

Messaging International Plc ('the Company')
Interims

Chairman's Statement

We are pleased to report that we have made considerable headway in recent months by further developing our products, strengthening relationships with existing clients and signing up new customers. Our products have no boundaries and are becoming increasingly popular worldwide as the growth of the messaging market accelerates. Whilst it has taken longer than expected for us to reach the position we are now in, I am confident that our position as one of the leaders in the messaging market will enable us to deliver value to shareholders in the future.

Financial results

The results for the six months ended 30 June 2007 show a pre-tax loss of £356,721 (2006: loss £545,162) on turnover of £424,342, an increase of 32% as compared with the same six month period last year of £321,055.

In March 2007, the Company raised £900,000 (gross) through a placing of new shares and a further £350,000 was generated following the recent sale of the rights to intellectual property.

The board does not recommend the payment of an interim dividend.

Operations

Americas

Revenues generated from our North American operations are increasing as we strengthen our foothold and further develop our products to respond to the needs of our clients. Of particular note is the company's agreement with the leading mobile operator, Sprint Nextel, which continues to create new business leads. In addition to the previous "Text to Landline" deal and other government deals by Sprint (including the US Army 82nd Airborne and the US Justice Department) the US Army 18th Airborne is now using our "One to Many" messaging service to send emergency notifications and alerts to its staff.

We also signed an agreement with a leading provider of medication reminder products and services, RxNotify, to supply our multi-channel notification service, "Multi Alert". This service enables the user to automate routine messages with fully interactive voice and text

communications and facilitate real-time message delivery to wired and wireless devices, including landline phones, mobile phones, fax machines, SMS and e-mail.

Revenues are growing from our contract with HSBC in the USA, which uses our “Multi Alert” product to send text messages to its credit card customers. Since January 2006 volumes have risen from 100,000 messages per month to over 400,000 per month in June 2007. The company receives a fee for each message sent.

We strengthened our relationships with a number of North American telecom customers including Virgin Mobile USA, which launched our “Text to Landline” solution in July 2006. We are pleased to report that they have now engaged us to provide additional enhancements to the original service in order to better the user experience and branding for their customers. Rogers Wireless, the largest wireless operator in Canada, has also expanded their contract with us by the launch of our Mail Plug-in application, allowing its subscribers to compose and send text messages directly from within Microsoft Outlook ® and Outlook Express ®.

During 2007, customers have been added to our existing client-list including Telus, the third largest high profile operator in Canada, which launched our “Text to Landline” solution. Two out of the three main Canadian operators now utilise the “Text to Landline” service, with the result that this service now covers approximately 70% of Canadian users.

Europe

We continue to strengthen our relationship with our Spanish partner, Dominion, as a result of which our presence in Spain is growing steadily. In addition to the two public sector agencies previously announced, which are marketing our Mail Plug-in and Multi Alert products, we look forward to entering into further agreements in the near future.

Asia

We continue to believe that the Asian market will give rise to many opportunities as the messaging market gains momentum. In August we signed an agreement with Advanced Info Service (‘AIS’), one of the largest operators in Thailand, to launch our converged PC to Mobile products allowing users to send pictures, music, text and videos from PCs to mobile phones.

Middle East

We secured a number of business contracts, and in particular with Israel’s airline, ELAL, to supply its “One to Many” messaging service so that passengers and crew are notified of late and cancelled flights. ELAL currently employ over 5000 staff globally and during 2005 transported 3.5 million passengers.

Other large enterprise deals secured in Israel include Ackerstein Industries and Hewlett Packard, both of whom are using our Mail Plug-in in order to remain in contact with their staff locally and worldwide.

The Israeli market is rapidly embracing SMS applications and in line with this, our Mail Plug-in product (which enables users to download a simple Plug-in to their Microsoft Outlook and send an SMS message) was launched with MIRS Communications Ltd., one of Israel's leading mobile phone operators.

Recent events

We believe we have a highly innovative team operating at the cutting edge of the messaging market. Our team developed intellectual property (a method of identifying a message selection made at a mobile station enabling users to seamlessly reply to messages across various messaging services) which was patented in 2006. More recently, a sale of these rights has generated £350,000.

Prospects

In line with the buoyant global messaging market, I am confident that the second half of the year will see continued growth. I believe that Messaging International PLC has an exciting future as we continue to develop geographically and increase the range of products and services on offer to our clients.

H Furman
Chairman
26 September 2007

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

Guy Levit	Messaging International Plc	Tel: +972 3 922 5252
Isabel Crossley	St. Brides Media & Finance Ltd	Tel: +44 (0) 20 7242 4477
Mark Percy	Seymour Pierce Limited	Tel: +44 (0) 20 7107 8000

Messaging International Plc

Consolidated income statement for the six month period ended 30 June 2007

	Notes	Unaudited six months ended 30 June 2007 £	Unaudited six months ended 30 June 2006 £	Audited year ended 31 December 2006 £
Continuing operations				
Revenues	2	424,342	321,055	674,620
Cost of revenue		(243,270)	(237,186)	(466,001)
Gross profit		181,072	83,869	208,619
Operating expenses				
Research and development		(187,593)	(218,435)	(489,429)
Sales and marketing		(167,422)	(233,874)	(440,968)
Administrative and general costs		(170,686)	(179,218)	(362,174)
Total operating expenses		(525,701)	(631,527)	(1,292,571)
Operating loss on ordinary activities before interest and taxation		(344,629)	(547,658)	(1,083,952)
Interest (payable)/receivable		(12,092)	2,496	(18,320)
Loss on ordinary activities		(356,721)	(545,162)	(1,102,272)
Taxation on ordinary activities	3	-	-	-
Loss for the financial period		(356,721)	(545,162)	(1,102,272)
Loss per share on continuing operations				
Basic and diluted loss per share	4	(0.2)p	(0.5)p	(0.9)p

All amounts relate to continued activities.

There were no recognised gains or losses other than shown in the income statement.

Messaging International Plc

Consolidated balance sheet as at 30 June 2007

	Notes	Unaudited As at 30 June 2007 £	Unaudited As at 30 June 2006 £	Audited As at 31 December 2006 £
Non current assets				
Goodwill		3,236,617	3,236,617	3,236,617
Tangible assets		37,234	54,280	43,592
Intangible assets		350	1,158	715
Other Investments		47,330	94,288	53,929
		3,321,531	3,386,343	3,334,853
Current assets				
Cash and cash equivalents		393,663	341,264	84,965
Trade and other receivables		263,996	266,874	191,346
		657,659	608,138	276,311
Total Assets		3,979,190	3,994,481	3,611,164
Current liabilities				
Trade and other payables		(177,098)	(217,741)	(209,347)
Bank overdraft		(57,000)	-	(171,834)
		(234,098)	(217,741)	(381,181)
Net current assets/(liabilities)		423,561	390,397	(104,870)
Non current liabilities				
Severance pay obligations		(85,013)	(132,681)	(90,894)
Total liabilities		(319,111)	(350,422)	(472,075)
Net assets		3,660,079	3,644,059	3,139,089
Share capital		1,176,900	576,900	576,900
Share premium account		4,266,227	3,999,475	3,999,475
Revenue reserves		(1,770,962)	(938,081)	(1,414,241)
Foreign exchange reserves		(12,086)	5,765	(23,045)
Shareholders' equity	5	3,660,079	3,644,059	3,139,089

Messaging International Plc

Consolidated cash flow statement for the six months ended 30 June 2007

	Notes	Unaudited six months ended 30 June 2007 £	Unaudited six months ended 30 June 2006 £	Audited year ended 31 December 2006 £
Net cash outflow from operating activities	6	<u>(436,802)</u>	<u>(601,553)</u>	<u>(1,072,620)</u>
Investing activities				
Interest and similar income		(12,092)	2,496	7,072
Purchase of tangible assets		(925)	(14,567)	(6,610)
Investments		6,599	-	30,401
Net cash used in investing activities		<u>(6,418)</u>	<u>(12,071)</u>	<u>30,863</u>
Financing activities				
Issue of equity share capital		900,000	-	-
Share issue costs		(33,248)	-	-
Net cash from financing activities		<u>866,752</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		423,532	(613,624)	(1,041,757)
Cash and cash equivalents at the beginning of the period/year		(86,869)	954,888	954,888
Cash and cash equivalents at the end of the period/year		<u>336,663</u>	<u>341,264</u>	<u>(86,869)</u>
Cash and cash equivalents		393,663	341,264	84,965
Bank overdrafts		(57,000)	-	(171,834)
Cash and cash equivalents at the end of the period/year		<u>336,663</u>	<u>341,264</u>	<u>(86,869)</u>

Messaging International Plc

Notes to the interim report for the six months ended 30 June 2007

1. Basis of preparation and consolidation

The interim results for the six months ended 30 June 2007 are unaudited and do not constitute accounts within the meaning of S240 of the Companies Act 1985.

The interim results have been drawn up using accounting policies and presentation consistent with those disclosed and applied in the annual report and accounts for the year ended 31 December 2006.

The Comparative information contained in this report does not constitute the accounts within the meaning of S240 of the Companies Act 1985.

The accounting policies used in the interim statement are consistent with those used in the financial statements for the year ended 31 December 2006 and are in accordance with International Financial Reporting Standards.

The consolidated income statement and balance sheet include the financial statements of the company and its subsidiary undertakings up to 30 June 2007

2. Turnover

	Unaudited six months ended 30 June 2007 £	Unaudited six months ended 30 June 2006 £
North America	249,562	182,075
Rest of the World	174,780	138,980
	<u>424,342</u>	<u>321,055</u>

3. No provision has been made for taxation as the group has 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

The calculation of the loss per ordinary share is based on the loss after taxation for the six month period to 30 June 2007 of £356,721 (2006 £545,162) and 195,800,000 ordinary shares being the weighted average number of shares in the period. (2006 115,380,000).

5. Movement to shareholders' equity

	Unaudited six months ended 30 June 2007 £	Unaudited six months ended 30 June 2006 £
Loss for the period	(356,721)	(545,162)
Foreign Exchange reserves movement	10,959	14,652
Issue of new shares net of costs	866,752	-
	<u>520,990</u>	<u>(530,510)</u>
Equity at the beginning of the period	3,139,089	4,174,569
Equity at the end of the period	<u>3,660,079</u>	<u>3,644,059</u>

6. Reconciliation of operating loss to net cash outflow from ordinary activities

	Unaudited six months ended 30 June 2007 £	Unaudited six months ended 30 June 2006 £	Audited year ended 31 December 2006 £
Operating loss for the period	(344,629)	(547,658)	(1,083,952)
Adjustments for:			
Depreciation of tangible assets	7,283	12,658	22,376
Amortisation of intangible assets	365	473	916
Share based payment adjustment	-	-	80,950
Foreign currency translation differences	10,959	14,652	(46,529)
Operating cash flow before movements in working capital	<u>(326,022)</u>	<u>(519,875)</u>	<u>(1,026,239)</u>
Increase in receivables	(72,650)	(85,373)	(9,845)
Reduction in payables	(32,249)	(2,808)	(11,202)
(Reduction)/Increase in provisions	(5,881)	6,503	(25,334)
Net cash outflow from operating activities	<u>(436,802)</u>	<u>(601,553)</u>	<u>(1,072,620)</u>