

**Messaging International Plc**  
**(‘Messaging International’ or ‘the Company’)**  
**Final Results**

Messaging International Plc, the AIM traded provider of innovative messaging services, announces its results for the year ended 31 December 2008.

**Overview**

- Strengthened position as leading provider of innovative messaging services especially in ‘Text to Landline’ and ‘PC to Mobile’ solutions
- Post-tax loss £367,267 (2007: loss £259,892)
- Total revenue increased by over 27% to £1,742,632 (2007: £1,367,235) – 2007 included £280,000 revenue from the sale of a patent
- Expansion into new geographic territories

**Chairman’s Statement**

Messaging International Plc continues to focus on building its position as a leading provider of converged messaging services. During the year we made good progress in forging strategic relationships and signing new deals in order to expand the geographic reach and market presence of our wholly owned subsidiary, TeleMessage Ltd (‘TeleMessage’). The board remains committed to advancing the Company’s growth by providing effective marketing and sales strategies and continuing developments in product and service offerings by focussing on its differentiators of creativity, technological innovation and a sound understanding of the markets it operates in.

The significant advantages of converged communication media are increasingly being acknowledged by mobile users, and in turn, by the mobile operators that they subscribe to. This provides an exciting arena for us to work in with considerable opportunities. While our current relationships with key blue-chip operators such as Sprint Nextel, Rogers Wireless, Telus and Bell Canada remain of considerable importance we remain proactive in creating new alliances with other operators and further developing existing partnerships.

In parallel to developing the reputation for delivering innovative proprietary messaging solutions in the telecommunications industry, TeleMessage has also managed to carve a position among the fastest growing technology companies by once again, for the second consecutive year, gaining a high ranking in the Deloitte Israel Technology Fast 50 (6th) and Deloitte Technology Fast 500 EMEA, (29th). Securing such positions in such influential awards is a substantial achievement for TeleMessage and illustrates the

quality of our staff, our products and services and our ability to adapt to the fast growing and competitive messaging industry internationally.

### ***Financial results***

The results for the year ended 31 December 2008 show a loss of £367,267 (2007: loss of £259,892), on revenue of £1,742,632 (2007: £1,367,235).

The Group's cash position at 31 December 2008 was £300,653 (2007: £355,780).

In August 2008, the Company announced the agreement of a \$750,000 venture loan from Mizrahi Tefahot Bank Ltd ('Mizrahi') to TeleMessage. Under the terms of the loan, the Company withdrew \$400,000 of this debt facility by 31 December 2008 and the remaining \$350,000 in January 2009.

Repayments are over 24 instalments from the date of each drawdown. Mizrahi has also approved an additional \$50,000 credit facility should the Company require further funding to support TeleMessage's next growth phase.

In 2008, the Company received grants from the Israeli Office of the Chief Scientist. This support provides the Company with additional resources to invest in the development of new products and has recently approved further funding of \$256,000 for 2009.

The board does not recommend the payment of a dividend.

### ***Operations***

The products and services developed by TeleMessage continue to provide new and more convenient forms of integration between mobile phones, the Internet, personal computers and landline phones. The agreements and partnerships that the Company has developed with telecom operators and enterprises provide two main revenue streams for TeleMessage:

- Software licensing – usually linked to the number of messages that can be sent through the system or the number of active users
- Hosted platform – hosted messaging services for a per message fee

### ***North America***

TeleMessage has expanded its Text to Landline coverage across major mobile carriers in the U.S and Canada. The agreement to launch the Text to Landline service with Bell Mobility marked a significant step and resulted in the company providing services to all the major mobile operators in Canada. Other major mobile operators in North America

that chose to use our integrated Text to Landline service during the period included leading US based communications group Qwest and Alltel Wireless, one of America's largest networks. Subsequently Alltel Wireless was acquired by Verizon.

We have also made significant strides in further developing existing relationships with our established customers such as Virgin Mobile U.S.A ('Virgin'). The size of the Spanish speaking population in the US has been recognised by Virgin for its potential, leading to several bilingual services being offered. TeleMessage has supported Virgin's efforts in this market niche by developing the Spanish language text to landline service launched successfully last year. Further functionality improvements have been made through our personalisation feature with Sprint Nextel, which enables customers to record their name at the beginning of their Text to Landline message. We have seen considerable interest in both of these features since launch and we will continue to be proactive in seeking out additional opportunities to extend our Text to Landline service with both new and existing customers.

In February 2008, TeleMessage signed a partnership agreement with Mobixell Networks, a U.S. based international provider of innovative mobile multimedia and advertising solutions, to provide an Internet- to- Mobile phone video streaming solution. This solution, which leverages TeleMessage's PC to Mobile product suite and Mobixell's mobile multimedia and video suite, will enable PC users to send video files taken from the internet to a mobile phone. This simple solution that we have pioneered allows mobile operators to offer converged fixed-mobile services and provides subscribers with user-friendly tools for self content generation.

#### *Europe and other territories*

Having seen the strong uptake of PC to SMS services, sending multi-media ('MMS') messages from a PC to a mobile seemed a natural evolution.

A leading messaging technology provider that recognised the inherent value of our PC to Mobile application suite was Converse, which integrated the service for global availability into its comprehensive messaging portfolio and was subsequently deployed by a leading tier-1 operator in Eastern Europe. This contract is particularly important for TeleMessage as it acts as a stamp of acceptance for our products from a worldwide leader in messaging, while providing potential to significantly expand our marketing reach.

Our Text to Landline service has also received considerable interest over the period with Claro Guatemala, the largest mobile carrier in Guatemala which has a circa 4 million mobile customer base, launching the service in August. Post year end Uralsviazinform, one of the four leading mobile operators in Russia, also signed an agreement to launch the service. Both these agreements provide TeleMessage with exposure to, and growth opportunities in markets in which it has little or no presence until now.

## *Prospects*

We continue to strive for creative and technological excellence in order to maintain our position as industry leaders, strengthen current partnerships and customer relationships and forge new alliances with mobile operators. We are committed to extending our offering and expanding our geographic reach.

## *Electronic Communications*

The directors wish to utilise the new provisions of the Companies Act 2006 and to send documents and information electronically, thereby reducing printing and postage costs. Accordingly, Resolution 8 is being proposed as a special resolution at the annual general meeting, to make certain amendments to the Company's articles of association to authorise the Company to send documents and information to shareholders using electronic means which includes making them available on the Company's website.

I would like to take this opportunity to thank all those involved in the Group for their hard work and dedication over the past year.

H Furman  
Chairman  
29 June 2009

**\*\*ENDS\*\***

For further information visit [www.telemessage.com](http://www.telemessage.com) or contact:

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## **Consolidated income statement For the year ended 31 December 2008**

	Notes	2008 £	2007 £
<b>Revenues</b>		1,742,632	1,367,235
Cost of revenues		<u>(822,712)</u>	<u>(536,697)</u>
<b>Gross profit</b>		919,920	830,538

<b>Operating expenses</b>			
Research and development		(293,333)	(333,668)
Selling and marketing		(542,283)	(368,481)
General and administrative		(418,210)	(368,158)
<b>Total operating expenses</b>		<u>(1,253,826)</u>	<u>(1,070,307)</u>
<b>Operating loss</b>		(333,906)	(239,769)
Financial income		69	2,319
Finance costs		<u>(33,430)</u>	<u>(22,442)</u>
<b>Loss before taxation</b>		(367,267)	(259,892)
Taxation	<b>3</b>	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<u>(367,267)</u>	<u>(259,892)</u>
<b>Basic and diluted loss per share</b>	<b>4</b>	<u>(0.15)p</u>	<u>(0.12)p</u>

#### Consolidated statement of recognised income and expense

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Foreign exchange difference on translation of foreign operations	74,438	(11,334)
Foreign exchange difference arising from restating the carrying value of goodwill associated with foreign operations	669,645	-
Loss for the year	<u>(367,267)</u>	<u>(259,892)</u>
<b>Total recognised income and expense for the year</b>	<u>376,816</u>	<u>(271,226)</u>

#### Consolidated balance sheet As at 31 December 2008

	<b>Notes</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
<b>Non-current assets</b>			

Goodwill	3,906,262	3,236,617
Property, plant and equipment	52,744	25,047
Other investments	135,330	107,500
<b>Total non-current assets</b>	<b>4,094,336</b>	<b>3,369,164</b>
<b>Current assets</b>		
Trade and other receivables	576,907	380,610
Cash and cash equivalents	300,653	355,780
<b>Total current assets</b>	<b>877,560</b>	<b>736,390</b>
<b>Total assets</b>	<b>4,971,896</b>	<b>4,105,554</b>
<b>Current liabilities</b>		
Trade and other payables	(382,856)	(200,520)
Borrowings	(109,282)	-
<b>Total current liabilities</b>	<b>(492,138)</b>	<b>(200,520)</b>
<b>Non-current liabilities</b>		
Borrowings	(42,174)	-
Provisions	(165,879)	(121,000)
<b>Total non-current liabilities</b>	<b>(208,053)</b>	<b>(121,000)</b>
<b>Total liabilities</b>	<b>(700,191)</b>	<b>(321,520)</b>
<b>Net assets</b>	<b>4,271,705</b>	<b>3,784,034</b>
<b>Equity</b>		
Share capital	1,176,900	1,176,900
Share premium	4,266,227	4,266,227
Foreign currency translation reserve	709,704	(34,379)
Revenue reserves	(1,881,126)	(1,624,714)
<b>Total Equity</b>	<b>4,271,705</b>	<b>3,784,034</b>

**Company balance sheet  
As at 31 December 2008**

	Notes	2008 £	2007 £
<b>Non current assets</b>			
Investment in subsidiary undertakings		3,269,000	3,269,000
<b>Total non-current assets</b>		<b>3,269,000</b>	<b>3,269,000</b>
<b>Current assets</b>			

Trade and other receivables	2,073,806	2,000,038
Cash and cash equivalents	59,952	160,011
<b>Total current assets</b>	<b>2,133,758</b>	<b>2,160,049</b>
<b>Total assets</b>	<b>5,402,758</b>	<b>5,429,049</b>
<b>Current liabilities</b>		
Trade and other payables	(25,851)	(27,959)
<b>Total liabilities</b>	<b>(25,851)</b>	<b>(27,959)</b>
<b>Net assets</b>	<b>5,376,907</b>	<b>5,401,090</b>
<b>Equity</b>		
Share capital	1,176,900	1,176,900
Share premium	4,266,227	4,266,227
Revenue reserves	(66,220)	(42,037)
<b>Total equity</b>	<b>5,376,907</b>	<b>5,401,090</b>

**Consolidated cash flow statement**  
**For the year ended 31 December 2008**

	Notes	2008 £	2007 £
<b>Cash flow from operating activities</b>			
Operating loss		<u>(333,906)</u>	<u>(239,769)</u>
<b>Adjustments for:</b>			
Share based payment charges		11,887	49,419
Amortised finance costs		4,790	-
Depreciation and amortisation		24,896	19,394
Foreign currency differences		<u>43,287</u>	<u>(26,640)</u>
		84,860	42,173
Operating cash flow before working capital movements		<b>(249,046)</b>	<b>(197,596)</b>
Increase in receivables		(196,297)	(189,264)
Increase/(decrease) in payables		182,336	(8,827)
(decrease)/increase in provisions		<u>(1,018)</u>	<u>30,106</u>
		(14,979)	(167,985)
<b>Cash outflow from operating activities</b>		<b>(264,025)</b>	<b>(365,581)</b>
<b>Investing activities</b>			
Interest paid (net)		(5,234)	(3,945)
Investments		12,946	(53,571)
Purchase of tangible assets		<u>(43,092)</u>	<u>(1,006)</u>
<b>Net cash absorbed by investing activities</b>		<b>(35,380)</b>	<b>(58,522)</b>
<b>Financing activities</b>			
Issue of equity capital		-	900,000
Share issue costs		-	(33,248)
Bank loan		<u>244,278</u>	<u>866,752</u>
<b>Net cash from financing activities</b>		<b>244,278</b>	<b>866,752</b>
<b>Net change in cash and cash equivalents</b>		<b>(55,127)</b>	<b>442,649</b>
Cash and cash equivalents and bank overdraft at the beginning of the year		355,780	(86,869)
<b>Cash and cash equivalents and bank overdraft at the end of the year</b>	<b>6</b>	<u>300,653</u>	<u>355,780</u>

**Company cash flow statement**  
**For the year ended 31 December 2008**

	Notes	2008 £	2007 £
<b>Cash flow from operating activities</b>			
Operating loss		(52,260)	(32,586)
<b>Operating cash flow before working capital movements</b>		<u>(52,260)</u>	<u>(32,586)</u>
Increase in receivables		(73,768)	(723,445)
Decrease in payables		(2,108)	(5,834)
<b>Cash flow from operating activities</b>		<u>(128,136)</u>	<u>(761,865)</u>
Financial income		28,077	9,881
<b>Net cash used in operating activities</b>		<u><b>(100,059)</b></u>	<u><b>(751,984)</b></u>
<b>Financing activities</b>			
Issue of equity capital		-	900,000
Share issue costs		-	(33,248)
<b>Net cash from financing activities</b>		<u>-</u>	<u>866,752</u>
<b>Net change in cash and cash equivalents</b>		<u><b>(100,059)</b></u>	<u><b>114,768</b></u>
Cash and cash equivalents and bank overdraft at the beginning of the year		160,011	45,243
<b>Cash and cash equivalents and bank overdraft at the end of the year</b>	<b>6</b>	<u>59,952</u>	<u>160,011</u>

**Independent Auditors' Report**

We have audited the Group and parent company financial statements ('the financial statements') of Messaging International Plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated and company balance sheets, the consolidated and company cash flow statements, and the related notes. These 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 the opinions we have formed.

***Respective responsibilities of directors and auditors***

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs'), as adopted by the European Union 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 are properly prepared in accordance with the Companies Act 1985 and as regards to group financial statements Article 4 of the IAS Regulation. 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 the specific information presented in the 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, 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. This other information comprises the Directors' Report, the Chairman's Statement, and the Corporate Governance Statement. 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 judgements made by the directors in the preparation of the financial statements, and of whether the

accounting policies are appropriate to the Group's and parent 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 International Financial Reporting Standards (IFRS's) as adopted by the European Union, of the state of Group's affairs as at 31 December 2008 and of the Group's loss for the year then ended;
- The parent company financial statements give a true and fair view in accordance with IFRS's as adopted in the European Union as applied in accordance with the provisions of the Companies Act 1985 of the state of the parent company's affairs at 31 December 2008.
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and as regards the group financial statements, Article 4 of the IAS Regulation;
- The information given in the Directors' Report is consistent with the financial statements.

### ***Emphasis of matter: - Going concern and goodwill impairment***

In forming our opinion on the financial statements, which is not qualified, we draw your attention to notes 5a and 15 of the financial statements which indicate the Group's ability to continue as a going concern and the basis on which the carrying value of goodwill has been determined respectively. The Group incurred a net loss of £367,267 for the year ended 31 December 2008. These conditions, along with the other matters explained in notes 5a and 15 of the financial statements in the Annual Report and Accounts, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and whether goodwill may become impaired.

Jeffreys Henry LLP  
Chartered Accountants and Registered Auditors  
5-7 Cranwood Street  
Finsgate  
London EC1V 9EE  
29 June 2009

## Notes to the group and parent company financial statements

### 1. General Information

Messaging International Plc is a company incorporated in the UK and its activities are as described in the chairman's statement and directors' report.

### 2. Basis of Accounting

The consolidated financial statements of the Company for the year ended 31 December 2008 have been prepared on a historical cost basis and are in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU. These have been applied consistently except where otherwise stated.

### 3. Taxation

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Current tax charge</b>	<u>-</u>	<u>-</u>
<b>Factors affecting the tax charge in the year</b>		
Loss on ordinary activities before taxation	<u>(367,267)</u>	<u>(259,892)</u>
Loss on ordinary activities before taxation at the standard rate of UK corporation tax 28% (2007: 30%)	(102,835)	(77,967)
<b>Effects of:</b>		
Depreciation and amortisation	6,971	5,818
Non recognition of losses	<u>95,864</u>	<u>72,149</u>
<b>Tax charge</b>	<u>-</u>	<u>-</u>

In accordance with IAS12, the Company and the Group have not recognised deferred tax assets as they do not anticipate that profits generated in the short term will exceed accumulated losses generated by subsidiary undertakings.

In addition, TeleMessage Ltd in Israel was granted approved enterprise status for its investment programme. The main benefit arising from such status is the reduction in tax rates on income. The Company's income from the 'Approved Enterprises Scheme' is tax exempt for four years commencing with the year it first earns taxable income and then would be subject to a reduced tax rate of between 10% and 25% for a period of up

to six years. Since the Company has incurred losses to date it has not utilised any of the aforementioned tax benefits.

#### 4. Basic and diluted loss per share

Basic loss per share has been calculated on the Group's loss attributable to equity holders of the parent company of £367,267 (2007: £259,892) and on the weighted average number of shares in issue during the year, which was 235,380,000 (2007: 217,498,000).

In view of the Group loss for the year, 50 million share warrants, 100 million new warrants and 13.8 million options to subscribe for ordinary shares in the Company are anti-dilutive and therefore diluted earnings per share information is not presented.

#### 5. Statements on movement in equity

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Loss for the year	(367,267)	(259,892)
Equity-settled share based payments for employee share options	11,887	49,419
Equity-settled share based payments for warrants relating to borrowings	98,968	-
Foreign currency translation changes	744,083	(11,334)
Share issue net of costs	-	866,752
Equity at 1 January	3,784,034	3,139,089
	<hr/>	<hr/>
Equity at 31 December	4,271,705	3,784,034
<b>Company</b>		
Loss from continuing operations	(24,183)	(22,705)
Equity at 1 January	5,401,090	4,557,043
Share issue net of costs	-	866,752
	<hr/>	<hr/>
Equity at 31 December	5,376,907	5,401,090

#### 6. Cash and cash equivalents and bank overdraft

	<b>At January 2008 £</b>	<b>1   Cash Flow £</b>	<b>At 31 December 2008 £</b>
<b>Group</b>			
Cash and cash equivalents	<u>355,780</u>	<u>(55,127)</u>	<u><b>300,653</b></u>
<b>Company</b>			
Cash and cash equivalents	<u>160,011</u>	<u>(100,059)</u>	<u><b>59,952</b></u>

## **7. Annual Report & Accounts**

A copy of the Annual Report and Accounts for the year ended 31 December 2008 has been sent to shareholders today and copies are available from the Company's registered office at 58-60 Berners Street, London W1T3JS or by visiting the Company website at [www.telemessage.com](http://www.telemessage.com).