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Messaging International Plc - SRC Half Yearly Report
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Messaging International Plc / Market: AIM / Epic: MES / Sector: Technology

Messaging International Plc **('Messaging International' or 'the Company')** **Interim Results**

Messaging International Plc, the AIM traded company and provider of innovative messaging services, announces its unaudited results for the six months ended 30 June 2014.

Overview

- Development of new product: "Secure Mobile Messaging for Enterprises"
- Gross revenues for the six months £1,851,237 (H1 2013: £2,005,559)
- Pre tax loss for the period - £186,664 (H1 2013: Loss £36,896)

Chairman's Statement

As we described in our last annual report, the Company is developing Secure Mobile Messaging for Enterprises, a new product line based on our core platform. Secure Mobile Messaging for Enterprises is a messaging-suite for enterprises that replicates the ease of use of consumer applications such as WhatsApp, Viber and Facebook while providing all the additional tools that businesses need in order to stay on top of corporate mobile messages which are "MANAGED, SECURE, RELIABLE and IT READY".

The entire team continue to work hard in order to add new features and functions to our applications. A fresh new user interface has been developed with the focus on usability and user experience. New versions are uploaded to Apple App Store and Google Play. Updated versions are expected to be uploaded in the coming months.

As part of this new family of products, the Company is co-developing a version with a major US wireless network operator. As announced on 22 July 2014, the two companies have been approved for funding of \$900,000 by the Israeli-US Binational Industrial Research and Development Foundation ("BIRD"). TeleMessage has been allocated 70% of this funding with the project due to be completed in late 2015.

We believe that this version of the product should be compelling to other carriers worldwide.

The Company has also decided to develop its own sales and marketing channels for the

Secure Mobile Messaging for Enterprises solution. This will mean that we will invest in inbound marketing techniques promoting the Company through blogs, webinars, videos, newsletters, whitepapers, SEO, social media marketing and other forms of content marketing which serve to bring customers closer to our brand. Our new website was launched in late August, 2014.

The focus on direct enterprise relationships, as an extension to what the Company has been doing for a number of years in Israel, has resulted in answering RFPs for potential enterprise customers that could result in additional business opportunities from a larger customer base later this year or next year.

Financial Results

For the six month period ended 30 June 2014, we are reporting a loss of £186,664 (H1 2013: loss £36,896) on revenues of £1,851,237 (H1 2013: £2,005,559). The continued losses are in the main attributable to the increased costs of research and development.

Messaging's cash position at 30 June 2014 was £377,058 (31 December 2013: £765,026). The bank loan from Mizrahi Tefahot Bank outstanding at 30 June 2014 was £198,892 (31 December 2013: £303,016).

Outlook

The increased cost of research and development in the first half of this financial year is expected to continue at a similar level for the remainder of 2014 in order to support our longer term growth plans with a corresponding impact on the Company's financial performance for the year as a whole. We expect the BIRD funding to cover part of this additional R&D cost. The Company also expects to incur increased costs of sales and marketing in order to promote new solutions including 'Secure Messaging for Enterprises'.

I would like to thank our team for their hard work and dedication, and our shareholders for their continued support. I look forward to reporting improved results and positive news on the introduction of the Secure Messaging for Enterprises in our next annual report.

H Furman
Chairman
29 September 2014

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Consolidated statement of comprehensive income for the six months ended 30 June 2014

	Notes	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
		£	£	£
Revenues	2	1,851,237	2,005,559	3,775,910
Cost of revenue		(640,431)	(776,113)	(1,411,536)
Gross profit		1,210,806	1,229,446	2,364,374

Operating expenses				
Research and development		(681,464)	(636,407)	(1,188,500)
Sales and marketing		(417,490)	(387,624)	(739,249)
Administrative costs		(258,976)	(233,108)	(463,304)
Total operating expenses		(1,357,930)	(1,257,139)	(2,391,053)
Operating loss		(147,124)	(27,693)	(26,679)
Finance costs		(39,540)	(9,203)	(65,394)
(Loss) before taxation		(186,664)	(36,896)	(92,073)
Taxation	3	-	(11,668)	2,914
Loss for the period/year		(186,664)	(48,564)	(89,159)
Other comprehensive profit/(loss)				
Re-measurement of loss from defined benefit scheme		-	-	(5,576)
Foreign exchange difference on translation of foreign operations		(19,568)	60,160	(3,858)
Foreign exchange difference arising from restating the carrying value of goodwill associated with foreign operations		-	-	(85,286)
		(19,568)	60,160	(94,720)
Total comprehensive (loss)/profit		(206,232)	11,596	(183,879)
Loss per share				
Basic and diluted loss per share	4	(0.16)p	(0.03)p	(0.07)p

Consolidated statement of changes in equity for the six months ended 30 June 2014

	Share capital £	Capital redemption reserve £	Translation reserve £	Revenue reserves £	Total £
As at 1 January 2014	579,361	600,039	118,602	2,845,271	4,143,273
(Loss) for the period				(186,664)	(186,664)
Share based payments				25,919	25,919

Foreign currency translation changes			(19,568)		(19,568)
As at 30 June 2014	579,361	600,039	99,034	2,684,526	3,962,960
As at 1 January 2013	779,361	400,039	207,746	3,340,006	4,727,152
Capital reorganisation	(200,000))	200,000			-
Re purchase of shares				(400,000)	(400,000)
(Loss) for the period				(48,564)	(48,564)
Foreign currency translation changes			60,160		60,160
As at 30 June 2013	579,361	600,039	267,906	2,891,442	4,338,748
As at 1 January 2013	779,361	400,039	207,746	3,340,006	4,727,152
Capital reorganisation	(200,000))	200,000			-
Purchase of share				(400,000)	(400,000)
(Loss) for the for the year				(89,159)	(89,159)
Re-measurement of defined benefit plan				(5,576)	(5,576)
Foreign currency translation changes for goodwill			(85,286)		(85,286)
Other foreign currency translation changes			(3,858)		(3,858)
As at 31 December 2013	579,361	600,039	118,602	2,845,271	4,143,273

Consolidated Statement of financial position as at 30 June 2014

	Unaudited as at 30 June 2014	Unaudited as at 30 June 2013	Audited as at 31 December 2013
	£	£	£
Non current assets			
Goodwill	3,432,759	3,518,045	3,432,759
Property, plant and equipment	120,870	184,345	162,655
Other investments	314,183	309,970	323,704
	3,867,812	4,012,360	3,919,118

Current assets			
Trade and other receivables	862,212	994,389	784,654
Cash and cash equivalents	377,058	709,391	765,026
	<u>1,239,270</u>	<u>1,703,780</u>	<u>1,549,680</u>
Total assets	5,107,082	5,716,140	5,468,798
Current liabilities			
Trade and other payables	(556,084)	(561,682)	(616,701)
Borrowings	(198,892)	(191,985)	(199,019)
	<u>(754,976)</u>	<u>(753,667)</u>	<u>(815,720)</u>
Non current liabilities			
Borrowings	-	(233,071)	(103,997)
Other payables	(6,233)	(39,443)	(23,618)
Employee provisions	(382,913)	(351,211)	(382,190)
	<u>(389,146)</u>	<u>(623,725)</u>	<u>(509,805)</u>
Total liabilities	(1,144,122)	(1,377,392)	(1,325,525)
Net assets	<u><u>3,962,960</u></u>	<u><u>4,338,748</u></u>	<u><u>4,143,273</u></u>
Equity			
Share capital	579,361	579,361	579,361
Capital redemption reserve	600,039	600,039	600,039
Foreign currency translation reserve	99,034	267,906	118,602
Revenue reserves	2,684,526	2,891,442	2,845,271
Shareholders' equity	<u><u>3,962,960</u></u>	<u><u>4,338,748</u></u>	<u><u>4,143,273</u></u>

Consolidated cash flow statement for the six months ended 30 June 2014

	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
	£	£	£
Cash flow from operating activities			
(Loss) before taxation	<u>(147,124)</u>	<u>(27,693)</u>	<u>(26,679)</u>
Adjustments for:			
Share based payments	25,919	26,100	-
Defined benefit plan	-	-	(5,576)
Depreciation and amortisation	43,289	42,809	64,533
Foreign currency translation adjustments	<u>(39,370)</u>	<u>44,105</u>	<u>(39,461)</u>
	29,838	113,014	19,496
Operating cash flow before working capital movements	(117,286)	85,321	(7,183)
Increase/(decrease) in receivables	(77,558)	91,882	301,617
(Decrease)/increase in payables	(78,002)	32,429	71,623
Increase in provisions	723	21,354	52,333

	<u>(154,837)</u>	<u>145,665</u>	<u>425,573</u>
Cash (outflow)/inflow from operating activities	(272,123)	230,986	418,390
Investing activities			
Investments	9,521	(34,278)	(48,012)
Repurchase of shares	-	(400,000)	(400,000)
Purchase of property, plant and equipment	(6,288)	(37,423)	(52,405)
Net cash from /(used in) investing activities	3,233	(471,701)	(500,417)
Taxation	-	(11,668)	2,914
Financing activities			
Interest and related costs	(14,954)	(9,203)	(25,449)
Bank loan repayments	(104,124)	(98,684)	(200,073)
Net cash (used) in financing activities	(119,078)	(107,887)	(225,522)
Net decrease in cash and cash equivalents	(387,968)	(360,270)	(304,635)
Cash and cash equivalents at the beginning of the period/year	765,026	1,069,661	1,069,661
Cash and cash equivalents at the end of the period/year	377,058	709,391	765,026

Notes to the interim report

For the six months ended 30 June 2014

1. Basis of preparation and consolidation

The financial information contained in the interim results has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. It has been prepared in accordance with IAS 34 - Interim Financial Reporting and does not include all of the information required for full annual financial statements.

The financial information contained in these interim results for the six months ended 30th June 2014 and 30th June 2013 are un-audited. The comparative figures for the year ended 31st December 2013 do not constitute statutory financial statements of the group within the definition of S434 of the Companies Act 2006. Full audited accounts of the group in respect of that financial period prepared in accordance with IFRS, which we received an unqualified audit opinion have been delivered to Registrar of Companies.

The accounting policies and methods of computation used in the interim statement are consistent with those used in the financial statements for the year ended 31 December 2013 and are in accordance with International Financial Reporting Standards.

The statement of comprehensive income, statement of changes in equity and financial position include the financial statements of the company and its subsidiary undertakings up to 30 June 2014.

The consolidated interim financial statements do not include all the information required for full annual financial statements and therefore cannot be construed to be in full compliance with IFRS.

The consolidated interim financial statements were approved by the board and authorised for issue on 29 September 2014.

2. Turnover

	Unaudited six months ended 30 June 2014	Unaudited six months ended 30 June 2013	Audited year ended 31 December 2013
	£	£	£
North America	1,626,395	1,797,054	3,359,569
Europe and Middle East	205,226	173,587	378,194
Rest of the World	19,616	34,918	38,147
	<u>1,851,237</u>	<u>2,005,559</u>	<u>3,775,910</u>

3. Taxation

The tax charge in the six months ended 30 June 2013 represented amounts due for US State tax in relation to the profits of TeleMessage Inc. based in the USA. U.S. operating losses from previous years are subject to annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions.

No further provision has been made for taxation as there are losses available to carry forward against future trading profits. No deferred tax asset has been recognised in accordance with International Accounting Standard 12.

4. Basic and diluted loss per share

For the six months ended 30 June 2014, basic loss per share has been calculated on the Group's loss attributable to owners the Company of £186,664 and on the weighted average number of shares in issue during the year, which was 115,872,147.

For the six months ended 30 June 2013, basic loss per share has been calculated on the Group's loss attributable to owners the Company of £48,564 and on the weighted average number of shares in issue during the year, which was 141,319,485.

For the six month periods ended 30 June 2014 and 30 June 2013, share options and warrants to subscribe for shares in the company are anti-dilutive and therefore diluted earnings per share information is the same as the basic loss per share.

For the year ended 31 December 2013, basic loss per share has been calculated on the Group's loss of £89,159 and on the weighted average number of shares in issue in 2013 of 134,064,000.

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