16 May 2006

Messaging International Plc ("Messaging International" or the "Company")

Final Results

Chairman's Statement

Messaging International Plc, the AIM listed provider of innovative messaging services announces the audited consolidated results for the year ended 31 December 2005 which include the accounts of TeleMessage Ltd from its date of acquisition on 20 July 2005.

Financials

In line with the board's expectations, the group turnover was £219,793 with a pre-tax loss of £392,919. At 31 December 2005, the group's cash balances were in excess of £950,000.

Since Messaging International Plc's successful flotation onto the AIM market in August 2005, raising £1.2m net of costs, your company has made significant progress and have signed a number of key contracts with global telecom operators. We continue to enhance our products with the view to becoming one of the leading international messaging software solutions providers.

Our products

Messaging International Plc's integrated communications solutions offer messaging services and products, enabling service providers and enterprises to send, receive, and manage voice, text and multimedia messages from a wide range of communication media – the Internet, PC, client WAP-enabled device or any fixed-line or mobile phone. Multimedia messages can be sent, replied or forwarded to individuals or groups and to various communication devices, including landline phone, mobile phone, fax, e-mail, SMS, Instant Messenger (e.g. ICQ), and pager.

Global operations

Some of our worldwide customers include:

> **Canada:** Roger Wireless, the largest mobile operator in Canada with whom we have a continuing revenue-sharing relationship, covering SMS to Landline including an additional Text-to-Song feature.
>
> **USA:** The United States messaging market has historically lagged behind its European and Asian equivalents. However, the market is at last showing a dramatic increase in messaging traffic, as well as a greater demand for messaging solutions from operators. As a direct result of our efforts in the United States, our Text-to-Landline solution, a service whereby text messages are converted to automated voice messages for delivery to landline phones, was recently launched across the network by Sprint-Nextel, one of the top tier mobile providers in the country. The product is also in pilot trials with two other large American operators, and we hope to announce additional agreements soon.
>
> **Asia Pacific:** We are also delighted to have announced our first contract in the Asia-Pacific market, another region which is forecast to grow considerably in the future. In February 2006, we signed a deal to develop and provide a fully customised messaging solution to a leading provider of wire-line telecommunication services in China. This service is scheduled to launch in the very near future.

Others: In Israel, we have signed a deal with Pelephone, one of the country's leading mobile operators, to launch a tailored service based on our "Mail Plug-in" application, enabling users to send text messages direct from their PCs. It is the first such service in Israel, and it is also being tested by three other mobile operators in the country. In the West Indies, Cable & Wireless Jamaica has adopted our innovative Text-a-Tune product, enabling customers to insert music clips into their Text-to-Landline messages.

New initiatives

We are continuing to improve our offerings, develop new products and maximise our market potential. As a result, in February 2006 we launched a number of new products at the 3GSM World Congress in Barcelona which attracted considerable interest. These include:

MMS capability: Our new Multimedia Message System (MMS) capability enables subscribers to send multimedia content (pictures, music, video or text) from the PC to a mobile phone. Fully integrated into the leading PC applications, the product incorporates a MMS composer and player which allows the subscriber to edit, preview and convert any PC content to mobile format.

Web browser integration: With our new PC Toolbar Plug-in, our services will be integrated into the Internet Explorer and Mozilla Firefox web browsers. The toolbar provides subscribers with the ability to effortlessly send multimedia content to mobile phones from their computer with just a few mouse clicks.

Outlook Express integration: Our software plug-in can now be used with Microsoft Outlook Express in addition to the existing Microsoft Outlook and Lotus Notes versions. As Outlook Express is integrated into the Windows operating system included with every PC, compatibility opens the way to significant growth of both consumer and small-business users.

IMS compatibility: We have addressed the issue of the telephony operators' migration towards IP networks allowing integrated data, voice and video services over the internet backbone. Our products can now work in IP Multimedia Subsystem (IMS) enabled networks and incorporate presence preferences, allowing subscribers to choose on which device they want to receive messages.

Prospects

During 2005, we focused on widening our customer base and our product platform to capitalise on the fast growing global messaging market.

We are proud of the progress we have made to date and are confident that our product range will continue to attract further international customers. We also continue to investigate a number of acquisition opportunities complementary to our core business.

Finally, I would like to thank all those involved in the company for their hard work during the year and the flotation process. I look forward to working together with our very dedicated team in the coming year, continuing to build the company into the leading player in the messaging arena, and to generate value for our shareholders.

We are due to hold our first annual general meeting on 29 June 2006 and refer you to the AGM notice on page 25 of this document.

Horacio Furman
Chairman

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

Continuing operations	**Notes**	**2005** £
Revenue	2	219,793
Cost of revenue		(168,594)
Gross profit		51,199
Operating expenses		
Research and development		(182,655)
Selling and marketing		(149,003)
General and administrative		(131,912)
Total operating expenses		(463,570)
Operating loss	3	(412,371)
Interest receivable and similar income	6	19,452
Loss before taxation		(392,919)
Taxation	7	-
Loss after taxation	8	(392,919)
Earnings per share from continuing operations		
Basic and diluted loss per ordinary share	9	(0.7)p

None of the group's activities were discontinued in the period.

The notes on pages 14 to 24 form part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £
Exchange differences on translation of foreign operations	(8,887)

Net deficit recognised directly in equity	(8,887)
Loss for the period	(392,919)
Total recognised income and expense	(401,806)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2005

	Notes	Group 2005 £	Company 2005 £
Non current assets			
Goodwill	10	3,236,617	-
Other intangible assets	11	1,631	-
Tangible assets	12	52,371	-
Investment in subsidiary undertakings	13	-	3,269,000
Other investments	14	84,338	-
		3,374,957	3,269,000
Current assets			
Trade and other receivables	15	181,501	500,045
Cash and cash equivalents		954,888	840,836
		1,136,389	1,340,881
Total assets		**4,511,346**	**4,609,881**
Current liabilities			
Trade and other payables	16	(220,549)	(19,321)
		915,840	1,321,560
Net current assets			
Non current liabilities			
Provisions	17	(116,228)	-
Total liabilities		**(336,777)**	**(19,321)**
Net assets		**4,174,569**	**4,590,560**
Share capital	18	576,900	576,900
Share premium account	19	3,999,475	3,999,475
Foreign currency translation reserve	20	(8,887)	-
Revenue reserves	20	(392,919)	14,185
Equity	**21**	**4,174,569**	**4,590,560**

The financial statements were approved by the board of directors and authorised for issue on 12 May 2006.

Irvin Fishman
Financial director

The notes on pages 14 to 24 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £
Net cash outflow from operating activities	24	(344,006)
Investing activities		
Interest and similar income		19,452
Purchase of tangible assets		(13,261)
Investments		(9,193)
Net overdrafts acquired with subsidiary		(5,479)
Net cash used in investing activities		(8,481)
Financing activities		
Issue of equity share capital		1,574,998
Shares issue costs		(292,625)
Net cash from financing activities		1,282,373
Net increase in cash and cash equivalents		929,886
Cash and cash equivalents at the beginning of the year		25,002
Cash and cash equivalents at the end of the year		954,888

The notes on pages 14 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards "(IFRS)" for the first time and have been prepared on a historical cost basis. No disclosures regarding the transition to IFRS have been presented as the company did not commence trading until this financial period.

The significant accounting policies applied by the company and its subsidiaries in the financial statements on a consistent basis are as follows:

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of any subsidiary undertaking so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

b. Goodwill

Goodwill arising on the acquisition of subsidiaries representing the excess of the cost of acquisition over the fair value of the assets and liabilities of its subsidiaries at the date of acquisition are included in the intangible assets.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in arriving at the profit or loss.

c. Other non-current assets:

(i) Patents

Patents are stated at cost and capitalised and are amortised on a straight line basis over eight years which is the estimated economic life of the patents.

(ii) Property, plant and equipment

Property, plant, and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers	33
Electronic Equipment	15–25
Furniture and Office Equipment	7–15
Leasehold Improvements	10

The carrying values of property plant and equipment are reviewed for impairment when events or changes indicate the carrying value may not be recoverable. If any such indication exists and carrying values exceed recoverable amounts such assets are written down to their recoverable amounts.

d. Revenue recognition

Revenue represents amounts receivable from licensing of messaging services to service providers and from hosting and maintenance fees net of discounts, value added tax and other sales taxes.

The group recognise revenue when delivery of the product has occurred, a fee is determinable, no further obligations exist and collectibility is probable.

Deferred revenue includes amounts received from customers for which revenue has not yet been recognised.

e. Research and development

Research and development costs are treated as an expense and are written off in the group's consolidated income statement in the year incurred.

f. Employee costs:

(i) Share options

The group has complied with the requirements of IFRS2 "Share-based Payments."

The group have therefore recognised that in granting share options to directors and employees an expense reflecting the difference between the fair value of outstanding options and their exercise price should be treated as an expense in the group's consolidated income statement. Fair value has been calculated by reference to the market value of the shares at the balance sheet date.

(ii) Severance pay

Pursuant to Israeli severance pay law, employees of more than one year are entitled to one month's salary for each year employed or a portion thereof. The liability for severance pay is calculated based on the most recent salary of employees multiplied by the number of years of employment at the balance sheet date. The group's liability for the employees is mitigated by monthly deposits by way of investments in suitable insurance policies. The value of the deposited funds is based on the cash surrender value of the insurance policies. The deposited funds include profits accumulated up to the balance sheet date. The funds may be withdrawn on the fulfilment of the severance pay obligation.

g. Deferred taxation

The company and its subsidiary undertakings account for deferred tax using the liability method and as such recognise all timing differences between the group's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

h. Foreign currency

Transactions in foreign currency are recorded at the rate of exchange prevailing at the date of the transaction. All differences are taken to the income statement. Assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange prevailing at the balance sheet date.

On consolidation, income and expenditure of subsidiary undertakings are translated into sterling at average rates of exchange in the period. Assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the use of average rates for translating the results of foreign subsidiaries or from the translation of net assets on the acquisition of foreign subsidiary undertakings are taken to the group's translation reserves.

i. Comparative figures

As the company did not trade in the period prior to 31 December 2004, comparative figures have been excluded from these financial statements. At 31 December 2004, the company's equity of £25,002 was represented by cash at bank.

2. Revenue

a. Group activities

The group activities are in a single business segment, being the development of end-user media messaging management systems.

b. Revenues by geographical market and customer location

The group's operations are located primarily in Israel and the business is managed on the basis of one reportable segment.

Analysis of revenues by geographical market and customer location are as follows:

	2005
	£
Israel	85,172
United States of America	78,611
Rest of the world	56,010
	219,793

3. Operating loss

The following costs have been included in arriving at the operating loss:	**2005** **£**
Staff costs (see note 4 below)	305,342
Auditors' remuneration (company – £10,000)	21,363
Research and development expenditure	182,655
Depreciation of property, plant and equipment	8,281
Amortisation of patents	307

4. Staff numbers and costs

Payroll costs include:	**2005** **£**
Staff payroll and related costs	267,504
Directors' remuneration	37,838
	305,342

Details of directors' remuneration are set out in note 5 below.

The average number of employees (including directors) employed by the group:

Management and administration	5
Development, sales and marketing	25
	30

5. Directors' remuneration

The analysis of directors' remuneration is:

	Total **£**
Executive directors	33,672
Non-executive directors	4,166
	37,838

Horacio Furman has waived his right to director's fees of £5,000 per annum.

Details of share options granted to directors under the unapproved share option scheme are as shown in the directors' report.

6. Investment and similar income

	2005
	£
Interest on bank deposits	14,037
Net gains on foreign currency transactions	5,415
	19,452

7. Taxation

	2005
	£
Current tax charge	-
Factors affecting the tax charge:	
Loss on ordinary activities before taxation	(392,919)
Loss on ordinary activities before taxation multiplied by the standard rate of tax applicable in the UK.	(117,875)
Effects of:	
Depreciation and amortisation	2,576
Non-recognition of losses	115,299
Current tax charge	-

In accordance with IAS 12 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 the subsidiaries prior to acquisition.

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.

8. Loss attributable to ordinary shareholders

The company has taken advantage of the exemption under Section 230(1)(b) of the Companies Act 1985 from presenting its own income statement however the profit dealt with in the financial statements of the company was £14,185.

9. Loss per ordinary share

The calculation of the loss per ordinary share is based on the loss after taxation of £392,919 and 56,171,781 ordinary shares being the weighted average number of shares in issue in the period.

In view of the loss, share options and warrants are anti-dilutive and therefore the diluted loss per share has not been presented.

10. Goodwill

	2005 £
Cost at 1 January 2005	-
Acquisition of subsidiary (see note 13 below)	3,236,617
Cost at 31 December 2005	3,236,617
Impairment at 1 January 2005 and 31 December 2005	-
Carrying value at 31 December 2005	3,236,617

If the acquisition of TeleMessage Ltd and its subsidiary had been completed on the first day of the financial year, group revenues for the year would have been £467,254 and the group loss attributable to ordinary shareholders of the parent would have been £768,507.

11. Other intangible assets

	2005 £
Cost at 1 January 2005	-
Acquisition of subsidiary	1,938
Cost at 31 December 2005	1,938
Amortisation at 1 January 2005	-
Amortisation in the year	(307)
Carrying value at 31 December 2005	1,631

The above additions represent the fair value of patents on acquisition of the company's subsidiary undertakings.

12. Tangible assets

	Group £
Cost at 1 January 2005	-
Property, plant and equipment acquired on acquisition of subsidiary	47,391
Additions	13,261
Cost at 31 December 2005	60,652
Depreciation at 1 January 2005	-
Depreciation in the year	(8,281)
Carrying value at 31 December 2005	52,371

All the above assets are included in the accounts of subsidiary undertakings.

13. Investment in subsidiary undertakings

On 20 July, the company acquired the entire share capital of TeleMessage Ltd, a company incorporated in Israel and its wholly owned subsidiary, TeleMessage Inc. a company incorporated in the USA.

Details of the price and consideration are as set out below:

	£
65,380,000 ordinary shares of 0.5p issued at 5p per share together with 25,000,000 warrants	3,269,000

The fair value of the net assets on acquisition was:

Patents	1,938
Investments	75,145
Equipment	47,391
Receivables	228,809
Payables—short term	(218,510)
	134,773
Provisions (note 17)	(102,390)
Net assets	32,383
Goodwill	3,236,617
	3,269,000

14. Other Investments

Other investments of £84,338 represents the value of funds at 31 December 2005 invested in insurance policies, in order to provide for employee severance obligations pursuant to Israeli severance pay law and staff contracts of employment, which are relevant to the company's principal subsidiary undertaking in Israel.

15. Trade and other receivables

	Group 2005 £	**Company 2005 £**
Trade receivables	113,059	-
Due from subsidiary undertaking	-	458,875
Due from government authorities	35,167	25,482
Other receivables and prepaid expenses	33,275	15,688
	181,501	500,045

16. Trade and other payables

	Group 2005 £	**Company 2005 £**
Trade payables	80,556	-
Employee and payroll accruals	77,930	-
Other accruals	52,974	19,321
Deferred revenue	9,089	-
	220,549	19,321

17. Provisions

	Group 2005 £	**Company 2005 £**
Severance pay obligations of subsidiary undertakings	116,228	-

On acquisition of the company's subsidiary undertaking, severance pay obligations totalled

£102,390.

18. Share capital

Authorised:		**Group & company £**
Number of ordinary shares of £1 each at 1 January 2005	1,000,000	1,000,000
Creation of 3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
	4,000,000	4,000,000
Conversion of each ordinary share of £1 each into ordinary shares of 0.5p each	800,000,00	4,000,000
Number of ordinary shares of 0.5p at 31 December 2005	800,000,00 0	4,000,000

Issued and fully paid ordinary shares:	**Fully paid**	**Partly paid**	**Group &company £**
At 1 January 2005	2	99,998	25,002
24 May 2005 – funds from partly paid shares becoming fully paid	99,998	(99,998)	74,998
	100,000	-	100,000
Conversion of ordinary shares of £1 each to ordinary shares of 0.5p each	20,000,000	-	100,000
20 July 2005 – issue of ordinary shares of 0.5p each to acquire TeleMessage Ltd	65,380,000	-	326,900
2 August 2005 – placing of ordinary shares of 0.5p each	30,000,000	-	150,000
Number of ordinary shares of 0.5p each at 31 December 2005	115,380,000	-	576,900

Share options

The unapproved share option scheme was adopted by the board on 27 July 2005.

At 31 December 2005 there were in existence 1,864,943 options to acquire ordinary shares in the company of which 411,898 options were exercisable at 31 December 2005.

Directors:

	Number of options	Date granted	Exercise price	Exercisable between
Guy Levit	20,266	27.7.2005	5p	20.7.2006 – 7.6.2010
Guy Levit	1,555	27,7.2005	2.17p	27.7.2005 – 15.11.2011
David Rubner	500,000	27.7.2005	5p	20.7.2006 – 20.7.2015
Other employees	1,343,122	27.7.2005	5p	27.7.2005 – 31.12.2014
	1,864,943			

On 1 March 2006 further share options were granted, details of which are given in the directors' report.

Warrants

On 24 May 2005, the company authorised 100,000,000 warrants entitling holders to subscribe for ordinary shares at 5p per ordinary share.

At 31 December 2005, there were 50,000,000 of these warrants in issue.

Number of warrants issued to:

Directors	22,278,061
Holders of more than 3% of warrants in issue:	
Reverse Takeover Investments Plc	10,000,000
Seymour Pierce Limited	5,000,000
Others	12,721,939
	50,000,000

19. Share premium account

	Group & Company £
Issue of 65,380,000 ordinary shares of 0.5p at 5p per ordinary share in order to acquire subsidiary undertakings	2,942,100
Placing of 30,000,000 ordinary shares of 0.5p at 5p per ordinary share	1,350,000
Cost of share issues	(292,625)
	3,999,475

20. Reserves

	Group 2005 £ Translation reserve	Group 2005 £ Revenue reserve	Company 2005 £ Revenue reserve
Reserves at 1 January 2005	-	-	-
(Loss)/profit from continuing operations	-	(392,919)	14,185
Foreign currency translation differences	(8,887)	-	-

Reserves at 31 December 2005	(8,887)	(392,919)	14,185

21. Statement of movements in equity

	Group 2005 £	**Company 2005 £**
Funds generated from partly paid up shares now fully paid	74,998	74,998
Funds from the issue of 95,380,000 ordinary shares of 0.5p for 5p per share	4,769,000	4,769,000
Share issue costs	(292,625)	(292,625)
(Loss)/profit from continuing operations	(392,919)	14,185
Foreign currency translation differences	(8,887)	-
Additions to equity	4,149,567	4,565,558
Equity at 1 January 2005	25,002	25,002
Equity at 31 December 2005	4,174,569	4,590,560

22. Capital commitments

The group had no significant capital commitments at 31 December 2005.

23. Financial commitments

Lease agreements:

The company's subsidiary in Israel has entered into operating leases for office facilities and motor vehicles for periods of up to three years, all terminating by 2008.

At 31 December 2005 the future minimum commitments outstanding under non-cancellable operating leases are:

	Group £
2006	57,834
2007	33,961
2008	19,304
	111,099

24. Reconciliation of operating loss to net cash outflow from operating activities

	Group £	**£**
		(412,371)
Adjustments for:		
Depreciation of tangible assets	8,281	
Amortisation of intangible assets	307	
Foreign currency translation differences	(8,887)	
		(299)
Operating cash flows before movement in working capital		(412,670)
Reduction in receivables	47,308	
Increase in payables	7,518	
Increase in provisions	13,838	
		68,664
Net cash outflow from operating activities		(344,006)