Unaudited Interim Financial Statements

for the 6 months ended 31 December 2013

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

26 March 2014

Mobile Streams plc
("Mobile Streams" or the "Group" or the "Company")

Interim Results

Mobile Streams (AIM: MOS) updates its shareholders on its unaudited interim results for the six months ended 31 December 2013.

- Revenues of £27m (organic growth of 14% from £23.7m for the 6 months ended 31 December 2012). All revenue is from continuing operations.
- Mobile Internet revenues grew 21% to £25.8m (6 months ended 31 December 2012: £21.4m)
- EBITDA* of £1.2m(6 months ended 31 December 2012: £1.9m)
- Post-tax profits of £706k (6 months to 31 December 2012: £1.1m)
- £4.6m of Cash and cash equivalents at 31 December 2013 (31 December 2012: £2.0m), with no debt. £3.2m of the Company's cash and cash equivalents were located in Argentina, compared to £1.7m as at 31 December 2012.
- Since the period end the Company has moved cash from the Argentina peso to UK £ and US$. By March 14th the Company's cash and cash equivalents had reduced to £3m (reflecting loses on currency translation) with £1m of cash and cash equivalents in Argentina, and £2m located elsewhere, mainly in UK and USA.

Commenting, Simon Buckingham, CEO of Mobile Streams said:

"During the period, Mobile Streams grew its revenues and cash reserves. This was driven primarily by solid growth of approximately 50% in the Company's Mobile Internet active subscriber** base in the Latin America region, which grew from 2.7million subscribers to more than 4 million.

The reduction in profits during the period was caused by a combination of operational and non-operational factors. One factor was adverse foreign exchange currency movements, in particular the weakening of the Argentine Peso by 25% against USD and the strengthening of the GBP by 2% against USD. The Board's best estimate is that the devaluation of the Argentinean currency accounted for about 40% of the EBITDA* reduction, whereas business factors accounted for the rest of the reduction. The Company`s marketing expenses grew more quickly than revenues; with a 21% increase in marketing costs generating a 14% increase in revenues. The Company books marketing expenses wholly at the time they are incurred, whereas the vast majority of the Company revenues are subscription based and booked over time. As such, when the Company increases marketing expenditures to invest in growing its recurring revenue base, gross margins typically fall initially.

Since the end of the period, as previously reported in the Company's trading statement on 29 January 2014, the Argentine Peso was suddenly rather than gradually devalued in January 2014. This devaluation has had a negative impact on the Company's financial results as expressed in GBP for 2014. The extent of the revenue impact is closely aligned to the extent of the currency depreciation, with revenues expressed in GBP reduced by around 20% in January 2014 when the sudden devaluation of the Argentine Peso took place. The Argentine Peso has remained relatively stable since that time, although we cannot predict the future movements in the currency and the resulting impact on our financial performance.

Since the end of the reporting period, the Company has been able to implement some retail price increases in Argentina in 2014 as well as renegotiate its advertising contracts from USD to Argentine Pesos to ensure we are acquiring profitable new subscribers when those revenues are expressed not only in the local currency but also in GBP. Additionally, the Company is continuing apace its strategy of diversification of its revenue sources through growth in the other markets such as Mexico, Colombia and Brazil.

In order to strengthen the parent company's balance sheet and to have cash reserves in a range of less volatile currencies, the Company has since the beginning of 2014 stepped up the repatriation of funds from Argentina through the use of "blue chip swaps", which allow the repatriation of funds to the UK and US, albeit with the payment of sizeable fees and discounts of around 30%. As a result of these actions, around two-thirds of the Company´s cash is now located outside of Argentina, compared to 30% at the end of the reporting period. As at 14 March 2014, £1m of the Company´s cash reserves of £3m were in Argentina, with £2m outside of Argentina, primarily in the UK, US and Mexico. The reduction in cash since the end of 2013 is accounted for by a combination of the devaluation in the Argentina Peso, the cost of the blue chip swaps and investments in the Company's business. During the period between January 1 and March 20 2014, the Company bought swaps at a cost of £603k, converting them to £425k GBP, incurring a loss of £178k, a loss which will be reflected in our second half Income Statement.

Based on current trading patterns and exchange rates, as reflected in the foregoing commentary, the Company currently expects full year EBITDA (when expressed in UK £) to be materially lower than the previous year.

Notwithstanding the challenges from the Argentine Peso devaluation, the Company remains bullish about its future prospects and believes there are opportunities to continue to grow its mobile internet subscriber base in all of its principle operating markets. The Company is looking to add carrier billing services with other mobile network operators in Brazil, Mexico and Colombia, as well as looking at some of the world's largest mobile phone markets for future potential expansion.

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

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

Enquires:

Mobile Streams Simon Buckingham, Chief Executive Officer	+1 646 812 4749
Nominated Adviser and Broker N+1 Singer Jonny Franklin-Adams/ Matt Thomas	+44 (0)20 7496 3000

MOBILE STREAMS PLC

OPERATING REVIEW

Mobile Internet

Growth in the Mobile Internet segment has continued to be rapid, especially in Latin America. As at 31 December 2013, Mobile Streams had more than 4.0 million Active Subscribers inLatin America (31 December 2012: 2.7m). The vast majority of these subscribers are located in Argentina, whilst subscribers in Mexico, our second largest market, exceeded 300,000 (compared to 118,000 subscribers at 31 December 2012). Subscribers in Colombia exceeded 75,000, compared to 92,000 at 31 December 2012. The contribution from Brazil was immaterial during the reporting period.

Mobile Operators

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

MOBILE STREAMS PLC

FINANCIAL REVIEW

6 months ended 31 December 2013

Gross profit for the six monthperiod ended 31 December 2013 was £8.1m (2012: £7.5m). Gross margin was 30.1%, down from 31.7% in 2012 as the Company expanded into new markets.

Mobile Internet revenue has increased by 21% to £25.8m (2012: £21.4m). The cost of sales on Mobile Internet revenue is much higher than on Operator revenue due to marketing costs resulting in lower Gross profit margin.

The Group recorded a profit after tax of £706k for the 6 months ended 31 December 2013 (2012: £1.1m), generating decreased earnings per share of 1.924 pence per share (2012: 2.957 pence per share).

Adjusted earnings per share (excluding depreciation, amortisation, impairments and share compensation expense) decreased to 2.408 pence per share (2012: 2.992 pence per share).

Cash and cash equivalents

Argentina, where the majority of the Group´s cash was held at the end of the reporting period, has imposed strict rules for companies with the purpose of greater control over the foreign exchange market. This ruling increases the difficulty of repatriation of funds from Argentina.

As a result of the restrictions described above, the company has decided to make short-term investments, such as term deposits, placements in investment funds in order to mitigate the currency devaluation.

The deposits of funds are transactions in Argentinean pesos. They include accrued interest through the end of this period.

The deposits, totalling £1.1m, are included within Cash and cash equivalents.

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 December 2013	Unaudited 6 months ended 31 December 2012	Audited 12 months ended 30 June 2013
	£000's	£000's	£000's
Revenue	26,992	23,664	53,936
Cost of sales	(18,863)	(16,146)	(36,950)
Gross profit	8,129	7,518	17,986
Selling and marketing costs	(4,070)	(3,350)	(7,848)
Administrative expenses **	(3,079)	(2,264)	(4,942)
Operating profit	980	1,904	4,801
Profit on Liquidation of Subsidiary	44	-	-
Finance income	93	-	-
Finance expense	(1)	(1)	(13)
Profit before tax	1,116	1,903	4,788
Tax expense	(410)	(825)	(2,177)
Profit for the period	706	1,078	2,611
Attributable to:			
Attributable to equity shareholders of Mobile Streams Plc	706	1,078	2,611

Earning Per Share

	Pence per share	Pence per share	Pence per share
Basic earnings per share	1.924	2.957	7.129
Diluted earnings per share	1.866	2.841	6.883

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 December 2013 £000's	Unaudited 6 months ended 31 December 2012 £000's	Audited 12 months ended 30 June 2013 £000's
Profit/ (loss) for the period	[illegible]	1,078	2,611
Exchange differences on translating foreign operations	[illegible]	(221)	[illegible]
Disposal of subsidiary	[illegible]	-	-
Total comprehensive income for the period	[illegible]	857	[illegible]
Total comprehensive income/(loss) for the period attributable to:			
Equity shareholders of Mobile Streams plc	[illegible]	857	[illegible]

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 December 2013 £000's	Unaudited 6 months ended 31 December 2012 £000's	Audited 12 months ended 30 June 2013 £000's
Assets			
Non- Current			
Goodwill	380	714	320
Intangible assets	1	1	-
Property, plant and equipment	130	35	90
Deferred tax asset	150	680	194
	661	1,430	604
Current			
Trade and other receivables	6,776	6,369	8,420
Cash and cash equivalents	4,633	2,016	2,851
	11,409	8,385	11,271
Total assets	12,070	9,815	11,875
Equity			
Equity attributable to equity holders of Mobile Streams Plc			
Called up share capital	74	73	73
Share Premium	10,579	10,317	10,357
Translation reserve	(1,614)	(531)	(695)
Merger reserve	-	153	153
Retained earnings	(4,880)	(7,601)	(6,055)
Total equity	4,159	2,411	3,833
Liabilities			
Non- Current			
Deferred tax liabilities	-	-	120
	-	-	120
Current			
Trade and other payables	5,450	5,001	5,390
Current tax liabilities	2,461	2,403	2,532
	7,911	7,404	7,922
Total liabilities	7,911	7,404	8,042
Total equity and liabilities	12,070	9,815	11,875

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 31 December 2013	Unaudited 6 months ended 31 December 2012	Audited 12 months ended 30 June 2013
	£000's	£000's	£000's
Operating activities			
Profit before taxation	1,116	1,903	4,786
Adjustments:			
Profit on Liquidation of Subsidiary	(44)	-	-
Share Based Payments	145	-	18
Depreciation	13	33	25
Impairments	-	-	334
Changes in Trade and other receivables	1,644	(2,629)	(4,576)
Changes in Trade and other payables	60	1,326	1,616
Tax Paid	(461)	-	(1,017)
Total cash utilised in operating activities	**2,473**	**633**	**1,186**
Investing Activities			
Additions to property, plant and equipment	(118)	(44)	(11)
Interest paid	(1)	(1)	-
Interest received	93	-	-
Net Cash used in investing activities	**(26)**	**(45)**	**(11)**
Net change in cash and cash equivalents	**2,446**	**588**	**1,175**
Cash and cash equivalents at beginning of period	2,851	1,763	1,763
Exchange (loss) on cash and cash equivalents	(665)	(315)	(87)
Cash and cash equivalents, end of period	**4,633**	**2,036**	**2,851**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share premium	Translation reserve	Merger reserve	Retained earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 July 2012	79	10,317	(310)	159	(8,679)	1,554
Profit/(loss) for the 6 months ended 31 December 2012	-	-	-	-	1,078	1,078
Exchange differences on translating foreign operations	-	-	(221)	-		(221)
Total comprehensive income for the period	-	-	(221)	-	1,078	857
Balance at 31 December 2012	79	10,317	(531)	159	(7,601)	2,411
Balance at 1 January 2013	79	10,317	(531)	159	(7,601)	2,411
Exercise of Share Options	-	40	-	-	-	40
Credit for share based payments	-	-	-	-	13	13
Transactions with owners	-	40	-	-	13	53
Profit/(loss) for the 6 months ended 30 June 2013	-	-	-	-	1,539	1,539
Exchange differences on translating foreign operations	-	-	(164)	-	-	(164)
Total comprehensive income for the period	-	-	(164)	-	1,539	1,375
Balance at 1 July 2013	79	10,357	(695)	159	(6,055)	3,839
Exercise of Share Options	1	222	-	-	-	223
Credit for share based payments	-	-	-	-	165	165
Disposal of subsidiary	-	-	-	(159)	159	-
Transactions with owners	1	222	-	(159)	324	388
Disposal of subsidiary	-	-	(151)	-	151	-
Profit/(loss) for the 6 months ended 31 December 2013	-	-	-	-	706	706
Exchange differences on translating foreign operations	-	-	(768)	-	-	(768)
Total comprehensive income for the period	-	-	(919)	-	857	(62)
Balance at 31 December 2013	80	10,579	(1,614)	-	[illegible]	4,159

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results of Mobile Streams PLC are prepared in accordance with the requirements of IAS 34 Interim Financial Reporting as adopted by the EU and prepared in accordance with the accounting policies set out in the last financial statements for the 12 months ended 30 June 2013.

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

The comparative financial information for the 12 months ended 30 June 2013 has been extracted from the statutory accounts for that period. In addition, the financial information for the 6 months ended 31 December 2012 has been extracted from the Interim results. The full audited accounts of the Group for the 12 months ended 30 June 2013 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and have been delivered to the Registrar of Companies.

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

2. SEGMENT REPORTING

As at 31 December 2013, the Group was organised into 4 geographical segments: Europe, North America, Latin America, and Asia Pacific. Revenues were from external customers only and generated from three principal business activities: the sale of mobile content through MNO's (Mobile Operator sales), the sale of mobile content over the internet (Mobile Internet sales) and the provision of consulting and technical services (Other Service Fees).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

£000's	Europe	Asia	North America	Latin America	Group
Mobile operator sales	31	223	47	871	[illegible]
Mobile internet sales	4	-	162	25,643	[illegible]
Other service fees	3	2	-	6	11
Total Revenue	[illegible]	224	311	26,519	[illegible]
Cost of sales	(51)	(175)	(173)	(18,482)	[illegible]
Gross profit	7	49	[illegible]	[illegible]	[illegible]
Operating expenses	100	(168)	271	(7,173)	[illegible]
EBITDA*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation, amortisation	-	(1)	(4)	(9)	(14)
Share based compensation	(169)	-	-	-	[illegible]
Profit on Liquidation of Subsidiary	44	-	-	-	44
Finance income	-	(1)	-	93	92
Profit/(Loss) before tax	(14)	(121)	[illegible]	949	[illegible]
Income tax expense	-	-	-	(410)	(410)
Profit/(Loss) after tax	(14)	(121)	303	539	[illegible]

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

The segmental results for the year ended 30 June 2013 were as follows:

£000's	Europe	Asia Pacific	North America	Latin America	Group
Mobile operator sales	73	789	474	[illegible]	[illegible]
Mobile internet sales	41	-	4	[illegible]	[illegible]
Other service fees	2	35	-	50	87
Total revenue	116	[illegible]	[illegible]	[illegible]	[illegible]
Cost of sales	(43)	(584)	(173)	[illegible]	[illegible]
Gross profit	73	[illegible]	[illegible]	[illegible]	[illegible]
Operating expenses	(189)	(312)	513	[illegible]	[illegible]
EBITDA*	(112)	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation, amortisation	(334)	(7)	(13)	(13)	[illegible]
Share compensation expense	(18)	-	-	-	[illegible]
Finance income/(expense)	-	(1)	-	(12)	[illegible]
Loss before tax	(464)	[illegible]	[illegible]	[illegible]	[illegible]
Taxation	[illegible]	-	-	[illegible]	[illegible]
Profit/(Loss) after tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

$000's	Europe	Asia	North America	Latin America	Group
Mobile operator sales	42	451	185	1,5[illegible]	2,[illegible]
Mobile internet sales	23	-	-	21,348	21,371
Other service fees	(7)	11	-	25	[illegible]
Total revenue	[illegible]	462	185	[illegible]	[illegible]
Cost of sales	(2)	(315)	(92)	(15,727)	(16,1[illegible])
Gross profit	61	137	94	7,226	7,[illegible]
Operating expenses	(9)	(180)	(115)	(5,291)	(5,601)
EBITDA*	[illegible]	([illegible])	(21)	1,[illegible]	1,917
Depreciation, amortisation	-	(1)	(3)	(8)	([illegible])
Finance expense	-	-	-	(2)	(2)
Profit/(Loss) before tax	[illegible]	([illegible])	([illegible])	1,[illegible]7	1,[illegible]
Income tax expense	-	-	-	([illegible])	([illegible])
Profit/(Loss) after tax	52	([illegible])	([illegible])	1,102	1,[illegible]

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

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

$000's	Europe	Asia	North America	Latin America	Central	Group
Non current fixed assets						
Property, plant & equipment	-	-	3	127	-	1[illegible]
Intangible assets	-	-	1	-		1
Goodwill	-	-	-	-	[illegible]	[illegible]
Deferred tax	-	-	-	149	-	149
Current assets	4[illegible]	[illegible]	418	10,475	-	11,4[illegible]
Cash and cash equivalent	324	42	269	3,994	-	4,[illegible]
Accounts receivable	4	10	7	3,069	-	3,090
Accrued receivable	13	21	118	2,939	-	3,011
Prepayments	11	11	9	351	-	[illegible]
Other assets	59	13	15	702	-	7[illegible]
TOTAL ASSETS	485	[illegible]	4[illegible]	10,751	[illegible]	12,079
Current liabilities	([illegible])	([illegible])	([illegible])	(5,765)	-	(7,910)
Trade Payables	(41)	(134)	(38)	(816)	-	([illegible])
Accrued content costs	(45)	(241)	(476)	(619)	-	(1,[illegible])
Other accrued liabilities	(218)	51	(27)	(2,604)	-	(2,[illegible])
Other payables	42	(13)	[illegible]	(464)	-	([illegible])
Corporate income tax payable	-	-	-	(2,463)	-	(2,4[illegible])
TOTAL LIABILITIES	([illegible])	([illegible])	([illegible])	(5,765)	-	(7,910)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segmental assets at 6 months ended 30 June 2013 were as follows:

£000's	Europe	Asia	North America	Latin America	Consol	Total
Non current fixed assets						
Property, plant & equipment	-	1	6	23	-	30
Goodwill	-	-	-	-	380	380
Deferred tax	-	-	-	194	-	194
Current assets	351	180	247	10,493	-	11,271
Cash at bank and in hand	255	8	146	2,441	-	2,850
Accounts receivable	41	136	13	4,384	-	4,574
Accrued receivable	9	1	61	2,976	-	3,047
Prepayments	24	17	11	404	-	456
Other assets	22	18	16	287	-	343
TOTAL ASSETS	351	181	253	10,710	380	11,875
Current liabilities	(377)	(486)	(473)	(6,706)	-	(8,042)
Trade Payables	(84)	(240)	(84)	(581)	-	(989)
Accrued content costs	(43)	(276)	(367)	(573)	-	(1,259)
Other accrued liabilities	(246)	52	(32)	(2,519)	-	(2,745)
Other payables	(4)	(22)	10	(381)	-	(397)
Corporate income tax payable	-	-	-	(2,652)	-	(2,652)
TOTAL LIABILITIES	(377)	(486)	(473)	(6,706)	-	(8,042)

The segmental assets at 6 months ended 31 December 2012 were as follows:

£000's	Europe	Asia	North America	Latin America	Consol	Group
Non current fixed assets						
Property, plant & equipment	-	2	11	22	-	35
Intangible assets	-	-	1	-		1
Goodwill	-	-	-	-	714	714
Deferred tax asset	-	-	-	680	-	680
Current assets	106	252	162	7,865	-	8,385
Cash at bank and in hand	67	62	48	1,839	-	2,016
Accounts receivable	(7)	89	31	2,612	-	2,725
Accrued receivable	19	62	58	2,809	-	2,948
Prepayments	8	13	13	323	-	357
Minimum guarantees and advances	-	-	-	2	-	2
Other assets	19	26	12	280	-	337
TOTAL ASSETS	106	254	174	8,567	714	9,815
Current liabilities	(454)	(549)	(497)	(5,904)	-	(7,404)
Trade Payables	74	(113)	(227)	(762)	-	(1,028)
Accrued content costs	(56)	(398)	(285)	(854)	-	(1,593)
Other accrued liabilities	(276)	(47)	46	(1,696)	-	(1,973)
Other payables	(196)	9	(31)	(189)	-	(407)
Corporate income tax payable	-	-	-	(2,403)	-	(2,403)
TOTAL LIABILITIES	(454)	(549)	(497)	(5,904)	-	(7,404)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. EARNINGS PER SHARE

Earnings per share

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

	Unaudited 6 months ended 31 December 2013	Unaudited 6 months ended 31 December 2012	Audited 12 months ended 30 June 2013
Profit for the period (6000's)	706	1078	2611
Earnings per share (pence):			
Basic	1.924	2.957	7.128
Diluted	1.865	2.851	6.832

Adjusted earnings per share

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

	6 months ended 31 December 2013 £000's	6 months ended 31 December 2012 £000's	12 months ended 30 June 2013 £000's
Profit for the period	706	1078	2611
Add back: share compensation expense/(credit)	165	-	18
Add back: impairment of intangibles and goodwill	-	-	334
Add back: depreciation and amortisation	13	13	25
Adjusted profit for the period	**884**	**1091**	**2988**
	Pence per share	Pence per share	Pence per share
Adjusted earnings per share	2.408	2.992	8.157
Adjusted diluted earnings per share	2.336	2.875	7.818

Weighted average number of shares

	6 months ended 31 December 2013	6 months ended 31 December 2012	12 months ended 30 June 2013
Basic	36,711,489	36,457,692	36,632,292
Exercisable share options	1,144,630	1,488,563	1,587,421
Diluted	37,856,119	37,946,255	38,219,713

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

4. CONTINGENT LIABILITIES

The German subsidiary was subject to a tax audit for the years 2006 to 2010. As a result of the audit findings, the German fiscal authority, the Tax and Revenue Office of Hanover-North, is claiming a tax payment of approximately £200,000 (€250,000).

A provision of £120,195 (€150,000) has been booked (2012: £120,195), because the Company does not believe it is liable for the full sum and is working with its tax advisers in Germany to resolve this position. The provision is the Director’s best estimate of the amount due.

The provision was previously held in the German subsidiary. During the year the German subsidiary was dissolved, so the provision was transferred to Mobile Streams plc in the current year.

5. MERGER RESERVE

The merger reserve was created on the issue of shares in consideration for the acquisition of Mobile Streams Europe GmbH. The company has been liquidated and consequently the merger reserve has been reclassified as retained earnings.

6. GOING CONCERN

The Group had cash balances of £4.6m (including short-term investments of £1.1m), at 31 December 2013 (30 June 2013 £2.8m) and no borrowings. Having reviewed cash flow forecasts and budgets for a year ahead the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future.

As at 31 December 2013, £3.2m (including short-term investments of £1.1m) of the Group’s cash balance was held in Argentina. Since the end of the period, as previously reported, the Argentine Peso was suddenly rather than gradually depreciated in January 2014. This had a negative impact on the Company's financial results as expressed in GBP in 2014. The extent of the revenue impact is closely aligned to extent of the currency depreciation, with revenues expressed in GBP reduced by around 20% in January 2014 when the sudden devaluation of the Argentine Peso took place. The Argentine Peso has remained relatively stable since that time, although we cannot predict future movements in the currency and the impact on our financial performance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. GOING CONCERN (CONTINUED)

In order to strengthen the PLC balance sheet and have PLC cash reserves in a range of less volatile currencies, the Company has stepped up the repatriation of funds from Argentina, both during and after the period through the use of "blue chip swaps", which allow the repatriation of funds to the UK and US, albeit with the payment of sizeable fees and discounts of around 30%. As a result of these actions, around two-thirds of the Company's cash is now located outside of Argentina, compared to 30% at the end of the reporting period. As of 14 March, £1m (including short- term investments of £153k) or 33% of the Company cash reserves were in Argentina, with £2m outside of Argentina, primarily in the UK, US and Mexico. The Company is continuing to look to increase the proportion of cash held outside of Argentina as 2014 continues through cash repatriation and revenue diversification.

The risk is also mitigated by the launch of similar businesses in Columbia, Mexico and Brazil where cross border transfers of funds are not restricted. As at 31 December 2013, of the Group's proportion of its cash balance held in Argentina was £3.2m.

7. FOREIGN CURRENCY TRANSLATION

(a) Presentational currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange ratesprevailing at the date the transaction occurs. Any exchange gains or losses resulting from these transactions and from the translation of monetary assets and liabilities are translated at the balance sheet date in the income statement.

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

(c) Group companies

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

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

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

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

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