Messaging International Plc ('the Company')

Unaudited Preliminary Results

Messaging International Plc, the AIM traded company and provider of innovative messaging services, announces its unaudited results for the year ended 31 December 2013. The Company expects to be in a position to announce and post to shareholders its audited results for the year ended 31 December 2013 shortly. Accordingly, pursuant to AIM Rule 19, trading in the Company's shares has been suspended as it is not in a position to publish audited accounts for the year ended 31 December 2013 within the required time frame.

Overview

- New strategy to be launched in H2/2014, focused on a new product line geared towards a new market: "Secure Mobile Messaging for Enterprises".
- Continued revenue growth – increased by 0.18% to £3,775,910 (2012: £3,769,263).
- Pre tax loss for the year - £92,073 (2012 Profit: £290,338) with positive cash flow from operations generated

New Strategy for H2/2014: Secure Mobile Messaging for Enterprises. 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".

Enterprise Mobile Messaging in a Nutshell

In today's constantly changing workplace, businesses are turning to mobile messaging as an alternative to email. Employers embrace BYOD (Bring Your Own Device) policies, while employees use consumer messaging applications and SMS to communicate with each other.

While standard SMS/MMS and IP messages are great for personal communication, they do not provide a way to monitor, secure, archive or manage messages—common business requirements in an organization.

Therefore, we've been working hard at TeleMessage to develop an innovative, all-encompassing messaging-suite for enterprises that replicates the ease of use of consumer applications, while providing all the additional tools that businesses need in order to stay on top of corporate mobile messages.

In short, we are: "Transforming Business Mobile Messaging" into a service that is "MANAGED, SECURE, RELIABLE and IT READY".

We aim to deliver secure, manageable, and reliable messaging solutions that include features such as: end-to-end encryption, message termination, and detailed message delivery status. Our offering will also include our web portal, Outlook plug-in, corporate directory, and a range of APIs that connect to the enterprise IT system.

Our vision is *to become the mobile messaging solution preferred by enterprises.*

Our mission is *to provide enterprises with messaging solutions that are manageable, secure, reliable, easy to use and offer developer friendly APIs.*

This new strategy to be launched to the market in H2/2014 will be marketed primarily via “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. This will be coincided with a new web site focused on this new B2B strategy geared towards businesses in North America.

For further information visit www.telemessage.com or contact:

Guy Levit	Messaging International Plc	Tel: + 972 3 9225252
Mark Percy	Cantor Fitzgerald Europe	Tel: +44 (0) 20 7894 7000
Catherine Leftley	Cantor Fitzgerald Europe	Tel: +44 (0) 20 7894 7000

About Messaging International Plc

Messaging International Plc joined AIM in August 2005. Its 100% owned subsidiary, TeleMessage Ltd (www.telemessage.com), delivers smart and secure messaging seamlessly over any communication device. Designed specifically for mobile operators and enterprises, the enterprise and VAS consumer solutions intelligently and seamlessly handle text, voice, data, and multimedia messages as well as IP messaging via Smartphone push notifications or RCS over mobiles, tablets, the web, Office, APIs and IT infrastructure. The Company has a number of contracts with major blue chip companies including Sprint, one of the largest wireless providers in the US, Rogers Wireless, the largest wireless provider in Canada, and many more.

Chairman’s statement

Operational Review

Trading has been solid for Messaging during the entire 2013, as we continue to focus on developing innovative messaging solutions, through our subsidiary TeleMessage, to improve the way users manage messages across various communication mediums. We maintain close relationships with our blue-chip client base, and our highly creative R&D team continues to develop messaging solutions which ensure that the company retains its place as a leading provider in this sector.

TeleMessage helps operators retain their subscriber base by enhancing the user experience and assists enterprises achieve greater efficiency by optimizing their communication capabilities, TeleMessage seamlessly handles text, voice, data, multimedia and IP messages over mobiles, tablets, the web, Office, APIs and IT infrastructure.

Our clients include, among others, companies such as Sprint and US Cellular in the USA, Rogers, Bell, Telus in Canada and Dhiraagu in the Maldives. We ensure stable revenues by either hosting messaging

services for a per-message fee or by selling software licences, which are usually linked to the number of messages that can be sent through the system or to the number of active users.

Sales of our 'Messaging Gateway' product to Mobile operators and directly to enterprises, offering a range of interfaces for content providers, enterprises and developers, continue to increase. The product enables enterprises to deliver messages for customers and employees on a wide scale and uptake is gaining momentum particularly as more clients understand its convenience and cost-saving benefits. During the year, we added a few more carrier clients to these services. We have also added a few corporate clients such as Discount Bank and Union Bank in addition to maintaining other customers such as Capital One Bank.

Based on the same technology platform, the company has developed a new product: "Mobile Emergency Alerts", which is an advanced messaging platform, triggering emergency alerts via a mobile phone application. The product is currently sold via Sprint in the USA to their corporate customers.

In May 2013, the company acquired through a buy back from shareholders 39,999,999 shares at 1 penny per share. Full details were provided in a circular to shareholders dated 17 May 2013.

Financial Results

As a result of our decision to further invest in R&D and in the new strategy, profitability has turned into a small loss.

For the year ended 31 December 2013, we are reporting a pre-tax loss of £92,073 (2012: profit £290,338) based on gross revenues of £3,775,910 (2012: £3,769,263).

During 2013, the company has continued to receive support from the Israeli Office of the Chief Scientist (OCS) in relation to some elements of R&D. In 2013, the resources provided by the OCS net of royalties were £189,495.

The group's cash balances at 31 December 2013 totalled £765,026 (2012: £1,069,661).

In June 2013, the company completed the buyback of 39,999,999 ordinary shares in the company from existing shareholders for £400,000. The acquired shares were cancelled leaving the company with 115,872,148 ordinary shares of 0.5 pence each in issue. Full details have been provided in a circular to shareholders dated 17 May 2013.

Outlook

We are now changing our focus from purely increasing our presence within the telecom sector to a strategy where we directly approach enterprise clients in addition to working with our telecom partners. We have decided to further invest in both our R&D and Marketing teams as well as develop new marketing capabilities. Such investment is important to the execution of our strategy and the introduction of our new products.

I would like to thank our team for their hard work and dedication over the past year, and our shareholders for their continued support. I look forward to reporting another successful period of trading at our interims.

H Furman
Chairman
30 June 2014

Consolidated statement of comprehensive income for the year ended 31 December 2013

	2013 £	2012 £
Continuing operations:		
Revenues	3,775,910	3,769,263
Cost of revenues	(1,411,536)	(1,332,419)
Gross profit	2,364,374	2,436,844
Operating expenses		
Research and development	(1,188,500)	(918,078)
Selling and marketing	(739,249)	(643,539)
General and administrative	(463,304)	(540,331)
Total operating expenses	(2,391,053)	(2,101,948)
Operating (loss)/profit	(26,679)	334,896
Finance costs (net)	(65,394)	(44,558)
(Loss)/profit before taxation	(92,073)	290,338
Taxation	2,914	(17,740)
Comprehensive (loss)/profit for the year attributable to equity holders of the parent company	(89,159)	272,598
Other comprehensive (loss)/profit		
Re-measurement of loss from defined benefit plan	(5,576)	-
Foreign exchange difference on translation of foreign operations	(3,858)	(35,204)
Foreign exchange difference arising from restating the carrying value of goodwill associated with foreign operations	(85,286)	(155,158)
	(94,720)	(190,362)
Total comprehensive (loss)/profit attributable to equity holders of the parent company	(183,879)	82,236
(Loss)/earnings per share		
(Loss)/earnings per share from operations	(0.07)p	0.16p
Diluted (loss)/earnings per share from operations	(0.07)p	0.15p

Statements of changes in equity for the year ended 31 December 2013

	Share capital £	Share premium £	Capital redemption reserve fund £	Foreign exchange reserve £	Revenue reserves £	(Total £
As at 1 January 2012	1,179,400	4,298,727	-	398,108	(1,194,726)	4,681,509
Capital reorganisation	(400,039)	(4,298,727)	400,039	-	4,298,727	-
Share buyback	-	-	-	-	(127,500)	(127,500)
Profit for the year	-	-	-	-	272,598	272,598
Foreign currency translation changes for goodwill	-	-	-	(155,158)	-	(155,158)
Other foreign currency translation changes	-	-	-	(35,204)	-	(35,204)
Share based payments for employee share options	-	-	-	-	90,907	90,907
At 31 December 2012	**779,361**	**-**	**400,039**	**207,746**	**3,340,006**	**4,727,152**
Capital reorganisation	(200,000)	-	200,000	-	-	-
Share buyback	-	-	-	-	(400,000)	(400,000)
Loss for the year	-	-	-	-	(89,159)	(89,159)
Re-measurement of loss from 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)
Share based payments	-	-	-	-		
At 31 December 2013	**579,361**	**-**	**600,039**	**118,602**	**2,845,271**	**4.143,273**

Consolidated statement of financial position at 31 December 2013

	2013 £	2012 £
Non-current assets		
Intangible assets	3,432,759	3,518,045
Property, plant and equipment	162,655	179,125
Other investments	323,704	275,692
Total non-current assets	3,919,118	3,972,862
Current assets		
Trade and other receivables	784,654	1,086,271
Cash and cash equivalents	765,026	1,069,661

Total current assets	1,549,680	2,155,932
Total assets	**5,468,798**	**6,128,794**
Current liabilities		
Trade and other payables	(616,701)	(520,142)
Borrowings	(199,019)	(191,985)
Total current liabilities	(815,720)	(712,127)
Non-current liabilities		
Other payables	(23,618)	(48,554)
Provisions	(382,190)	(329,857)
Borrowings	(103,997)	(311,104)
Total non-current liabilities	(509,805)	(689,515)
Total liabilities	**(1,325,525)**	**(1,401,642)**
Net assets	**4,143,273**	**4,727,152**
Equity attributable to owners of the parent company		
Share capital	579,361	779,361
Share premium	-	-
Capital redemption reserve	600,039	400,039
Foreign currency translation reserve	118,602	207,746
Revenue reserves	2,845,271	3,340,006
Total Equity	**4,143,273**	**4,727,152**

Consolidated statement of cash flows for the year ended 31 December 2013

	2013 £	2012 £
Cash flow from operating activities		
Operating (loss)/profit	(26,679)	334,896
Adjustments for:		
Share based payments	-	90,907
Defined benefit plan	(5,576)	-
Depreciation and amortisation	64,533	66,245
Foreign currency differences	(39,461)	(53,186)
	19,496	103,966
Operating cash flow before working capital movements	**(7,183)**	**438,862**
Decrease in receivables	301,617	58,443
(Decrease)/increase in payables	71,623	(195,752)
Increase in provisions	52,333	57,176
	425,573	(80,133)
Cash inflow from operating activities	**418,390**	**358,729**
Investing activities		
Interest received	235	727
Investments	(48,012)	(37,462)
Purchase of tangible assets	(52,405)	(130,990)
Repurchase of shares	(400,000)	(127,500)
Net cash used in investing activities	**(500,182)**	**(295,225)**
Taxation	**2,914**	**(17,740)**
Financing activities		
Interest and related costs	(25,684)	(22,876)
Bank borrowing	-	621,118
Bank loan repayments	(200,073)	(118,029)
Net cash used from financing activities	**(225,757)**	**480,213**
Net change in cash and cash equivalents	**(304,635)**	**525,977**
Cash and cash equivalents and bank overdraft at the beginning of the year	1,069,661	543,684
Cash and cash equivalents and bank overdraft at the end of the year	765,026	1,069,661

Notes to the group and parent company financial statements

1. General information

Messaging International Plc is a company incorporated and domiciled 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 2013 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.

The group has adopted the following new and amended IFRSs as of 1 January 2013:

IFRS 10 'Consolidated financial statements'
IFRS 12 'Disclosures of interests in other entities'
IFRS 13 'Fair value measurement'
IAS 19 (revised) 'Employee benefits' (revised)
IAS 27 (revised) 'Separate financial statements'
Amendment to IFRS7, 'Financial instruments: Disclosures – offsetting financial assets and financial liabilities'
Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transitional guide

At the date of authorisation of these financial statements, the following standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the EU).

Amendment to IAS 32, 'Financial instruments: Presentation' - Offsetting financial assets and financial liabilities 1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities 1 January 2014
Amendment to IAS 36, 'Impairment of assets' – Recoverable amount disclosures for non-financial assets 1 January 2014
Amendment to IAS 39, 'Financial instruments: Recognition and measurement' – Novation of derivatives and continuation of hedge accounting 1 January 2014
IFRIC 21, 'Levies' 1 January 2014
IFRS 9, 'Financial instruments' - to be decided

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the group.

3. 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.

Details of subsidiary undertakings are set out in note 15 to the financial statements.

All intra-group transactions and balances have been eliminated in preparing the consolidated financial statements.

4. Presentational currency

These financial statements are presented in pounds sterling because the parent is an AIM traded company on the London Stock Exchange. The functional currency of the trading subsidiaries is US dollars.

5. Significant accounting policies

(a) Going concern

These financial statements have been prepared on the assumption that the group is a going concern.

When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of this report. The forecast cash-flow requirements of the business are contingent upon the ability of the group to retain revenues from existing contracts and generate future revenues from future business.

As the directors have reasonable expectations that the group has adequate resources to continue trading for the foreseeable future they continue to adopt the going concern basis in preparing the financial statements.

Were the group unable to continue as a going concern, adjustments would have to be made to the statement of financial position of the group to reduce the value of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities.

(b) Revenue recognition

The company’s trading subsidiaries generate revenues primarily from sales of messaging services to mobile operators and corporations for use by end – customers (such as SMS to Landline).

Revenues are recognised when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration received less any trade discounts, volume rebates and returns.

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

(c) Research and development costs

Research expenditures are recognised in profit or loss when incurred. An intangible asset arising from development or from the development phase of an internal project is recognised if the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the company's intention to complete the intangible asset and use or sell it; the company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the

company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

The asset is measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

In the years ended 31 December 2013 and 2012, no development costs were capitalised.

(d) **Goodwill and impairment**

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has an indefinite useful life, recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement in the period in which it arises. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(e) **Investment in subsidiary undertakings**

The investment in subsidiary undertakings is stated in the balance sheet at cost less any provision for impairment. Impairment is recognised immediately in the income statement and is not subsequently reversed.

(f) **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	Over the term of the lease

The carrying value of property plant and equipment is 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.

(g) **Operating leases**

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against income as and when incurred.

(h) **Share options:**

Employee share options

The group has applied the requirements of IFRS 2 “Share-based Payments”.

The group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the group’s estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Other share options and equity instruments:

Where equity instruments are granted to persons other than employees the income statement is charged with the fair value of services received.

This policy has been applied to share options granted to Pacific Continental on the buyback of their shares in February 2012. The share based cost of warrants issued to Mizrahi Tefahot Ltd in June 2012 as part of their loan agreement with the company’s subsidiary undertaking in Israel is written off to as part of the company’s cost of finance over the term of the loan.

(i) **Severance pay**

Pursuant to Israel’s 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 cost of providing severance pay is determined using an independent actuary. Actuarial gains and losses are recognised immediately in the income statement in the period in which they occur.

The value of 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 deposited funds may be withdrawn only upon fulfilment of the severance pay obligation, pursuant to Israel’s severance pay law or labour agreements.

(j) **Government grants**

Government grants are recognised when there is reasonable assurance that the grants will be received and the company will comply with the attached conditions. Government grants received from the Office of

the Chief Scientist ("OCS") are recognized upon receipt as a liability if future financial benefits are expected from the project that will result in royalty-bearing sales.

A liability for the loan is first measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grant received and the fair value of the liability is accounted for as a Government grant and recognised as a reduction of research and development expenses. After initial recognition, the liability is measured at amortised cost using the effective interest method. Royalty payments are treated as a reduction of the liability. If no economic benefits are expected from the research activity, the grant receipts are recognised as a reduction of the related research and development expenses. In that event, the royalty obligation is treated as a contingent liability in accordance with IAS 37.

In each reporting date, the company evaluates whether there is reasonable assurance that the royalty liability, in whole or in part, will or will not be settled based on the best estimate of future sales. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate liability reflecting the anticipated royalty payments is recognised with a corresponding charge to research and development expenditure.

(k) **Taxation**

Income tax expense represents the sum of the current tax payable and the deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

(l) **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.

(m) **Investments**

Investments represent funds invested in insurance policies in order to meet severance pay obligations pursuant to Israeli severance pay law and staff contracts of employment relevant to the company's principal subsidiary undertaking in Israel.

(n) **Trade receivables**

Trade receivables are recognised at fair value. A provision for impairment of trade receivables is established where there is objective evidence that the company or group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or liquidation and default or delinquency of payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original rate of interest. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectable it is written off against the allowance account for trade receivables.

(o) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held on call with banks. Bank overdrafts are shown as borrowings within current liabilities.

(p) **Provisions**

A provision in accordance with IAS 37 is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are measured according to the estimated future cash flows discounted using a pre-tax interest rate that reflects the market assessments of the time value of money and, where appropriate, those risks specific to the liability.

(q) **Financial liabilities and equities**

Financial liabilities and equities instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs directly attributable to new shares are shown in equity as a deduction from the proceeds.

Share premium represents funds raised from shareholders in excess of their nominal value net of issue costs.

Revenue reserves represent the cumulative net gains and losses of the group along with increases in equity for services received in equity settled share-based transactions.

Borrowings represent bank borrowings and are measured at amortised cost.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) **Borrowing costs**

Borrowing costs are expensed to the comprehensive income statement in the period incurred.

(s) **Managing capital**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

6. Critical accounting judgements and key sources of estimation uncertainty

The key assumptions made in the financial statements concerning uncertainties at the date of financial position and the critical estimates computed by the group that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments

The group has made awards of options over its unissued share capital to certain directors, employees as part of their remuneration package, Mizrahi Tefahot Ltd, bankers to TeleMessage Ltd and Pacific Continental as part of a share buyout package.

The valuation of share options and warrants involve making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. The assumptions have been described in more detail in notes 23 and 29 to the financial statements.

Employee benefits liability

The measurement of the liability in respect of the defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 21 to the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the year end has not required impairment. However after taking into account exchange rate fluctuations, the carrying value at 31 December 2013 was £3,432,759 (2012: £3,518,045).

Property, plant and equipment

The costs of property, plant and equipment of the group are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment to be within 3 to 5 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the

residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the group's property, plant and equipment as at 31 December 2013 are disclosed in Note 16 to the financial statements.

8 Basic and diluted loss per share

Basic loss/earnings per share has been calculated on the group's loss attributable to equity holders of the parent company of £89,159 (2012: profit £272,598) and on the weighted average number of shares in issue, which was 134,064,000 (2012: 166,832,000).

In view of the group loss for the year, share warrants and options to subscribe for shares in the company are anti-dilutive and therefore diluted earnings per share is the same as basic loss per share.

Diluted earnings per share for 2012 was calculated on the group's profit of £272,598 and 179,784,836 shares which included a further 12,952,836 shares arising from the exercise of future share options and warrants.

9 Share buyback and capital reorganisation – effect on reserves.

In May 2013, the board decided that it would be appropriate to offer all shareholders the opportunity to realise some of their investment in the company by means of a tender offer which completed in June with the buyback 25.7% of the called up share capital of the company representing 39,999,999 ordinary shares from shareholders at 1 penny per share equating to £400,000. The acquired shares were cancelled following approval by the High Court leaving the company with 115,872,148 ordinary shares of 0.5 pence each in issue.

The nominal value of the shares cancelled of £200,000 was taken to a capital redemption reserve.