first anniversary of the admission date (50%) and second anniversary of the grant date (100%) The latest these options may be exercised is 1 March 2015 The options were exercised during the year

3 Mr Sodha was granted 155,077 options on 15 February 2005 pursuant to a non-dilute option agreement These options can be exercised in line with the initial grant of options The non-dilute option agreement expired on the issuing of these options The options were exercised during the year

4 Mr Sodha left the Company before the options vested Therefore forfeiting his entitlement

5 Mr Colquhoun was appointed a director in May 2007 The options held by Mr Colquhoun were granted as part of the EMI share option scheme before his appointment as a director 33 33% of these options may be exercised on or after the first anniversary of the grant date or the date, 66 67% of these options may be exercised on or after the second anniversary of the grant date, 100% may be exercised on or after the third anniversary of the grant date

Post balance sheet events

There have been no material post balance sheet events

Research and development

The Group continues to invest in the development of its Vuesia media platform During the year £1,040,000 of costs (both internal and external) has been 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

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 day's purchases outstanding at the year end in respect of the Company were 69 days (2006 62 days)

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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union 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,

DIRECTORS REPORT

-
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
 - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors, to the best of their knowledge, state that

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group, and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces

The Directors are responsible for keeping proper 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 1985. 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

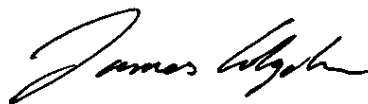
- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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 have indicated their 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



J A Colquhoun
Company Secretary

25 March 2008

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

We have audited the Group and parent Company financial statements (the "financial statements") of Mobile Streams Plc for the year ended 31 December 2007 which comprise the principal accounting policies, the Group income statement, the Group and parent Company balance sheets, the Group cash flow statement, the Group statement of changes in shareholders' equity, the Group statement of recognised income and expense and notes 1 to 29. These Group financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Financial Review and Chairman's statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its income statement for the year then ended
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 December 2007
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

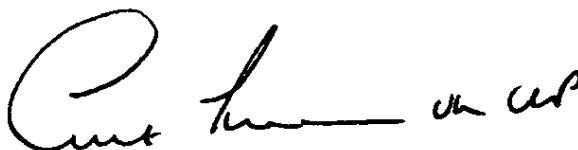
Separate opinion in relation to IFRSs

As explained in the accounting policies for the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2007 and of its income statement for the year then ended

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

London
25 March 2008



ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Mobile Streams are for the 12 months ended 31 December 2007. They have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU. All references to IFRS in these statements refer to IFRS as adopted by the EU.

The policies set out below have been consistently applied to all years presented and comparative information has been restated and represented under IFRS.

Mobile Streams' consolidated financial statements have been previously prepared in accordance with UK's Generally Accepted Accounting Principles (GAAP) until 31 December 2006. UK GAAP differs in some areas to IFRS. In preparing the 2007 consolidated financial statements certain accounting, valuation and consolidation methods have been adjusted to comply with IFRS. The comparative figures for 2006 have been restated to reflect these adjustments, unless otherwise described in the accounting policies. The date of transition to IFRS was 1 January 2006.

A conversion statement explaining reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on equity, net income and cash flows has been provided in note 26.

Preparation of financial statements in accordance with IAS 1 requires the use of some key assumptions and other sources of estimation uncertainty. It requires 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. The historical cost convention has been applied, except as modified to account of the revaluation of certain financial instruments, 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.

ACCOUNTING POLICIES

Foreign currency translation

(a) Presentational currency

The consolidated and parent company financial statements are presented in British pounds

(b) Transactions and balances

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the date the transaction occurs. Any exchange gains or losses resulting from these transactions and from the translation of monetary assets and liabilities at balance date are recognised in the income statement. Any translation gains or losses on non-monetary items are recognised in equity to the extent that they relate to gains and losses on non-monetary items which are recorded in equity. Otherwise, these translation gains or losses are recognised in the income statement.

(c) Group companies

The financial results and position of all group entities that have a presentation 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 lives. The following rates and methods have been applied:

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

The asset's residual 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 (the purchase method). Intangibles acquired in a business combination are acquired at fair value. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for impairment testing. Excess of the fair value of net assets over the cost of the combination is recognised immediately after acquisition in the income statement.

(b) Customer relationships

Customer relationships represent relationships that have been 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 life of customer relationships is 5 years.

(c) Technology based assets

Technology based assets represent assets that have been 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 life of technology based assets is 5 years.

(d) Non-compete agreement

The non-compete agreement was acquired through the business combination of Mobile Streams (Hong Kong) Limited. To meet this definition, the intangible 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. The estimated useful life of the non-compete agreement is 3.5 years. 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.

(e) 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 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.

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.

ACCOUNTING POLICIES

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 content is 2 years.

(f) Media platform development

Media platform developments represent intangible assets that have 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 3 years.

(g) 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.

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

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

Research and development

Research expenditure is expensed in the year in which it is incurred.

Development expenditure is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 Intangible Assets.

ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions, and other short-term highly liquid investments with original maturities of three months or less

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 has been reliably estimated.

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

Financial Assets

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

a) Loans and receivables

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

ACCOUNTING POLICIES

difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate

b) 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.

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. Losses recognised in prior period consolidated income statements resulting from the impairment of debt securities are reversed through the income statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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.

Trade payables

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

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are reported in the income statement and are included in the income statement line items "finance costs" or "finance income".

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.

ACCOUNTING POLICIES

b) Rendering of services

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

c) Interest income

Interest receivable is recognised in the income statement 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 balance sheet under other debtors 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')

Equity settled transactions

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

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in 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

Shares to be issued

Shares to be issued are recorded in Balance Sheet when the Group has an obligation to issue shares. Shares to be issued relate to deferred consideration on the acquisition of Mobile Streams Europe GmbH (formerly Cyoshı Mobile GmbH). The shares are valued at the market value as of date of acquisition.

Leased assets

In accordance with IAS 17, all the Groups 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.

ACCOUNTING POLICIES**Standards and interpretations not yet applied**

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the 2007 group financial statements

Standard or Interpretation		Effective for in reporting periods starting on or after
IAS 1	Presentation of Financial Statements (revised 2007)	1 January 2009
IFRS 2	Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IAS 32	Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009
IFRS 3	Business Combinations (Revised 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 11	IFRS 2- Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Standards management expect to effect the Group**Amendment to IAS 1 Presentation of Financial Statements (effective from 1 January 2009)**

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective from 1 January 2009)

This amendment affects share based payments. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Under IFRS 2, a cancellation of equity instruments is accounted for as an acceleration of the vesting period. Therefore any amount unrecognised that would otherwise have been charged is recognised immediately. Any payments made with the cancellation (up to the fair value of the equity instruments) is accounted for as the repurchase of an equity interest. Any payment in excess of the fair value of the equity instruments granted is recognised as an expense.

Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Under IFRS 2, features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions. This will not affect the Group as the only current condition on share based payments relates to service.

No other standard is expected to effect the financial statements.

The Group does not intend to apply any of these pronouncements early.

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2007

CONSOLIDATED INCOME STATEMENT

	Notes	2007 £000's	2006 £000's
Revenue	27	9,098	8,223
Cost of sales	27	(4,108)	(3,402)
Gross profit		4,990	4,821
Selling and marketing costs		(623)	(251)
Administration expenses		(5,127)	(4,505)
Other operating expenses		(116)	(106)
Depreciation, amortisation and impairment	5	(3,357)	(530)
Flotation/fundraising costs		-	(1,296)
Share based compensation		(240)	(325)
Restructuring costs		(363)	-
Operating loss		(4,836)	(2,192)
Finance costs	6	-	(14)
Finance income	6	180	237
Loss before income tax		(4,656)	(1,969)
Income tax expense	9	432	(83)
Loss for period		(4,224)	(2,052)
Attributable to			
Attributable to equity shareholders of Mobile Streams Plc		(4,224)	(2,052)
Total and continuing earnings per share		Pence per share	Pence per share
Basic and basic	7	(12.024)	(6 753)

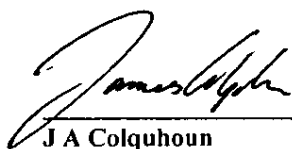
MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2007

CONSOLIDATED BALANCE SHEET

	Notes	2007 £000's	2006 £000's
Assets			
Non-current			
Goodwill	12	977	2,464
Intangible assets	12	2,516	2,923
Property, plant and equipment	11	409	405
Available for sale financial assets	13	467	382
		4,369	6,174
Current			
Trade and other receivables	14	3,248	2,743
Cash and cash equivalents	15	2,301	4,073
		5,549	6,816
Total assets		9,918	12,990
Equity			
Equity attributable to the equity holders of Mobile Streams Plc			
Called up share capital	19	71	69
Share Premium		10,468	10,290
Shares to be issued	19	479	637
Translation reserve		(182)	(178)
Retained earnings		(6,001)	(2,017)
Total equity		4,835	8,801
Liabilities			
Non-current			
Deferred tax liabilities	17	306	735
Current			
Trade and other payables	16	4,283	3,341
Provisions	18	442	-
Current tax liabilities		52	113
		4,777	3,454
Total liabilities		5,083	4,189
Total equity and liabilities		9,918	12,990

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


J A Colquhoun
Finance Director

25 March 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**Equity attributable to the equity holders of Mobile Streams Plc**

	Called up share capital	Share premium	Shares to be issued	Translation reserve	Retained earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 January 2006	1	165	-	-	(290)	(124)
Exchange differences on translation of foreign operations	-	-	-	(178)	-	(178)
Net income recognised directly in equity	-	-	-	(178)	-	(178)
Loss for the year to 31 December 2006	-	-	-	-	(2,052)	(2,052)
Total recognised income and expense for the period	-	-	-	(178)	(2,052)	(2,230)
Employee share based compensation	-	-	-	-	325	325
Shares issued	68	10,125	-	-	-	10,193
Shares to be issued	-	-	637	-	-	637
Balance at 31 December 2006	69	10,290	637	(178)	(2,017)	8,801
Balance at 1 January 2007	69	10,290	637	(178)	(2,017)	8,801
Exchange differences on translation of foreign operations	-	-	-	(4)	-	(4)
Net income recognised directly in equity	-	-	-	(4)	-	(4)
Loss for the year to 31 December 2007	-	-	-	-	(4,224)	(4,224)
Total recognised income and expense for the period	-	-	-	(4)	(4,224)	(4,228)
Employee share based compensation	-	-	-	-	240	240
Shares issued	2	178	-	-	-	180
Shares to be issued	-	-	(158)	-	-	(158)
Balance at 31 December 2007	71	10,468	479	(182)	(6,001)	4,835

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2007 £000's	2006 £000's
Cash flows from operating activities			
Result for the period before tax		(4,656)	(1,969)
Adjustments			
Share based payments		240	325
Depreciation		123	48
Amortisation		1,028	482
Interest received		(180)	(237)
Impairment of intangibles and goodwill		2,206	-
Interest expense		-	14
Changes in trade and other receivables		(505)	(571)
Changes in trade and other payables		1,384	370
Income tax paid		(64)	(192)
Total cash flows from operating activities		(424)	(1,730)
Cash flows from investing activities			
Additions to property, plant and equipment		(180)	(454)
Additions to other intangible assets		(1,282)	(802)
Acquisitions of subsidiaries (net of cash acquired)		-	(2,379)
Available for sale financial assets		(87)	(382)
Interest received		180	216
Total cash flows from investing activities		(1,369)	(3,801)
Cash flows from financing activities			
Interest paid		-	(14)
Issue of share capital (net of expenses paid)		23	9,494
Total cash flow from financing activities		23	9,480
Net change in cash and cash equivalents		(1,770)	3,949
Cash and cash equivalents at beginning of period		4,073	268
Exchange (losses) on cash and cash equivalents		(2)	(144)
Cash and cash equivalents at end of period	15	2,301	4,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mobile Streams Plc (the Company) and its subsidiaries (together 'the Group') deliver mobile media solutions via distribution, content and an integrated technology platform, Vuesia. The Group has subsidiaries based around the world in Europe, Asia, North America and Latin America. The 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 Medius House, 63-69 New Oxford Street, London, WC1A 1DG.

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 25 March 2008.

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 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 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 method of valuation for an intangible asset, management will make use of a valuation technique to determine the value of an intangible if there is no evidence of a market value. 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 annualized 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. In our experience 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 9).

3. DIRECTORS' AND OFFICERS' REMUNERATION AND INTERESTS

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

Charges in relation to remuneration received by key management personnel for services in all capacities during the years ended 31 December 2007 are as follows:

	2007 £000's	2006 £000's
Short- term employee benefits		
- salaries/remuneration	240	369
- social security costs	24	35
Share-based payments	-	169
	<u>264</u>	<u>573</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**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 at costs detailed below

	2007 £000's	2006 £000's
Fees payable to company auditor for the audit of parent company and consolidated accounts	64	44
Non-Audit services		
Fees payable to the Company's auditor and its associates for other services		
The audit of company's subsidiaries pursuant to legislation	5	4
Interim procedures	15	-
Tax compliance and advisory services	7	41
Advisory work on acquisitions	-	92
Advice relating to fund raising and initial public offering, including acting as reporting accountant	-	116
	<u>91</u>	<u>297</u>

5 DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2007 £000's	2006 £000's
Depreciation	123	48
Amortisation	1,028	482
Impairment of goodwill	1,496	-
Impairment of other intangible assets	529	-
Impairment of content	181	-
	<u>3,357</u>	<u>530</u>

The Group incurred a total impairment charge of £2,206,000 relating to goodwill and intangible assets. The impairment charge under IFRS differs to the impairment charge under UK GAAP as follows

Impairment under UK GAAP	1,583,000
Additional impairment under IFRS	<u>623,000</u>
Total	<u>2,206,000</u>

The additional impairment under IFRS relates to deferred tax on intangibles assets acquired on business acquisition. IAS 12 requires the Group to add deferred tax on intangibles assets acquired via business combinations to goodwill and impair test annually. Further detail of the impairment can be seen in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**6. FINANCE RECEIVABLE/(PAYABLE)**

	2007 £000's	2006 £000's
Interest receivable	121	216
Other interest receivable	<u>59</u>	<u>21</u>
	180	237
Bank interest payable	<u>-</u>	<u>(14)</u>
Net interest receivable	<u><u>180</u></u>	<u><u>223</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**7. EARNINGS PER SHARE**

Basic earnings 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

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

	31 December 2007	31 December 2006
	Pence per share	Pence per share
Basic and diluted earnings per share	(12.024)	(6 753)
	£000's	£000's
Loss for the financial period	<u>(4,224)</u>	<u>(2,052)</u>
For adjusted earnings per share	£000's	£000's
Loss for the financial period	(4,224)	(2,052)
Add back flotation/fund raising costs	-	1,296
Add back share compensation expense	240	325
Add back impairment of intangibles and goodwill	2,206	-
Add back depreciation and amortisation	1,151	530
Adjusted loss for the period	<u>(627)</u>	<u>99</u>
	Number of shares	Number of shares
Weighted average number of shares		
For basic earnings per share	35,128,404	30,384,461
For diluted earnings per share	35,128,404	31,872,658
	Pence per share	Pence per share
Adjusted basic earnings per share	(1.785)	0 325
Adjusted diluted earnings per share	(1 785)	0 311

The adjusted EPS has been calculated to reflect the underlying profitability of the business by excluding the flotation and fund raising costs, and share compensation expense

The Company is required to issue a further 620,268 shares to satisfy the deferred consideration relating to the acquisition Mobile Streams Europe GmbH (formerly Cyoshi Mobile GmbH) and 629,020 shares under share options schemes. These have been excluded in calculating the diluted earnings per share as losses were incurred during the period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**8 DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows

	2007 £000's	2006 £000's
Wages and salaries	3,360	2,569
Social security costs	449	281
Pension costs	-	-
	<u>3,809</u>	<u>2,850</u>
Less staff costs capitalised within media platform costs	<u>(732)</u>	<u>(380)</u>
	<u><u>3,077</u></u>	<u><u>2,470</u></u>

The average number of employees during the year was

	2007 Number	2006 Number
Management	7	7
Administration	<u>94</u>	<u>71</u>
	<u><u>101</u></u>	<u><u>78</u></u>

Remuneration in respect of Directors was as follows

	2007 £000's	2006 £000's
Emoluments	<u>278</u>	<u>404</u>
	<u><u>278</u></u>	<u><u>404</u></u>

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

	2007 £000's	2006 £000's
Emoluments	<u>104</u>	<u>175</u>
	<u><u>104</u></u>	<u><u>175</u></u>

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

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

	2007 £000's	2006 £000's
Loss for the year before taxation	(4,656)	(1,969)
Loss multiplied by standard rate of corporation tax in the United Kingdom of 30%	<u>(1,397)</u>	<u>(591)</u>
Expected tax expense	(1,397)	(591)
Adjustment for tax-rate differences	7	-
Adjustment for non-deductible expenses		
Expenses not deductible for tax purposes	837	450
Deductions following exercise of EMI options	(66)	(25)
Relating to goodwill impairment/amortisation	(344)	(26)
Excess of depreciation over capital allowances	348	(37)
Prior year tax adjustments	37	-
Overseas taxation and losses	<u>138</u>	<u>312</u>
Actual tax expense, net	(432)	83
Comprising		
Current tax expense	(3)	109
Deferred tax (expense), income, resulting from the	(429)	(26)
- origination and reversal of temporary differences	(429)	(26)

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

The Group has approximately £2.6m trading losses 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 expansion of the relevant companies within the Group beyond their initial set up phase deems it appropriate.

The Company has a deferred tax asset estimated at £12,000 relating to a potential UK corporation tax deduction in respect to employee share options. Due to the uncertainty of the timing of exercise and the current expansion phase no deferred tax asset has been recognised at this stage.

10. DIVIDENDS

No dividend was paid or proposed during the year (2006: £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 2007	44	461	505
Additions	-	127	127
Disposals	-	-	-
At 31 December 2007	44	588	632
Depreciation			
At 1 January 2007	4	96	100
Provided in the year	8	115	123
Disposals	-	-	-
At 31 December 2007	12	211	223
Net book amount at 31 December 2007	32	377	409

	Leasehold improvements £000's	Office furniture, plant and equipment £000's	Total £000's
Cost			
At 1 January 2006	-	152	152
Additions	44	340	384
Disposals	-	(31)	(31)
At 31 December 2006	44	461	505
Depreciation			
At 1 January 2006	-	81	81
Provided in the year	4	44	48
Foreign exchange movement	-	2	2
Disposals	-	(31)	(31)
At 31 December 2006	4	96	100
Net book amount at 31 December 2006	40	365	405

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

Mobile Streams' intangible assets comprise its Vuesia Media Platform, acquired customer relationships, technology-based assets, non-compete agreements, and media content. Other intangibles consists of customer relationships, technology based assets, and non-compete agreements. Intangible assets are amortised in line 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 2007	978	151	2,464	2,364	5,957
Additions					
- internally generated	1,040	-	-	-	1,040
- externally acquired	110	181	9	-	300
At 31 December 2007	2,128	332	2,473	2,364	7,297
Accumulated amortisation and impairment					
At 1 January 2007	271	15	-	284	570
Amortisation	497	57	-	474	1,028
Impairment	-	181	1,496	529	2,206
At 31 December 2007	768	253	1,496	1,287	3,804
Net book value at 31 December 2007	1,360	79	977	1,077	3,493
	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 2006	255	-	-	-	255
Additions					
- internally generated	633	-	-	-	633
- externally acquired	90	151	2,464	2,364	5,069
At 31 December 2006	978	151	2,464	2,364	5,957
Accumulated amortisation					
At 1 January 2006	88	-	-	-	88
Amortisation	183	15	-	284	482
At 31 December 2006	271	15	-	284	570
Net book value at 31 December 2006	707	136	2,464	2,080	5,387

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

The main changes in the carrying amounts of goodwill result from the impairment of previously recognised goodwill. Impairment is included in "Depreciation, amortisation and impairment" expenses in the income statement.

The net carrying amount of goodwill can be analysed as follows:

Subsequent to the annual impairment test for 2007, the carrying amount of goodwill is allocated to the following cash generating units:

	2007 £000's	2006 £000's
The Nickels Group	-	310
Mobile Streams Europe GmbH	-	1,186
Mobile Streams (Hong Kong) Limited	977	968
	<u>977</u>	<u>2,464</u>

The recoverable amounts for the cash-generating units given above were determined based on value-in-use calculations, covering a three year forecast assuming growth from further developing the existing customer relationships and broadening the content repertoire offering. Growth and discount rates used in the valuation of cash-generating units were as follows:

	The Nickels Group	Mobile Streams Europe GmbH	Mobile Streams (Hong Kong) Limited
Growth rates	3%	3%	3%
Discount rates	30%	16%	17%

Key assumptions relating to the valuation of intangibles and goodwill were based on past experience. This includes assumptions for discount rate, growth rates and projected cashflows for cash generating units.

The forecast for Mobile Streams' European was adjusted in 2007 for a decline in on portal revenues and slower than expected increase in off-portal revenues. Impairment testing, taking into account these developments, resulted in the full impairment of goodwill.

The forecast for The Nickels Group Inc was adjusted in 2007 for a decline in revenues. Impairment testing, taking into account these developments, resulted in the full impairment of goodwill.

The impairment review of Mobile Streams' (Hong Kong) Limited showed no indication of impairment.

The related impairment loss of £2,025,000 (2006: nil) was included in "depreciation, amortisation and impairment" in the income statement and attributed as follows:

	Customer relationships £000's	Goodwill £000's	Total £000's
The Nickels Group	144	310	454
Mobile Streams' GmbH	385	1,186	1,571
	<u>529</u>	<u>1,496</u>	<u>2,025</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As a result of the developments in the European business during 2007, Mobile Streams' management expects lower revenue growth and profits from Mobile Streams Europe GmbH and the Nickels Group. Expectations were revised due to increased competition and a slower than expected opening up of the mobile internet, and in The Nickels Group due to slower revenue growth and lower operating profits from the Nickels Group are due to fewer hit title ringtones from its content repertoire and increased competition.

Apart from the consideration described in determining the value in use of the cash generating units described above, the management of Mobile Streams is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Other intangible assets

Mobile Streams' other intangible assets comprise acquired customer relationships, technology based assets, own software development and media content. The carrying amounts for the reporting periods under review can be analyzed as follows:

	2007		
	The Nickels Group	Mobile Streams GmbH	Mobile Streams (Hong Kong) Limited
	£000's	£000's	£000's
Customer relationships	7	443	25
Technology-based assets	-	140	450
Non-compete agreement	-	-	12
	<u>7</u>	<u>583</u>	<u>487</u>

	2006		
	The Nickels Group	Mobile Streams GmbH	Mobile Streams (Hong Kong) Limited
	£000's	£000's	£000's
Customer relationships	193	1,078	32
Technology-based assets	-	183	578
Non-compete agreement	-	-	16
	<u>193</u>	<u>1,261</u>	<u>626</u>

Customer relationships recognized on the acquisition of Mobile Streams Europe GmbH and The Nickels Group were subject to impairment testing and were consequently partially impaired.

All amortisation and impairment charges are included in "depreciation, amortisation and impairment of non-financial assets" in the income statement. Total impairment relating to The Nickels Group (£454,000) and Mobile Streams' GmbH (£1,571,000) are shown in the American and European operating segments respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Media content**

An impairment of £181,000 relating to media content was recorded in Mobile Streams Plc

During the year the Group invested in media content, revenues generated from this content have been below expectation, consequently management has conducted an impairment review and subsequently recorded an impairment. Impairment charges are included in "depreciation, amortisation and impairment" in the income statement

13. AVAILABLE FOR SALE ASSETS

The Group, through its wholly owned subsidiary Mobile Streams Inc, has invested £382,000 in Mobile Greetings Inc

The investment was in the form of interest bearing convertible loan stock, but was converted to share capital during the period. Mobile Greetings' principal activities are the creation and publication of mobile phone content

The Group, through the parent company invested £85,000 in FunkySexyCool Inc in the form of share capital

	2007 £000's	2006 £000's
At 1 January	382	-
Additions	85	382
At 31 December	467	382

Available for sale assets have been fair valued at the carrying amount at the balance sheet date. Management deem there to be no change in the fair value during the period

In valuing 'available for sale assets', management were required to make key assumptions and estimates relating to expected cashflows, growth rates and discount rates. Assumptions and estimates were based on past experience

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**14 TRADE AND OTHER RECEIVABLES**

	2007 £000's	2006 £000's
Trade receivables	1,480	2,221
Accrued receivables	1,068	522
Other taxes	85	-
Prepayments	615	-
	<u>3,248</u>	<u>2,743</u>

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

All of Mobile Streams 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 of £37,000 (2006: £Nil) has been recorded accordingly.

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

	2007 £000's	2006 £000's
Not more than 3 months	48	114
More than 3 months but not more than 6 months	15	5
More than 6 months but not more than 1 year	1	-
More than 1 year	-	2

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2007 £000's	2006 £000's
Cash at bank and in hand	<u>2,301</u>	<u>4,073</u>

16. TRADE AND OTHER PAYABLES

	2007 £000's	2006 £000's
Trade payables	1,051	1,244
Other taxation and social security	152	91
Other payables	237	208
Accruals and deferred income	<u>2,843</u>	<u>1,798</u>
	<u>4,283</u>	<u>3,341</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)**17 DEFERRED TAXATION ASSETS AND LIABILITIES**

	Balance 1 Jan 2006 £000's	Recognised in income £000's	Recognised in equity £000's	Balance 1 Jan 2007 £000's	Recognised in income £000's	Tax rate adjustment £000's	Balance 31 Dec 2007 £000's
Deferred tax liability							
Intangibles	-	650	-	650	(344)	-	306
Property, plant and equipment	-	85	-	85	16	(7)	94
Losses available	-	-	-	-	(94)	-	(94)
	-	735	-	735	(422)	(7)	306

Deferred tax on intangibles has decreased as a result of impairment and amortisation

Deferred tax on property, plant and equipment increased a result of excess depreciation over capital allowances

The tax rate adjustment relates to a movement in the UK corporate tax rate from 30% to 28% effective 1 April 2008
This requires the Group to adjust deferred tax on property, plant and equipment to the new rate

18. PROVISIONS

	Onerous contracts £000's	Other £000's	Trade receivables £000's	Total £000's
Balance 1 January 2007	-	-	-	-
Movement	130	275	37	442
Balance 31 December 2007	130	275	37	442

During the year the Company entered into a number of contracts with ongoing service and financial obligations, in some instances the cost of the ongoing obligations are in excess of the anticipate future associated revenues, where this is the case the anticipated future losses have been provided for. Future losses have been estimated based on current and forecasted analysis of the relevant contacts, all of which be concluded during 2008

Provisions have also been made for legal costs and compensation payments required to settle litigation relating to intellectual property rights infringement and claims from former employees. 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 resolved during 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**19. SHARE CAPITAL**

	Number of shares (000's)
Balance at 1 January 2007	34,640
New share issues	1,008
Balance at 31 December 2007	35,648

The Company only has one class of shares

The total number of shares issued is 35,647,924 (December 2006 34,639,691) with a par value of £0.002 per share
All issued shares are fully paid

	2007 £000's	2006 £000's
Authorised 69,150,000 ordinary shares of £0.002 each (2006 69,150,000)	138	138
Allotted, called up and fully paid 35,647,924 ordinary shares of £0.002 each (2006 34,639,691 ordinary shares of £0.002 each)	71	69

On 23 January 2006 a bonus issue on a 48 for 1 basis was made to existing shareholders of fully paid up ordinary shares

On 9 May 2007 the Company issued 206,756 fully paid ordinary shares of £0.002 per share at a value of £0.77 per share as part of the consideration for the purchase of the share capital of Mobile Streams Europe GmbH (formerly Cyoshi Mobile GmbH)

During the year the Company issued a total of 801,477 fully paid ordinary shares of £0.002 each as a consequence of the exercise by employees of options over shares in the Company. The average exercise price paid on these shares was £0.026 per share (2006 848,000 at £0.127)

Shares to be issued

	2007 £000's	2006 £000's
Balance 1 January	637	-
Movement	(158)	637
Balance 31 December	479	637

The Company is required to issue a further 620,268 shares to satisfy the deferred consideration relating to the acquisition Mobile Streams Europe GmbH (formerly Cyoshi Mobile GmbH)

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

The table below summarises the exercise terms of the various options over ordinary shares of £0.002 each which have been granted, and were still outstanding at 31 December 2007 and 31 December 2006

				At 31 December 2007 Ordinary shares of £0.002 each	At 31 December 2006 Ordinary shares of £0.002 each
		Period of option			
Date of issue	Exercise price	Earliest date	Latest date	Number	
Enterprise Management Incentive Scheme					
19 Nov 2004	£0.03183*	19 Nov 2005**	18 Nov 2014	275,625	436,925
01 Mar 2005	£0.03183*	1 Mar 2006**	28 Feb 2015	-	490,000
01 Feb 2006	£0.08163	1 Feb 2007***	31 Jan 2016	117,600	120,050
17 Aug 2006	£0.46	17 Aug 2007****	16 Aug 2016	33,500	61,500
07 Dec 2006	£0.40	7 Dec 2007****	06 Dec 2016	287,550	454,050
25 Jul 2007	£0.28	25 Jul 2008****	24 Jul 2017	227,000	-
20 Sep 2007	£0.225	20 Sep 2008****	19 Sep 2017	320,000	-
ISO Sub-Plan					
19 Nov 2004	£0.03183*	19 Nov 2005***	18 Nov 2014	12,250	12,250
Global Share Option Plan					
19 Nov 2004	£0.03183*	19 Nov 2005**	18 Nov 2014	-	9,800
01 Feb 2006	£0.03183*	19 Nov 2005**	31 Jan 2016	116,375	116,375
01 Feb 2006	£0.08163	1 Mar 2006**	31 Jan 2016	52,675	52,675
19 Apr 2006	£0.76	19 Apr 2007****	18 Apr 2016	207,468	207,468
02 Aug 2006	£0.465	2 Aug 2007****	01 Aug 2016	116,426	116,426
08 Aug 2006	£0.465	8 Aug 2007****	07 Aug 2016	210,000	210,000
17 Aug 2006	£0.46	17 Aug 2007****	16 Aug 2016	44,225	92,675
07 Dec 2006	£0.40	7 Dec 2007****	06 Dec 2016	208,450	210,450
27 Jun 2007	£0.39	27 Jun 2008****	26 Jun 2017	66,250	-
20 Sep 2007	£0.225	20 Sep 2007****	19 Sep 2017	360,000	-
Stand Alone Option Plans					
01 Feb 2006	£0.03183*	1/2/2006*****	31 Jan 2016	24,500	24,500
15 Feb 2006	£0.87	15 Feb 2007****	14 Feb 2016	689,655	689,655
15 Feb 2006	£0.002	1 Mar 2006*****	28 Feb 2015	-	155,077

* Original issue price was £0.078. Due to recapitalisation the adjusted issue price is £0.03183

** 50% of the issued options can be exercised on the later of the first anniversary of the grant date (date shown above) or the date the shares are traded on a stock exchange. 100% of the issued options can be exercised on the later of the second anniversary of the grant date or the date the shares were traded on a stock exchange

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*** 100% of the issued options can be exercised on the later of the first anniversary of the grant date (date shown above) or the date the shares are traded on a stock exchange

**** 33 33 % of issued options can be exercised on or after the first anniversary of the grant date, 66 67% of the issued options can be exercised on or after the second anniversary of the grant date, 100% of the issued options can be exercised on or after the third anniversary of the grant date

***** Options exercisable immediately issued to employee who left the company after a number of years of service

***** Options issued pursuant to a non-dilute agreement upon IPO

20. SHARE BASED PAYMENTS

The Group operates a number of share option schemes in order to attract and maintain 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. The Company has made grants throughout 2007. Details of the option plans in place and exercise periods are shown above in note 19. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. The fair value per option granted during the year and the assumptions used in the calculation are shown below.

	2 Jan 2007	2 Jan 2007	2 Jan 2007	27 Jun 2007	27 Jun 2007	27 Jun 2007	25 Jul 2007
Date of grant							
Share price at grant (£)	0 3550	0 3550	0 3550	0 3900	0 3900	0 3900	0 2800
Exercise price (£)	0 3550	0 3550	0 3550	0 3900	0 3900	0 3900	0 2800
Shares under option	5,000	5,000	5,000	22,083	22,083	22,083	226,667
Vesting period (years)	1	2	3	1	2	3	1
Volatility	86 34%	86 34%	86 34%	82 12%	82 12%	82 12%	70 20%
Option Life (years)	10	10	10	10	10	10	10
Expected life (years)	5	5	5	5	5	5	5
Risk-free rate	5 00%	5 00%	5 00%	5 6615%	5 6615%	5 6615%	5 5142%
Dividend yield	0 00%	0 00%	0 00%	0%	0%	0%	0%
Fair value (£)	0 1245	0 1724	0 2056	0 1320	0 1830	0 2190	0 0825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	25 Jul 2007	25 Jul 2007	20 Sep 2007	20 Sep 2007	20 Sep 2007
Date of grant					
Share price at grant (£)	0.2800	0.2800	0.2250	0.2250	0.2250
Exercise price (£)	0.2800	0.2800	0.2250	0.2250	0.2250
Shares under option	226,667	226,667	75,667	75,667	75,667
Vesting period (years)	2	3	1	2	3
Volatility	70.20%	70.20%	70.10%	70.10%	70.10%
Option Life (years)	10	10	10	10	10
Expected life (years)	5	5	5	5	5
Risk-free rate	5.5142%	5.5142%	5.0873%	5.0873%	5.0873%
Dividend yield	0%	0%	0%	0%	0%
Fair value (£)	0.1162	0.1404	0.0659	0.0926	0.1120

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 annualized 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. In our experience the expected life of an employee share option is 5 years.

	2007		2006	
	Number (000's)	Weighted average exercise price	Number (000's)	Weighted average exercise price
Outstanding at 1 January	3,524	£0.391	1,882	£0.032
Granted	988	£0.251	2,704	£0.549
Forfeited	(341)	£0.403	(214)	£0.286
Exercised	(801)	£0.026	(848)	£0.127
Outstanding at 31 December	<u>3,370</u>	<u>£0.435</u>	<u>3,524</u>	<u>£0.391</u>
Exercisable at 31 December	<u>1,050</u>	<u>£0.439</u>	<u>786</u>	<u>£0.029</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Range of exercise prices	Weighted average exercise price	2007			Weighted average exercise price	2006		
		Number of Shares (000's)	Weighted average remaining life (years):			Number of Shares (000's)	Weighted average remaining life (years):	
			Expected	Contractual			Expected	Contractual
£0 - £0.50	£0.325	2,302	3.0	8.9	£0.191	2,430	3.2	8.9
£0.51 - £1.50	£0.834	1,068	3.1	8.2	£0.832	1,094	3.1	9.1

The weighted average share price during the period for options exercised over the year was £0.584 (2006 £0.757). The total charge for the year relating to employee share based payment plans was £240,000 (2006 £325,000), all of which related to equity-settled share based payment transactions.

21. CAPITAL COMMITMENTS

The Group has no capital commitments as at 31 December 2007 (2006 £45,000 (US\$90,000)).

22. CONTINGENT LIABILITIES

Various intellectual property right infringements and legal claims have been made against the Group. Unless recognised as a provision (see note 18), management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense is remote. This evaluation has been backed up by external independent legal advice (2006 £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**23. OPERATING LEASES**

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

	Land and Buildings		Other	
	2007	2006	2007	2006
	£000's	£000's	£000's	£000's
Annual commitments under non-cancellable operating lease expiring				
Within one year	139	118	4	13
Within two to five years	157	246	-	2
After five years	-	13	-	-
	<u>296</u>	<u>377</u>	<u>4</u>	<u>15</u>

Lease payments recognised as an expense during the period amount to £252,000 (2006 £174,000)

24. MAJOR NON-CASH TRANSACTIONS

The Group entered into a barter transaction with MTV to exchange media rights and wholly owned content for onscreen advertising totalling £178,000

25. RELATED PARTY TRANSACTIONS

During the period the Group entered in to a trading relationship Zoombak LLC, a related party by virtue of shared director and chief executive officer. During the period revenue of £193,000 (2006 £Nil) was earned, of which £118,000 remained outstanding at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. TRANSITION TO IFRS

26.1 Basis of transition to IFRS

The Group's financial statements for the year ended 31 December 2007 will be the first annual financial statements that comply with IFRS. These financial statements have been prepared as described in the Groups accounting policies. The Group has applied IFRS 1 in preparing these consolidated financial statements.

Mobile Streams' transition date is 1 January 2006. The Group prepared its opening IFRS balance sheet at that date.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied mandatory exceptions and certain optional exemptions from full retrospective application of IFRS.

26.1.1 Exemptions from full retrospective application elected by the Group

a) Cumulative translation differences exemption

The Group has elected to set the previously accumulated cumulative translation adjustments relating to retranslation of the net investment in foreign operations to zero at 1 January 2006. As this had previously been included with retained earnings in the UK GAAP financial statements, no adjustment is shown on the transition to IFRS reconciliations.

26.2 Reconciliations between IFRS and UK GAAP

The following reconciliations provide a quantification of the effect of transition to IFRS from UK GAAP. The following reconciliations provide details of the impact of transition on:

- equity at 1 January 2006
- equity at 31 December 2006
- net income 31 December 2006

There has been no cash flow effect as a result of the transition to IFRS, therefore no reconciliation is required. The changes to the cash flow are presentational only. The changes are the different presentation of interest, where interest paid is now included in financing activities and interest received in investing activities, and also taxation is included in operating, whereas previously it was disclosed separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**26 2 1 Reconciliation of equity at 1 January 2006**

	Notes	UK GAAP £000's	Effect of transition to IFRS £000's	IFRS £000's
Assets				
Non-Current				
Other intangible assets	a	-	176	176
Property, plant and equipment	b	247	(176)	71
		<u>247</u>	<u>-</u>	<u>247</u>
Current				
Trade and other receivables		1,524	-	1,524
Cash and cash equivalents		268	-	268
		<u>1,792</u>	<u>-</u>	<u>1,792</u>
Total assets		<u>2,039</u>	<u>-</u>	<u>2,039</u>
Equity				
Equity attributable to shareholders of Mobile Streams				
Called up share capital		1	-	1
Share premium		165	-	165
Retained earnings		(315)	-	(315)
		<u>(149)</u>	<u>-</u>	<u>(149)</u>
Total equity		<u>(149)</u>	<u>-</u>	<u>(149)</u>
Liabilities				
Current				
Provisions		18	-	18
Trade and other payable		2,170	-	2,170
		<u>2,188</u>	<u>-</u>	<u>2,188</u>
Total Liabilities		<u>2,188</u>	<u>-</u>	<u>2,188</u>
Total equity and liabilities		<u>2,039</u>	<u>-</u>	<u>2,039</u>

Explanation of the effect of the transition to IFRS as at 1 January 2006

(a) Other intangible assets		
Reallocation of media platform development from Property, Plant & Equipment		<u>176</u>
Total impact - increase intangible assets		<u>176</u>
(b) Property, Plant & Equipment		
Reallocation of media platform development to Intangible assets		<u>(176)</u>
Total impact - decrease Property, Plant & Equipment		<u>(176)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Detailed explanatory notes

(i) Media platform development

Media platform development costs were previously capitalised as tangible assets as allowed under UK GAAP. Under IFRS, software components are recognised as intangible assets unless they form an integral part of computer hardware. The media platform development costs do not form an integral part of computer hardware and have therefore been re-classified as intangible assets.

Accumulated depreciation in relation to the media platform development costs has been reversed and replaced by amortisation in accordance with the Group's accounting policies. As the same useful life applies the net effect of reversing depreciation and accounting for amortisation is nil.

(ii) Translation reserve

The Group has decided to apply the IFRS exemption allowed under IAS 21 to reset the translation reserve to nil at opening balance sheet date. The previously accumulated translation reserve is set to nil and applied against retained earnings at that date. The gain or loss on future disposals of the relevant foreign entities will be adjusted only by the accumulated translation adjustments arising after the opening IFRS balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**26 2 3 Reconciliation of equity at 31 December 2006**

	Notes	UK GAAP £000's	Effect of transition to IFRS £000's	IFRS £000's
Assets				
Non-Current				
Goodwill	a	3,565	(1,101)	2,464
Other intangible assets	b	136	2,725	2,861
Property, plant and equipment	c	1,112	(644)	468
Available-for-sale asset		382	-	382
		<u>5,195</u>	<u>980</u>	<u>6,175</u>
Current				
Trade and other receivables		2,742	-	2,742
Cash and cash equivalents		4,073	-	4,073
		<u>6,815</u>	<u>-</u>	<u>6,815</u>
Total assets		<u>12,010</u>	<u>980</u>	<u>12,990</u>
Equity				
Equity attributable to shareholders of Mobile Streams				
Called up share capital		69	-	69
Share premium		10,290	-	10,290
Shares to be issued	d	294	343	637
Translation reserve	e	(153)	(25)	(178)
Retained earnings	f	(1,974)	(43)	(2,017)
Total equity		<u>8,526</u>	<u>275</u>	<u>8,801</u>
Liabilities				
Non-Current				
Deferred tax liabilities	g	85	650	735
		<u>85</u>	<u>650</u>	<u>735</u>
Current				
Trade and other payables	h	3,286	55	3,341
Current tax liabilities		113	-	113
		<u>3,399</u>	<u>55</u>	<u>3,454</u>
Total Liabilities		<u>3,484</u>	<u>705</u>	<u>4,189</u>
Total equity and liabilities		<u>12,010</u>	<u>980</u>	<u>12,990</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Explanation of the effect of the transition to IFRS as at 31 December 2006**

	£000's
(a) Goodwill	
Reverse accumulated amortisation of goodwill for period to 31/12/06	123
Re-calculation of goodwill on business combinations	(2,022)
Account for deferred tax liability on intangibles under business combinations per IAS 12	743
Accrue expenses relating to business combinations - invoices received after reporting date	23
Account for changes to opening balance sheet of acquired entities on business combinations	32
Total impact - decrease goodwill	(1,101)
(b) Other intangible assets	
Recognise intangible assets on business combinations	2,365
Take up amortisation of intangibles on business combinations for period to 30/12/06	(284)
Reallocation of media platform development from Property, Plant & Equipment	644
Total impact - increase other intangible assets	2,725
(c) Property, Plant & Equipment	
Reallocation of media platform development to Intangibles	(644)
Total impact - decrease Property, Plant & Equipment	(644)
(d) Shares to be issued	
Re-calculate cost of shares to be issued on business combinations	343
Total impact - increase shares to be issued	343
(e) Translation reserve	
Reset translation reserve to nil per IFRS exemption adopted	(25)
Total impact - decrease translation reserve	(25)
(f) Retained earnings	
Reverse amortisation of goodwill for period to 31/12/06	123
Take up amortisation of intangibles on business combinations for period to 31/12/06	(284)
Deferred tax on amortisation of intangibles under business combinations	93
Reset translation reserve to nil per IFRS exemption adopted	25
Total impact - decrease retained earnings	(43)
(g) Deferred tax liabilities	
Account for deferred tax liability on intangibles under business combinations	743
Offset deferred tax asset on amortisation of intangibles under business combinations	(93)
Total impact - increase deferred tax liability	650
(h) Trade and other payables	
Accrue expenses relating to business combinations - invoices received after reporting date	23
Account for changes to opening balance sheet of acquired entities on business combinations	32
Total impact - increase trade and other payables	55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Detailed explanatory notes:

(i) Business combinations - Goodwill & Intangibles

In accordance with the Group's accounting policies regarding the recognition of intangible assets and goodwill and in accordance with IFRS 3 Business Combinations, certain amounts previously classified as goodwill under UK GAAP following acquisitions made in the period have been re-classified as intangibles under IFRS. Identifiable intangible assets on business combinations (acquisitions) have been recorded at fair value and have therefore increased intangible assets. This has in turn reduced the amount of goodwill recorded on business combinations.

Under IFRS goodwill cannot be amortised, but instead must be tested annually for impairment. Intangible assets with a finite useful life are amortised over their useful life.

The recognition of intangible assets on business combinations results in a deferred tax liability based on the company tax rate in the region the intangible assets belong, hence increasing goodwill on business combinations. As the intangible assets are amortised over the useful life, the corresponding deferred tax liability is reduced and a tax credit recorded in the income statement.

In determining cost of business combinations, the deferred consideration of shares to be issued is to be valued at the date of acquisition. Previously reported figures included the cost of the deferred consideration of shares to be issued based on the share price at reporting date. This has been amended to show the cost of shares at date of acquisition. An amendment has also been posted for costs relating to acquisition that were incurred after the balance sheet date, but are known with certainty. These costs have been shown as accrued liabilities.

(ii) Media platform development

As per explanatory notes in 26.2.1 above

(iii) Translation reserve

As per explanatory notes in 26.2.1 above

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**26 2 5 Reconciliation of net income for the year ended 31 December 2006**

	Notes	UK GAAP £000's	Re- classifications £000's	Effect of transition to IFRS £000's	IFRS £000's
Revenue		8,223	-	-	8,223
Cost of Sales		(3,402)	-	-	(3,402)
Gross profit		4,821	-	-	4,821
Selling and marketing costs		-	(251)	-	(251)
Administration expenses	a	(5,556)	357	(161)	(5,360)
Other operating expenses		(1,296)	(106)	-	(1,402)
Operating loss		(2,031)	-	(161)	(2,192)
Finance costs		(14)	-	-	(14)
Finance income		237	-	-	237
Loss before income tax		(1,808)	-	(161)	(1,969)
Income tax expense	b	(176)	-	93	(83)
Loss for period		(1,984)	-	(68)	(2,052)

Explanation of the effect of the transition to IFRS as at 31 December 2006

	£000's
(a) Administration costs	
Reverse amortisation of goodwill for period to 31/12/06	123
Take up amortisation on intangibles on business combinations for period to 31/12/06	(284)
Total impact - increase administration costs	(161)
(b) Income tax expense	
Deferred tax asset on amortisation of intangibles under business combinations	93
Total impact – decrease income tax expense	93

Detailed explanatory notes:**(i) Business combinations - Goodwill & Intangibles**

As per explanatory notes in 26 2 2 above

(ii) Media platform development

As per explanatory notes in 26 2 1 above

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**27 SEGMENT REPORTING****Strategy**

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

As at 31 December 2007, the Group is organised into 4 geographical segments Europe, North America, Latin American, and Asia All operations are continuing

All inter-segment transfers are priced and carried out at arm's length

The segment results for the year ended 31 December 2007 are as follows

	Europe	North America	Latin America	Asia	Totals
	£000's	£000's	£000's	£000's	£000's
Total gross segment sales					
- from external customers	3,276	1,917	2,177	1,728	9,098
Operating result	3,276	1,917	2,177	1,727	9,098
Cost of goods sold	(1,267)	(712)	(919)	(1,210)	(4,108)
Employee expense	(1,748)	(657)	(303)	(400)	(3,108)
Depreciation and amortisation	(530)	(79)	(27)	(34)	(670)
Other operating expenses	(985)	(707)	(1,015)	(422)	(3,129)
Segment operating results	(1,254)	(238)	(87)	(338)	(1,917)
Interest revenue	87	31	56	6	180
Income tax expense	(100)	-	92	5	(3)
Segment assets	11,932	3,012	1,775	990	17,709
Segment liabilities	(2,143)	(4,054)	(2,511)	(1,431)	(10,139)
Capital expenditure	1,231	77	59	100	1,467
Segment impaired losses	(1,752)	(454)	-	-	(2,206)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segment results for the year ended 31 December 2006 are as follows

	Europe	North America	Latin America	Asia	Totals
	£000's	£000's	£000's	£000's	£000's
Revenue					
- from external customers	3,539	1,882	2,324	478	8,223
Segment revenues	3,539	1,882	2,324	478	8,223
Cost of goods sold	(1,359)	(889)	(1,014)	(318)	(3,580)
Employee expense	(1,036)	(796)	(365)	(273)	(2,470)
Depreciation, amortisation and impairment of non financial assets	(275)	(61)	(8)	(31)	(375)
Other operating expenses	(1,544)	(176)	(466)	(103)	(2,289)
Segment operating results	(675)	(40)	471	(247)	(491)
Interest revenue	288	-	-	2	290
Interest expense	(12)	(54)	(2)	-	(68)
Income tax expense	100	-	9	-	109
Segment assets	12,303	2,524	1,389	423	16,639
Segment liabilities	(1,795)	(3,216)	(1,967)	(493)	(7,471)
Capital expenditure	970	258	15	14	1,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	2007 £000's	2006 £000's
Segment revenues		
Total segment revenues	9,098	8,223
Entity's revenues	9,098	8,223
Segment results		
Total segment operating results reported	(1,917)	(491)
Interest revenue	180	237
Unallocated operating income and expenses	(713)	(405)
Entity's operating result	(2,450)	(659)
Result from equity accounted investments		
Finance costs	-	(14)
Other financial result	(2,206)	(1,296)
Entity's result for the period before tax	(4,656)	(1,969)
Segment assets		
Total segment assets	17,709	16,639
Consolidation	(7,791)	(3,649)
Entity's assets	9,918	12,990
Segment liabilities		
Total segment liabilities	10,139	7,471
Consolidation	(5,056)	(3,282)
Entity's liabilities	5,083	4,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**28 BUSINESS COMBINATIONS**

On 19 April 2006, the Group acquired 100% of the share capital of Mobile Streams Europe GmbH (formerly Cyoshi Mobile GmbH)

Details of net assets acquired and goodwill are as follows

	£000's
Purchase consideration	
- cash paid	1,388
- shares issued	159
- shares to be issued	478
- direct costs relating to the acquisition	96
Net assets acquired	(19)
Cost of business combination	2,102
Identifiable intangible assets	
- customer relationships	(1,252)
- technology based assets	(213)
Goodwill before deferred tax	637
Deferred tax recognised on intangible assets	549
Total goodwill recognised	1,186

The goodwill is attributable to the significant future benefits expected to arise from Cyoshi's position of leading independent producer and distributor of mobile media across Europe. This acquisition strengthens the Group's reach in Europe.

The assets and liabilities arising from the acquisition are as follows

	Fair value £000's	Acquiree's carrying amount £000's
Cash and cash equivalents	11	11
Receivables	113	113
Payables	(105)	(105)
Net assets required	19	19
Purchase consideration settled in cash		1,388
Cash and cash equivalents in subsidiary acquired		(10)
Cash outflow on acquisitions		1,378

Part of the purchase consideration for the acquisition is in the form of shares issued and shares to be issued. The fair value of shares issued was determined based on 206,756 shares issued at the share price at the date of acquisition, being £0.77 per share, giving a total fair value of £159,202. Fair value of shares to be issued was determined based on 620,268 shares to be issued at the share price at the date of acquisition, being £0.77 per share, giving a total fair value of £477,606.

Since acquisition Mobile Streams Europe GmbH has generated a profit of £41,000. Had the acquisition taken place on 1 January 2006 it would have contributed £441,000 revenue and a loss of £6,000 to the Group in the year to 31 December 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

On 4 August 2006, the Group acquired 100% of the share capital of The Nickels Group

Details of net assets acquired and goodwill are as follows

	£000's
Purchase consideration	
- cash paid	230
- deferred cash	123
- direct costs relating to the acquisition	15
Net assets acquired	79
Total purchase consideration	<u>447</u>
Identifiable intangible assets	
- customer relationships	(210)
Goodwill before deferred tax	<u>237</u>
Deferred tax recognised on intangible assets	73
Total goodwill recognised	<u>310</u>

The goodwill is attributable to the strengthening of the Groups' content generation and distribution business as well as providing a strategic foothold into the west coast of the US and access to unique music content in high performing and unique genres, including mobile rights to one of the world's best selling artists

The assets and liabilities arising from the acquisition are as follows

	Fair value £000's	Acquiree's carrying amount £000's
Payables	(79)	(79)
Net liabilities acquired	<u>(79)</u>	<u>(79)</u>
Purchase consideration settled in cash		230
Cash and cash equivalents in subsidiary acquired		-
Cash outflow on acquisitions		<u>230</u>

Since acquisition The Nickels Group Inc has generated a loss of £5,000. Had the acquisition taken place on 1 January 2006 it would have contributed £497,000 of revenue and £98,000 of profit for the Group in the year to 31 December 2006.

On 8 August 2006, the Group acquired 100% of the share capital of Mobile Streams (Hong Kong) Limited (formerly Mobilemode Limited)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Details of net assets acquired and goodwill are as follows

	£000's
Purchase consideration	
- cash paid	685
- shares issued	700
- direct costs relating to the acquisition	162
Net liabilities acquired	(8)
Total purchase consideration	<u>1,539</u>
Identifiable intangible assets	
- customer relationships	(35)
- technology based assets	(638)
- Non compete agreements	(17)
Goodwill before deferred tax	<u>849</u>
Deferred tax recognised on intangible assets	<u>121</u>
Total goodwill recognised	<u>970</u>

The goodwill is attributable to the increased distribution and relationships in the Asia Pacific region, with a number of network operators. The acquisition provides the Group with a comprehensive position in Asia Pacific and the immediate benefit of a strong management team with strong relationships with network operators.

The assets and liabilities arising from the acquisition are as follows

	Fair value £000's	Acquiree's carrying amount £000's
Cash and cash equivalents	163	163
Receivables	221	221
Fixed assets	2	2
Payables	(363)	(363)
Income tax	(15)	(15)
Net assets acquired	<u>8</u>	<u>8</u>
Purchase consideration settled in cash		685
Cash and cash equivalents in subsidiary acquired		<u>(163)</u>
Cash outflow on acquisition		<u>522</u>

Part of the purchase consideration for the acquisition is in the form of shares issued. The fair value of shares issued was determined based on 1,537,736 shares issued at the share price at the date of acquisition, being £0.455 per share, giving a total fair value of £699,670.

Since acquisition Mobile Streams (Hong Kong) Limited and its subsidiaries has generated a loss of £99,000. Had the acquisition taken place on 1 January 2006 it would have contributed £1,184,000 revenue and a loss of £188,000 for the Group in the year to 31 December 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**29. 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 to are described below. Also refer to the accounting policies.

Foreign currency risk

The Group is exposed to translation and transaction foreign exchange risk. The currencies where the Group is most exposed to volatility are US Dollars, Euro, 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, translated into Euros at the closing rate, are as follows:

	2007 £000's				2006 £000's			
	US \$	EURO €	ARS \$	Other	US \$	EURO €	ARS \$	Other
Nominal amounts								
Financial assets	969	308	773	1,772	784	247	604	620
Financial liabilities	907	22	368	1,331	746	105	419	760
Short-term exposure	62	286	405	441	38	142	185	(140)
Financial assets	-	-	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-
Long-term exposure	-	-	-	-	-	-	-	-

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, Euro and Argentine Peso exchange rates.

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

	2007	2006
US Dollar	3%	7%
EURO	6%	2%
Argentine Peso	4%	7%

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

	2007 £000's				2006 £000's			
	US \$	EURO €	ARS \$	Total	US \$	EURO €	ARS \$	Total
Net result for the year	2	2	8	12	1	4	20	25
Equity	31	20	3	54	48	-	12	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	2007 £000's				2006 £000's			
	US \$	EURO €	ARS \$	Total	US \$	EURO €	ARS \$	Total
Net result for the year	(2)	(2)	(8)	(12)	(1)	(4)	(20)	(25)
Equity	(31)	(20)	(3)	(54)	(48)	-	(12)	(60)

Liquidity risk

The Group/Company 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 arrangement in place and prepares cashflow forecasts which are reviewed at Board meetings to ensure liquidity

As at 31 December 2007, the Groups liabilities have contractual maturities which are summarised below

31 December 2007	Current		Non-current	
	Within 6 months £000's	6 to 12 months £000's	1 to 5 years £000's	Later than 5 years £000's
Trade payables	4,253	30	-	-

This compares to the maturity of the Groups financial liabilities in the previous reporting period as follows

31 December 2006	Current		Non-current	
	Within 6 months £000's	6 to 12 months £000's	1 to 5 years £000's	Later than 5 years £000's
Trade payables	3,280	61	-	-

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2007

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 1985. 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. By virtue of Section 230 of the Companies Act 1985, the Company is exempt from presenting a profit and loss account. The Company has taken the exemption not to prepare a cash flow statement under the terms of FRS 1 (Revised 1996) Cash Flow Statements.

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

Property, plant and equipment is 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% 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 has continued to invest in a new media platform during 2007 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 3 years and the asset is being depreciated on this basis.

INTANGIBLE ASSETS

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
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The intangible assets represent the cost of creating original media content.

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 financial statements of foreign subsidiaries are translated at the rate 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 2007

COMPANY BALANCE SHEET

	Note	2007 £000's	2006 £000's
Fixed assets			
Intangible assets	2	31	67
Property, plant and equipment	3	1,390	849
Investments	4	2,354	3,511
Total fixed assets		3,775	4,427
Current Assets			
Debtors	5	5,263	4,387
Cash at bank and in hand		530	3,136
Other assets		75	-
Total current assets		5,868	7,523
Creditors amounts falling due within one year	6	(1,811)	(1,567)
Net current assets		4,057	5,956
Deferred tax liability	8	-	(85)
Net assets		7,832	10,298
Capital and reserves			
Called up share capital	9	71	69
Share premium	10	10,468	10,290
Shares to be issued		135	294
Profit and loss account	10	(2,842)	(355)
Shareholders' funds		7,832	10,298

The financial statements were approved by the Board of Directors on 25 March 2008



J Colquhoun
Finance Director

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2007

NOTES TO COMPANY FINANCIAL STATEMENTS

1. DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows

	2007 £000's	2006 £000's
Wages and salaries	1,820	1,329
Social security costs	172	181
Pension costs	-	-
	<u>1,992</u>	<u>1,510</u>
Less staff costs capitalised within media platform costs	<u>(575)</u>	<u>(380)</u>
	<u>1,417</u>	<u>1,130</u>

The average number of employees during the year was

	2007 Number	2006 Number
Management	4	4
Administration	31	28
	<u>35</u>	<u>32</u>

Remuneration in respect of Directors was as follows

	2007 £000's	2006 £000's
Emoluments	<u>278</u>	<u>404</u>

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

	2007 £000's	2006 £000's
Emoluments	<u>104</u>	<u>175</u>

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2 INTANGIBLES

	Media content £000's	Total £000's
Cost		
At 1 January 2007	72	72
Additions	181	181
At 31 December 2007	253	253
Accumulated amortisation		
At 1 January 2007	5	5
Charge for the year	36	36
Impairment	181	181
At 31 December 2007	222	222
Net book value at 31 December 2007	31	31
Net book value at 31 December 2006	67	67

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 2007	44	216	906	1,166
Additions		83	945	1,028
Disposals	-	-	-	-
At 31 December 2007	44	299	1,851	2,194
Depreciation				
At 1 January 2007	4	50	263	317
Provided in the year	8	37	442	487
Disposals	-	-	-	-
At 31 December 2007	12	87	705	804
Net book amount at 31 December 2007	32	212	1,146	1,390
Net book amount at 31 December 2006	40	166	643	849

MOBILE STREAMS PLC

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NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENT IN SUBSIDIARY COMPANIES

	£000's
Cost	
At 1 January 2007	3,553
Additions	565
At 31 December 2007	4,118
Amount provided	
At 1 January 2007	42
Provided in year	1,722
At 31 December 2007	1,764
Net book amount at 31 December 2007	2,354
Net book amount at 31 December 2006	3,511

Investments in Subsidiary undertakings comprise.

	Proportion held			
	Directly by Mobile Streams Plc	By other Group companies	Total held by Group	Country of incorporation
Mobile Streams Inc	100%	-	100%	USA
Mobile Streams De Argentina SRL	50%	50%	100%	Argentina
Mobile Streams De Brasil Midia Digital Para Celulares Ltda	64%	36%	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 Limited Pty	-	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 the distribution of licensed mobile phone content

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. DEBTORS

	2007 £000's	2006 £000's
Trade debtors	606	704
Amounts owed by Group undertakings	4,194	3,464
Other debtors	463	219
	<u>5,263</u>	<u>4,387</u>

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £000's	2006 £000's
Trade creditors	641	624
Corporation tax	-	100
Amounts owed to group undertakings	-	197
Other taxation and social security	45	78
Other creditors	-	18
Accruals and deferred income	1,125	550
	<u>1,811</u>	<u>1,567</u>

7 FINANCIAL INSTRUMENTS

This note should be read in conjunction with the financial risk management objectives and policies set out in the Directors report

Financial assets and liabilities disclosures

Short-term debtors and creditors arising directly from the Group's operations are excluded from the following disclosures

Financial assets

The foreign currency risk exposure to financial assets of the Company at the end of the year was as follows (book value and fair value)

	Presentation currency of Company operation					
	Sterling	Other	2007	Sterling	Other	2006
Financial assets denominated in:	£000's	£000's	£000's	£000's	£000's	£000's
Euro	56	-	56	4	-	4
US Dollar	306	-	306	136	192	328
			<u>362</u>			<u>332</u>

MOBILE STREAMS PLC

Financial Statements for the year ended 31 December 2007

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

The financial assets included above comprise all amounts held by the Company in the form of cash and bank deposits. Where possible deposits are held in interest bearing accounts with the highest floating interest rates available to the Company.

Financial liabilities

The Company had no financial liabilities at the year end (2006 nil)

8 DEFERRED TAX LIABILITY

	£000's
Deferred tax liability	
At 1 January 2007	85
Current year charge	(85)
At 31 December 2007	-

9 SHARE CAPITAL

For details of share capital refer to note 19 to the Group financial statements

Options

For details of options and share based payments refer to note 20 relating to the Group financial statements. The total charge recorded in 2007 was £240,000 (2006 325,000)

10. RESERVES

	Share premium £000's	Profit and loss account £000's
At 1 January 2007	10,290	(355)
Issue of share capital	178	-
Share based compensation	-	240
Loss for the year	-	(2,727)
At 31 December 2007	10,468	(2,842)

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)**11. SERVICES PROVIDED BY THE GROUP'S AUDITOR AND NETWORK FIRMS**

During the year the Company obtained the following services from the group's auditor at costs detailed below

	2007 £000's	2006 £000's
Fees payable to company auditor for the audit of company	44	24
Non-Audit services		
Fees payable to the company's auditor and its associates for other services		
Tax compliance and advisory services	7	-
	<u>51</u>	<u>24</u>

12. CAPITAL COMMITMENTS

The Company has capital commitments totalling at 31 December 2007 (2006 £138,000 (US\$270,000))

13. CONTINGENT LIABILITIES

Various intellectual property right infringements and legal claims have been made against the Company. Unless recognised as an accrued liability, management considers these claims to be unjustified and the probability that they will require settlement at the Company's expense is remote. This evaluation has been backed up by external independent legal advice. (2006 £Nil)

14. LEASING COMMITMENTS

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

	Land and Buildings		Other	
	2007 £000's	2006 £000's	2007 £000's	2006 £000's
Annual commitments under non-cancellable operating lease expiring.				
Within one year	59	62	3	6
Within two to five years	12	217	-	10
After five years	-	13	-	-
	<u>71</u>	<u>292</u>	<u>3</u>	<u>16</u>

NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

15. RELATED PARTY TRANSACTIONS

During period the Company entered in to a trading relationship Zoombak LLC, with a related party by virtue of shared director and chief executive officer. During the period revenue of £193,000 (2006: £Nil) was earned, of which £118,000 remained outstanding at the balance sheet date.