

2ergo Group plc
 (“2ergo” or “the Group”)
Preliminary Results
for the Year Ended 31 August 2008

	2008	2007	
	£000	£000	% change
Revenue	32,565	33,309	-2%
Gross profit	9,769	8,614	+13%
Pre-tax profit	3,446	2,592	+33%
EBITDA	4,104	3,223	+27%
Basic earnings per share ⁽¹⁾	8.54p	8.58p	0%
Adjusted basic earnings per share ⁽²⁾	8.54p	6.74p	+27%

⁽¹⁾ 2008 EPS based on 26% effective tax rate (2007: 6%)

⁽²⁾ Stated after applying 2008 effective tax rate to 2007 EPS

Highlights

- Increase in gross profit of 13% to £9.8 million (2007: £8.6 million).
- Gross margins up from 26% to 30%, ahead of expectations.
- EBITDA up 27% to £4.1 million (2007: £3.2 million).
- Five year deal with O2 secured in the year.
- Growing number of global clients.
- Product sets relevant to current economic climate, with strong pipeline.
- Significant cash reserves of £9.1 million at the year end and debt free.
- Well placed to continue strong growth throughout coming years.

Neale Graham, Joint Chief Executive of 2ergo, commented: “I am pleased that our results this year again demonstrate consistent delivery against our aggressive targets. Moreover, I am delighted with the progress made during the year in moulding the business and management team in readiness for future growth. Our product set is now truly global, our management team have set out a clear strategy for future growth and our staff are aligned with this vision. Our growth opportunities are vast, strengthened by an extremely solid balance sheet and our proven ability to win clients with a global footprint such as O2.”

CHAIRMAN'S STATEMENT

It gives me great pleasure to report another set of strong results for the Group. With profits of £4.1 million before interest, tax, depreciation and amortisation, an increase of 27% over last year, the Board is delighted with the progress made - not only in delivering, once again, financial performance ahead of market expectations but also in the composition of these results, with record gross margins being achieved, and the rapid underlying operational progress made during the period.

This year the Group's business model has really come alive. The early commitment by the Board to develop a converged technology platform ahead of its time is paying dividends. As international clients demand greater use of mobile and, in particular, seamless, converged mobile services on a global scale, the protocol independent nature of the Group's Multiserve Platform has been a key factor in the results achieved this year.

As we expected, new, technology-rich services deliver fewer transactions than traditional mobile services, but afford greater margins due to either the quality of the user experience or the critical nature of the service. In addition, the Group has continued its strategy of focussing on building market leading products which can be sold numerous times, as well as continuing to develop innovative bespoke solutions. I am pleased to report that this strategy is reflected in these results, with gross margins increasing from 26% to 30%.

Ensuring that our clients' services are in line with our strategy continues to be of paramount importance to the Board. With this in mind, clients' services are regularly reviewed, both financially and operationally and, during the year, several clients whose services did not fit with our profitability targets or strategy were disconnected from the Multiserve Platform. Although these actions resulted in the loss of a small number of clients, the Board believes they were in the best interests of the Group and its shareholders. The services in question were low margin and high maintenance, and did not benefit the Group operationally. Such actions enable 2ergo to proactively protect its margins and maximise its efficiencies and operations and have already proved to be correct, as demonstrated by these excellent results.

The Board has long promoted the message that 2ergo's services provide its clients not only with new profit opportunities, but also with ways to save costs by harnessing mobile technologies. In the present economic climate, these proven products and services should ensure the continued strong performance of the Group during the anticipated long-term economic downturn.

It is also important to state that the Directors have managed successful businesses through past global recessionary markets. Indeed, the Board is extremely confident that these markets are full of excellent opportunities for 2ergo. In anticipation of the change in world markets the Board has exercised caution in making decisions with regard to the investment of the Group's cash resources, particularly in respect of its acquisition strategy. With over £9 million cash in the bank, and being completely debt free, the Board is now searching to identify quality, well valued opportunities for acquisitive growth that undoubtedly exist globally.

During the year the senior management team has been further strengthened to maintain the momentum of the continued organic growth of the Group, whilst ensuring the capacity to efficiently integrate its future acquisitions.

Finally, I would like to congratulate the operational board who have produced another strong set of results whilst making great strides in preparing the business for the next stage of the Group's growth. We go into 2009 confident that 2ergo is in an enviable position, having

world leading technology, an extremely strong balance sheet and an experienced Board, supported by loyal staff, many of whom are experts in their respective fields, and to whom I extend my thanks once again for their dedication and hard work over the past year.

KEITH SEELEY
CHAIRMAN

MANAGEMENT REVIEW

Financial Performance

During the year the Group has continued to focus on its strategy of increasing revenues and profitability from its technology-rich solutions and services, which command higher margins than less sophisticated services. In line with this strategy, a small number of clients were disconnected from the Multiserve Platform during the year. The margins generated from these customers were low, and the resources used to service them have been redeployed more profitably elsewhere.

As a result, revenues have fallen slightly, down 2% to £32.6 million from £33.3 million, whilst gross profit has increased to £9.8 million (2007: £8.6 million), an increase of 13%. Gross margins have risen from 26% to 30% for the year and management are confident that margins will continue to increase above this level.

In addition, due to the nature of the Group's products which not only generate new profit opportunities for clients but also create efficiencies and cost savings, the Board is confident gross profit will continue to grow, despite the current economic climate.

In America, revenues fell in the year to £1.2 million from £1.4 million; however sales in the second half of the year increased by 6% compared to the first half, reflecting the growing pipeline in that region. 2ergo Americas as a whole continued to be loss making, as predicted, with losses of £0.5 million (2007: £0.3 million), due largely to the continued investment in staff and sales generation activities by the Group in Latin America. We are also pleased to report that North America has now broken into profitability, which is expected to be sustained throughout the current financial year.

Group operating profit for the year rose to £3.0 million (2007: £2.3 million), an increase of 30%. This is stated after a charge of £0.3 million (2007: £0.3 million) in respect of the IFRS 2 share option charge. In addition, operating profit margins have increased from 7% in 2007 to 9% this year. This is despite investment in key areas such as strengthening the management team, formalising the Business Partner Programme, expanding the Americas sales teams and carrying out a global re-brand. As anticipated in the Group's last interim announcement, the benefits of these investments are already starting to be seen.

EBITDA grew by 27% to £4.1 million (2007: £3.2 million). Of the amortisation charge in the year £0.1 million was in respect of acquisitions made by the Group. Profit before tax for the year was £3.4 million, an increase of 33% compared to £2.6 million in 2007.

Basic earnings per share (EPS) was 8.54p (2007: 8.58p). The tax rate in 2007 was low, at an effective rate of 6%, due largely to the tax relief available on the exercise of staff share options prior to the demerger of Broca plc from the 2ergo group. The EPS for 2007 reflected this low tax charge. The effective tax rate for 2008 is 26%. Had the 2007 tax rate been at this level then the 2007 EPS would have been 6.74p, increasing by 27% to the reported 8.54p in 2008.

Net assets at the year end stood at £16.1 million (2007: £15.3 million). This is the first full year reported under International Financial Reporting Standards as adopted by the European Union (IFRS). IFRS was first adopted in our interim results reported on 19 May 2008. The full details of the effect of IFRS on comparatives were set out in a separate IFRS restatement report available on 2ergo's website at www.2ergo.com/about/investor-relations/reports.

The main impact of the adoption of IFRS on these accounts is the revaluation of the investment held in Broca plc to fair value. The shares acquired in Broca as a result of the demerger of that business from the Group were acquired at a value of 52p per share. At 31 August 2008, the Broca share price was 21.5p. IFRS requires that 2ergo's shareholding in Broca is therefore revalued to 21.5p. This adjustment has reduced the balance sheet valuation of the Broca investment to £1.6 million. This adjustment is an adjustment to reserves and does not affect the income statement and hence the profits earned in the year.

Cash at bank at the end of the year was £9.1 million. Cash inflow from operating activities was £1.2 million, compared to £3.2 million in 2007. This reduction is due to the timing of receipts from the mobile network operators around the year end. The Group remains highly cash generative and debt free and is ideally positioned to face the current economic environment with confidence.

Operational Review

Since his appointment in July 2007, Group Managing Director Chris Brassington and the rest of the operating board have focussed on driving continued organic growth and strengthening the senior management team and operational processes in readiness for further expansion and growth. Each UK operational director has assumed global responsibility for their relevant area, leading to closer links and improved efficiencies between the UK, the US and the Latin American arms of the Group.

A major area of focus for the team during the year has been the development of additional generic product sets, launched globally during the period.

Following significant research and development, 2ergo has developed and launched a suite of innovative, self-service products and services enabling businesses, mobile network operators and marketing agencies to take advantage of the mobile channel to increase sales, reduce costs and build a mobile presence. The following three are additions to the already well-proven product set:

2ergo 'Engage' allows businesses to create, run and manage mobile marketing and advertising campaigns to new and existing customers via a highly intuitive web self service interface. Numerous case studies for 'Engage' have demonstrated powerful response rates upwards of 25%, compared to traditional marketing methods which commonly yield response rates of below 3%. Importantly in the current economy, these increased response rates are achieved at a fraction of traditional marketing costs.

2ergo 'Unite' enables organisations to reduce churn and enhance their relationship with existing customers. As with 'Engage', businesses can access the service via an intuitive web interface, to communicate more effectively and more conveniently with their customers. 2ergo 'Unite' has been proven to significantly reduce cost via enhancing and automating customer service and CRM processes. By utilising 2ergo's 'Unite' product, a major financial services company saved 30% of their annual marketing costs, whilst also increasing customer retention.

2ergo 'Pulse' allows media and entertainment companies to 'mobilise' their creative assets. Taking advantage of 2ergo's rich content management, publishing, billing and network integration services, companies can monetise their digital assets through the creation of powerful mobile media and premium content services.

In addition, to ensure the Group's Multiserve Platform remains at the cutting edge, further development has been carried out during the year both in the Group's technology and its extensive intellectual property bank.

The Group's Business Partner Programme is also starting to gain good traction. The programme formalises the 'channel' sales strategy operated by 2ergo in recent years, and gives the Group greater access to potential customers via an indirect sales force. A number of major telecoms resellers and marketing agencies have become partners and marketing campaigns are currently underway to leverage the potential of the programme.

Americas Review

During the year the integration of 2ergo's acquired US subsidiary, Proteus Inc, was completed, resulting in increased operational efficiencies for the Group. In addition, the company was rebranded 2ergo Americas Inc.

As with the UK arm of the Group, 2ergo Americas has continued its focus on the development of products relevant to both North and Latin American markets, as well as ensuring full integration of American and UK products where relevant, creating a global, world leading, end-to-end product suite. The quality of the product set differentiates 2ergo Americas from its competition, and the company is now building a strong pipeline, both in North and Latin America, which the Board is confident will lead to profitability for the Group's US business in the 2008/9 financial year.

2ergo 'Swift', the Group's mobile internet site publishing tool, has gained good traction, being used by an increasing number of leading media company clients including FOX News and The Washington Times, together with promoting an innovative recruitment campaign for the Army National Guard. Furthermore, partnerships with companies such as Yahoo! have seen the product deployed for the burgeoning mobile advertising market.

Also launched during the year was 2ergo 'Via', a mobile messaging campaign manager. 2ergo 'Via' has been deployed numerous times since launch for advertising agencies, retailers and media clients.

Throughout the year, 2ergo Americas has continued its five year partnership with News Corp, developing an array of innovative mobile products for a range of FOX brands. In addition, the company continued to extend its key business partnership with the US's largest mobile carrier, AT&T.

The Group has also made good progress in Latin America in the year, leveraging its direct network connectivity to mobile networks across 10 countries from Mexico to Argentina, in securing distribution agreements with leading global content owners.

Operationally, the Group integrated staff based in its Latin American headquarters in Buenos Aires into its global development, financial and operational architecture. This strategy utilises the deep talent pool of technical and operational resources in Buenos Aires at a preferred cost basis relative to their North American and European counterparts. The integration across languages, territories and time zones in less than a year reflects the Group's commitment to creating a global structure that will help accelerate growth over the coming years.

Outlook

As the world's appetite for richer and time-critical mobile services increases, the outlook for 2ergo becomes even more encouraging. Heading into a global recession, the strength of the Group's balance sheet, management team and global client base, together with the fact that its existing, well proven products and services are utilised by clients either to make money or to save costs gives the Board confidence for the future.

In addition to the scalability of the Group following the continued investment in people, processes and technology, a key factor when considering the future performance of 2ergo is the architecture of the Multiserve Platform. The Board has long been committed to developing a platform which caters for the integration and speedy launch of new communication protocols and mobile services. This strategy is now paying dividends as clients' demand for broader use of the mobile channel increases globally. The Group's ability to deliver world leading, multi-protocol mobile services on a global scale and in a network and device agnostic but highly personal manner sets the Group apart.

As highly featured mobile services become part of our everyday life globally, the Group's outlook becomes even more promising and the Board looks forward to the future with high levels of optimism, even in what are clearly very difficult and ultimately uncertain economic times.

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Notes to Editors:

About 2ergo Group plc

2ergo is a leading provider of interactive and multi-channel communications solutions using mobile technologies, fixed-line telecommunications and the internet. Powered by the Group's Multiserve Platform, 2ergo delivers solutions and services to many sectors of industry, with clients that range from SMEs to multi-national enterprises, to public sector organisations. The Group's expertise enables organisations to advance their use of technology, to switch on new revenues, optimise business processes and open up new marketing channels.

Headquartered in Lancashire, United Kingdom, with offices in North and Latin America, the Group is listed on AIM, a market of the London stock exchange (AIM: RGO).

Consolidated income statement
for the year ended 31 August 2008

	Note	2008 £000	2007 £000
Revenue		32,565	33,309
Cost of sales		(22,796)	(24,695)
Gross profit		9,769	8,614
Administrative costs		(6,761)	(6,294)
Operating profit		3,008	2,320
Finance income		438	272
Profit before tax		3,446	2,592
Taxation		(911)	(164)
Profit for the financial year		2,535	2,428
Earnings per share			
Basic	2	8.54p	8.58p
Diluted	2	8.27p	8.11p

All activities relate to continuing operations.

Consolidated balance sheet
as at 31 August 2008

	2008	2007
	£000	£000
Non-current assets		
Intangible assets	2,937	2,723
Property, plant and equipment	362	255
Available for sale investments	1,610	4,605
Loan to related party	500	-
	5,409	7,583
Current assets		
Trade and other receivables	6,817	5,955
Cash and cash equivalents	9,120	9,251
	15,937	15,206
Total assets	21,346	22,789
Current liabilities		
Trade and other payables	(4,742)	(7,239)
Current income tax payable	(498)	-
	(5,240)	(7,239)
Non-current liabilities		
Deferred tax liability	-	(234)
Total liabilities	(5,240)	(7,473)
Net assets	16,106	15,316
Capital and reserves attributable to equity holders of the parent		
Share capital	306	301
Share premium	7,724	7,141
Merger reserve	1,512	1,512
Other reserve	(338)	(413)
Share option reserve	813	605
Retained earnings	6,089	6,170
Total equity	16,106	15,316

Condensed consolidated statement of changes in equity
for the year ended 31 August 2008

	Share capital £000	Share premium account £000	Merger reserve £000	Other reserve £000	Share option reserve £000	Retained earnings £000
Balance at 1 September 2007	301	7,141	1,512	(413)	605	6,170
Valuation loss on available for sale investment taken to equity	-	-	-	-	-	(2,995)
Tax on items taken directly to or transferred from equity	-	-	-	-	-	320
Net loss recognised directly in equity	-	-	-	-	-	(2,675)
Profit for the year	-	-	-	-	-	2,535
Total recognised income and expense for the year	-	-	-	-	-	(140)
Issue of share capital	5	583	-	-	-	-
IFRS 2 share based expense	-	-	-	-	267	-
Fair value of options exercised in the period	-	-	-	-	(59)	59
Exercise of options over shares in EBT	-	-	-	75	-	-
Balance at 31 August 2008	306	7,724	1,512	(338)	813	6,089

Consolidated cash flow statement
for the year ended 31 August 2008

	2008	2007
	£000	£000
Cash flows from operating activities		
Profit before tax	3,446	2,592
Adjustments for:		
Depreciation	148	112
Amortisation	948	791
Share based expense	267	339
Finance income	(438)	(272)
Increase in trade and other receivables	(949)	(782)
(Decrease)/increase in trade and other payables	(2,006)	693
Income tax paid	(244)	(293)
Net cash flows from operating activities	1,172	3,180
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(255)	(129)
Payments to acquire intangible assets	(1,162)	(1,854)
Investment in ordinary shares of Broca plc	-	(2,004)
Loan granted to related party	(500)	-
Purchase of subsidiary undertaking	-	(128)
Cash acquired with subsidiary	-	12
Interest received	438	272
Net cash flows from investing activities	(1,479)	(3,831)
Cash flows from financing activities		
Net proceeds from share issue	101	347
Proceeds from sale of shares from treasury	-	4,575
Proceeds from exercise of options over shares held in EBT	75	123
Net cash flows from financing activities	176	5,045
Net (decrease)/increase in cash and cash equivalents in the year	(131)	4,394
Cash and cash equivalents at beginning of year	9,251	4,857
Cash and cash equivalents at end of year	9,120	9,251

Notes to the consolidated preliminary financial statements for the year ended 31 August 2008

1. Basis of Preparation

The preliminary financial information has been prepared in accordance with the accounting policies set out in the Group's IFRS restatement document addressing the transition to IFRS (as adopted by the EU), dated 19 May 2008. The changes in accounting policies resulting from the IFRS restatement, together with the financial impacts of these changes and the full IFRS accounting policies of the Group are set out in the document entitled "IFRS Restatement Report", which can be found on the Group's website, www.2ergo.com/about/investor-relations/reports.

The financial information set out herein does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the year ended 31 August 2008 has been extracted from the statutory accounts of 2ergo Group plc for that year which, if adopted by the members at the Annual General Meeting, will be filed with the Registrar of Companies. The results for the year ended 31 August 2007 are derived from the statutory accounts for that year which have been delivered to the Registrar of Companies, amended for the changes in accounting policies mentioned above. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either section 237 (2) or section 237 (3) of the Companies Act 1985.

2. Earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the assumed conversion of all dilutive options.

	Earnings per share pence	Earnings £000	2008 Weighted average number of ordinary shares	Earnings per share pence	Earnings £000	2007 Weighted average number of ordinary shares
Basic earnings per share	8.54	2,535	29,669,451	8.58	2,428	28,286,294
Dilutive effect of share options			980,077			1,645,522
Diluted earnings per share	8.27	2,535	30,649,528	8.11	2,428	29,931,816

3. Report and Accounts

A copy of the Annual Report and Accounts will be sent to all shareholders with notice of the Annual General Meeting.