

## Regulatory Story

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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 2015.

#### **Overview Overview**

- Continued progress of new product: "Business Mobile Messaging" - signed contract with first tier US carrier
- Gross revenues of £1,730,535 down 6.5% from £1,851,237 in H1 2014
- Pre tax loss for the period of £85,502 down from a loss of £186,664 in H1 2014

#### **Continued Transition period**

As we described in our last annual report, the Company is transitioning from its legacy Text-to-Landline product focused on Telecom operators, into our new offering "Business Mobile Messaging" focused on Enterprises.

Revenues in the Text-to-Landline product have stabilized at a new level. Some customers were lost due to market consolidation and, as announced on March 27 2015, the Company has reached an agreement on a change of the Text-to-Landline business model with one of its key mobile carrier customers in North America. The change to the Text-to-Landline service from a standard SMS fee to a premium SMS fee has resulted in fewer transmitted messages with a corresponding decline in the revenue generated from this customer, although there is an improved gross margin.

The Company has been focused on developing its new product line - Secure Business Mobile Messaging - and a growing number of potential customers are currently

running pilot trials. We are currently seeking partnership opportunities for these products through our relationships with carriers. In June 2015 the Company signed such a partnership agreement based on revenue share with one of the top tier North American mobile carriers. The agreement includes a set-up fee for the customization of the product to meet our partner's requirements. It is too premature to estimate the success with which the partner will be able to promote the product with initial revenues expected in H1 2016.

The company has also identified an immediate demand for its traditional messaging platform within the developers' community. In view of this, the Company has focused some efforts on providing APIs for its Messaging Gateway for this community as can be seen on <http://developer.telemessage.com>.

As the new product has been launched in the market, the Company will continue to invest R&D efforts in adding new features and capabilities to the product and if necessary, we may shift some of our resources to support sales and marketing efforts.

### **Financial Results**

For the six-month period ended 30 June 2015, we are reporting a pre-tax loss of £85,502 (H1 2014: loss of £186,664) based on gross revenues of £1,730,535 (H1 2014: £1,851,237).

The group's cash balances at 30 June 2015 totaled £682,365 (H1 2014: £377,058). The bank loan from Mizrahi Tefahot Bank outstanding at 30 June 2015 was £533,092 (H1 2014, £198,892). This reflects the renewed loan announced earlier this year on January 26, 2015.

### **Outlook**

We have managed to stabilize the reduction in revenues while continuing our efforts in building the new products without neglecting our legacy solutions. We continue to explore opportunities to maintain and grow that business.

With initial revenues and several pilots with potential customers for our "Mobile Business Messaging", we seek to expand this area of the business directly as well as through partners such as the tier one mobile carrier mentioned above.

I would like to thank our team for their hard work and dedication over the past year in adapting to changing markets and changing technologies as well as to our shareholders for their continued support.

H Furman  
Chairman  
10 September 2015

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

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### Consolidated statement of comprehensive income for the six months ended 30 June 2015

	Notes	Unaudited six months ended 30 June 2015	Unaudited six months ended 30 June 2014	Audited year ended 31 December 2014
		£	£	£
<b>Revenues</b>	<b>2</b>	1,730,535	1,851,237	3,607,978
Cost of revenue		(645,849)	(640,431)	(1,218,844)
<b>Gross profit</b>		<b>1,084,686</b>	<b>1,210,806</b>	<b>2,389,134</b>
<b>Operating expenses</b>				
Research and development		(521,452)	(681,464)	(1,235,070)
Sales and marketing		(451,903)	(417,490)	(865,147)
Administrative costs		(252,533)	(258,976)	(552,676)
Goodwill Impairment		-	-	(2,550,000)
<b>Total operating expenses</b>		<b>(1,225,888)</b>	<b>(1,357,930)</b>	<b>(5,202,893)</b>
<b>Operating loss</b>		<b>(141,202)</b>	<b>(147,124)</b>	<b>(2,813,759)</b>
Finance gains (costs)		55,700	(39,540)	(71,039)
<b>(Loss) before taxation</b>		<b>(85,502)</b>	<b>(186,664)</b>	<b>(2,884,798)</b>
Taxation	<b>3</b>	-	-	(8,914)
<b>Loss for the period/year</b>		<b>(85,502)</b>	<b>(186,664)</b>	<b>(2,893,712)</b>
<b>Other comprehensive loss</b>				
Re-measurement of loss from defined benefit scheme		-	-	(71,715)
Foreign exchange difference on translation of foreign operations		(54,213)	(19,568)	21,632
Foreign exchange difference arising from restating the carrying value of goodwill associated with foreign operations		-	-	(78,802)

		<u>(54,213)</u>	<u>(19,568)</u>	<u>(128,885)</u>
<b>Total comprehensive loss</b>		<u>(139,715)</u>	<u>(206,232)</u>	<u>(3,022,597)</u>
<b>Loss per share</b>				
Basic and diluted loss per share	4	<u>(0.07)p</u>	<u>(0.16)p</u>	<u>(2.50)p</u>

**Consolidated statement of changes in equity for the six months ended 30 June 2015**

	Share capital £	Capital redemption reserve £	Translation reserve £	Revenue reserves £	Total £
As at 1 January 2015	579,361	600,039	75,008	(63,431)	1,190,977
(Loss) for the period				(85,502)	(85,502)
Share based payments				11,448	11,448
Foreign currency translation changes			(54,213)		(54,213)
<b>As at 30 June 2015</b>	<b>579,361</b>	<b>600,039</b>	<b>20,795</b>	<b>(137,485)</b>	<b>1,062,710</b>
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)
<b>As at 30 June 2014</b>	<b>579,361</b>	<b>600,039</b>	<b>99,034</b>	<b>2,684,526</b>	<b>3,962,960</b>
<b>As at 1 January 2014</b>	579,361	600,039	118,602	2,845,271	4,143,273
(Loss) for the for the year				(2,893,712)	(2,893,712)
Re-measurement of defined benefit plan				(71,715)	(71,715)
Share based payments				56,725	56,725
Foreign currency					

translation changes for goodwill		(78,802)		(78,802)
Other foreign currency translation changes		35,208		35,208
<b>As at 31 December 2014</b>	<b>579,361</b>	<b>600,039</b>	<b>75,008</b>	<b>(63,431)</b>
				<b>1,190,977</b>

### Consolidated Statement of financial position as at 30 June 2015

	Unaudited as at 30 June 2015	Unaudited as at 30 June 2014	Audited as at 31 December 2014
	£	£	£
<b>Non current assets</b>			
Goodwill	803,957	3,432,759	803,957
Property, plant and equipment	54,209	120,870	86,526
Other investments	373,134	314,183	343,699
	<b>1,231,300</b>	<b>3,867,812</b>	<b>1,234,182</b>
<b>Current assets</b>			
Trade and other receivables	903,493	862,212	696,068
Cash and cash equivalents	682,365	377,058	381,109
	<b>1,585,858</b>	<b>1,239,270</b>	<b>1,077,177</b>
<b>Total assets</b>	<b>2,817,158</b>	<b>5,107,082</b>	<b>2,311,359</b>
<b>Current liabilities</b>			
Trade and other payables	(652,888)	(556,084)	(525,664)
Borrowings	(206,811)	(198,892)	(110,013)
	<b>(859,699)</b>	<b>(754,976)</b>	<b>(635,677)</b>
<b>Non current liabilities</b>			
Borrowings	(326,281)	-	-
Other payables	(46,599)	(6,233)	(5,049)
Employee provisions	(521,869)	(382,913)	(479,656)
	<b>(894,749)</b>	<b>(389,146)</b>	<b>(484,705)</b>
<b>Total liabilities</b>	<b>(1,754,448)</b>	<b>(1,144,122)</b>	<b>(1,120,382)</b>
<b>Net assets</b>	<b>1,062,710</b>	<b>3,962,960</b>	<b>1,190,977</b>
<b>Equity</b>			
Share capital	579,361	579,361	579,361
Capital redemption reserve	600,039	600,039	600,039
Foreign currency translation reserve	20,795	99,034	75,008
Revenue reserves	(137,485)	2,684,526	(63,431)
<b>Shareholders' equity</b>	<b>1,062,710</b>	<b>3,962,960</b>	<b>1,190,977</b>

**Consolidated cash flow statement for the six months ended 30 June 2015**

	Unaudited six months ended 30 June 2015	Unaudited six months ended 30 June 2014	Audited year ended 31 December 2014
	£	£	£
<b>Cash flow from operating activities</b>			
Loss before taxation	(141,202)	(147,124)	(2,813,759)
<b>Adjustments for:</b>			
Goodwill impairment	-	-	2,550,000
Share based payments - shares	11,448	25,919	56,725
Share based payments - issue of warrants	25,609	-	-
Defined benefit plan	-	-	(71,715)
Depreciation and amortisation	32,151	43,289	100,094
Foreign currency translation adjustments	(33,739)	(39,370)	(2,899)
	<u>35,469</u>	<u>29,838</u>	<u>2,632,205</u>
<b>Operating cash flow before working capital movements</b>	<b>(105,733)</b>	<b>(117,286)</b>	<b>(181,554)</b>
(Increase)/decrease in receivables	(207,425)	(77,558)	75,086
(Decrease)/increase in payables	168,774	(78,002)	(105,019)
Increase in provisions	42,213	723	97,466
	<u>3,562</u>	<u>(154,837)</u>	<u>67,533</u>
<b>Cash (outflow)/inflow from operating activities</b>	<b>(102,171)</b>	<b>(272,123)</b>	<b>(114,021)</b>
<b>Investing activities</b>			
Interest received	-	-	232
Investments	(29,435)	9,521	(19,995)
Purchase of property, plant and equipment	(385)	(6,288)	(14,581)
<b>Net cash from /(used in) investing activities</b>	<b>(29,820)</b>	<b>3,233</b>	<b>(34,344)</b>
<b>Financing activities</b>			
Interest and related costs	(31,092)	(14,954)	(25,068)
Bank loan net of repayments	464,339	(104,124)	(210,484)
<b>Net cash (used) in financing activities</b>	<b>433,247</b>	<b>(119,078)</b>	<b>(235,552)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>301,256</b>	<b>(387,968)</b>	<b>(383,917)</b>
<b>Cash and cash equivalents at the beginning of the period/year</b>	<b>381,109</b>	<b>765,026</b>	<b>765,026</b>
<b>Cash and cash equivalents at the end of the period/year</b>	<b>682,365</b>	<b>377,058</b>	<b>381,109</b>

**Notes to the interim report****For the six months ended 30 June 2015**

## 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 2015 and 30th June 2014 are un-audited. The comparative figures for the year ended 31st December 2014 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 statements are consistent with those used in the financial statements for the year ended 31 December 2014 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 2015.

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 10 September 2015.

## 2. Turnover

	<b>Unaudited six months ended 30 June 2015</b>	<b>Unaudited six months ended 30 June 2014</b>	<b>Audited year ended 31 December 2014</b>
	£	£	£
North America	1,427,874	1,626,395	3,171,573
Europe and Middle East	288,979	205,226	405,494
Rest of the World	13,682	19,616	30,911
	<u>1,730,535</u>	<u>1,851,237</u>	<u>3,607,978</u>

### Notes to the interim report

#### For the six months ended 30 June 2015 (continued)

## 3. Taxation

The tax charge in the six months ended 30 June 2015 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 2015, basic loss per share has been calculated on the Group's loss attributable to owners the Company of £85,502 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 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 month periods ended 30 June 2015 and 30 June 2014, 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 2014, basic loss per share has been calculated on the Group's loss of £2,893,712 and on the weighted average number of shares in issue in 2014 of 115,872,147.

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