



Annual Report 2009



Bango is the leading provider of payment and analytics products for businesses targeting the fast growing market of internet enabled mobile phone users.

Bango's unique technology, mobile operator relationships and consumer profiles enable higher payment conversion rates for the world's leading mobile content businesses.

Bango analytics provides website owners the most accurate information about the users visiting their site using mobile phones.

The mobile market is moving to an internet based model, positioning Bango strongly for the future.

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# Highlights

## Financial highlights

- Revenues up 28% to £17.6m (£13.76m). Up 61.0% between first and second half of FY09
- Gross profit stable at £2.66m (£2.77m). Composite percentage margin reduced to 15.1% (20.1%), reflecting rapid growth in end user transactional revenues
- Loss for the year before tax & share based payments reduced to £0.58m (£1.58m)
- Internal costs reduced by 25.1% to £3.14m (£4.19m), resulting in a second half performance close to breakeven, before benefit of an R&D tax credit that generated a net retained profit
- Cash balance of £0.83m as at 31 March 09. (£1.13m at March 31 2008)

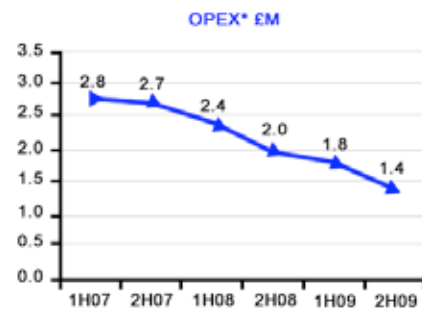
## Operational highlights

- End user spend increased 69% between the first and second half of the year
- Several major US customers started their transition from using Premium SMS aggregators to Bango during the year, causing a five fold increase in US revenues
- Bango Analytics, the new mobile marketing product line, launched in February 2008 now has more than fifty paying customers including major brands
- New capabilities added to Bango platform to benefit from growth in Wi-Fi connected mobiles

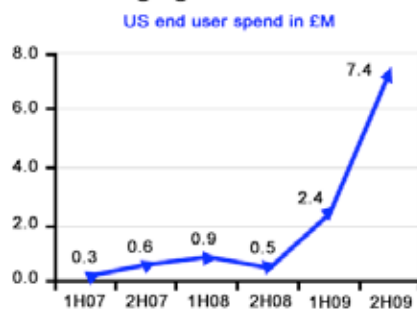
Revenues up 28% YOY



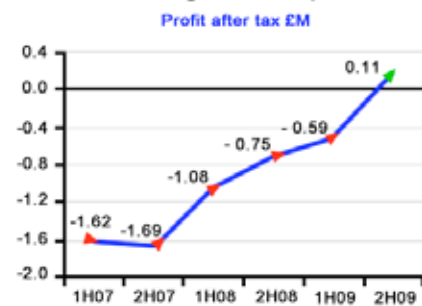
Continued OPEX reduction



High growth in USA



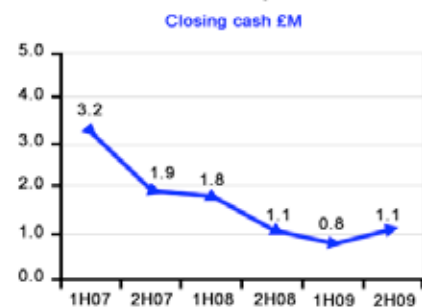
Giving 2nd half profit



Gross profit maintained



Stable cash position



\* OPEX = Sales, Marketing, Overheads inc. R&D, Finance & Depreciation

# Chairman's statement

I am pleased to report on continued strong progress at Bango, as demonstrated in its results for the financial year to March 2009.

The company has grown sales by 28% while reducing operating expenses – resulting in significantly reduced losses, and a break-even second half period. The trends in sales growth, profitability and transaction volumes point to a positive outlook for Bango.

Bango has built leadership in mobile web payment with its services. Bango is now enabling the largest US content providers, in particular, to generate increased growth and provide better customer experiences by migrating from legacy Premium SMS suppliers to Bango's web based systems.

Bango's unique technology, mobile operator relationships and consumer profiles enable higher payment conversion rates for the world's leading mobile content businesses. Simply put, they make more sales.

The Bango system that provides this simplicity to the user and the increased sales to the content providers is highly sophisticated. The technology has required many years of development and refinement – involving transactions from more than 30 million unique mobile users. It is also closely integrated with the billing systems of major mobile network operators and credit card processors.

Bango is serving a large and growing market. The worldwide mobile content market will exceed \$64 billion by 2012, up from \$20 billion in 2007, according to Juniper Research. Major mobile phone makers, mobile operators and internet businesses are driving the uptake of the mobile internet.

The growth in mobile content sales and the switch to an internet model for payment and delivery gives Bango the opportunity to develop a defensible position of dominance in this important industry sector.

Bango's growth is driven both by businesses that are new to mobile content sales and by established mobile content sellers who are starting to transition their business from the older "Premium SMS" methods of content sales to the Bango platform. Both can benefit from the increasing popularity of the mobile internet and the increased sales opportunities through Bango.

The growth of revenue in the US market has been very pleasing. The management has positioned Bango well for further substantial growth by improving operational efficiency and driving down the cost per sale.

I would like to thank the whole Bango team and shareholders for their continued commitment to maintaining Bango's leadership and success in this marketplace as it continues to grow.

**Lindsay Bury**  
Chairman

# CEO's statement

Business is progressing well at Bango. Sales are up. Operating costs are down. Bango has a strong pipeline of prospects and increasing transaction volumes from existing customers. With a large market opportunity ahead, Bango has continued to develop its unique technology to adapt to market conditions and maintain our competitive advantage.

Approximately 70% of Bango's revenue growth has come from customers that increased their use of the Bango payment service during the year. The remainder is from new customers signed up during the year. They chose Bango to benefit from the potential of the internet as a channel for their content to reach mobile consumers, now that web access is increasingly possible on mobile devices.

Many Bango customers are starting their transition from using SMS aggregators to send payment messages to the commercially more attractive and consumer friendly mobile web model. It is commercially more attractive because Bango delivers significantly higher conversion rates of clicks to collected payments than alternatives. This translates into significantly higher profits for Bango customers or their ability to out-spend their competitors in marketing.

Following investment in developing web self-service systems at [www.bango.com](http://www.bango.com) and the restructuring of the sales and marketing organization, Bango has reduced the cost of customer acquisition. The costs of operating the largely automated services are stable, so Bango expects to derive some valuable economies of scale in the future as absolute gross margins continue to grow ahead of costs.

## Growing transaction volumes

End user revenue grew by 36% year on year, and 61% half on half. It is now running at 2.7 times the level experienced in early June 2008. Gross profit on end user spend was maintained. Margin percentage reduced from 8.7% to 6.4% overall as a result of Bango's decision, reported previously, to lower transaction fees for larger content provider customers, resulting in significant increases in revenue from larger customers and the opportunity for substantial future growth.

Bango sees significant potential for growth in the volume and end user value of transactions from our current customers. Internal estimates indicate that the Top 10 customers have moved around 5-10% of their operator billing activity from legacy SMS aggregators to Bango during the year. There are compelling business reasons for much of the rest to move to Bango and the company is working with our customers and the mobile operators to facilitate this transition.

As new mobile network operators (MNO) connect to Bango to provide their billing services to Bango customers, this will also drive transaction volumes. The AT&T and Sprint contracts won before the beginning of the year under report drove most of the growth in US transactions. In April 2009 Bango signed an agreement with T-Mobile USA to further expand Bango's US coverage. This will enable increased transaction volumes for existing and future customers.

Growth also comes from new customers, Bango has a sales pipeline of large and medium sized businesses that have either not yet started the transition from legacy SMS to mobile web or who want to move from the traditional "PC" web to the mobile web to benefit from the increasing volume and spending power of mobile phone

users. As customers sign up and start using the Bango service, their success in selling their products via the mobile internet drives more transaction volume. 30% of transaction volumes came from customers won during the year.

## Growing the Bango customer base

Bango's self-serve process, coupled with web marketing, PR and industry reputation has generated several thousand customer sign-ups at [www.bango.com](http://www.bango.com) for both payment and analytics customers. Bango sales and marketing teams then support these customers to upgrade their basic product, which generates more customers paying a recurring monthly fee, and motivated to drive end user spending.

In early 2008 Bango introduced a range of simpler and lower cost products, requiring reduced sales effort and allowing us to reduce sales and marketing costs by about £0.7m year on year. Some migration occurred with existing customers moving to lower cost Bango products, although the impact was only £0.08m year on year. This move put Bango in a stronger position for future growth and strengthened our competitive position.

In January 2009, Bango changed from a policy of encouraging free, indefinite, use of low end "Analytics S" products to one of offering a one month "free trial" of the more capable "Analytics M" product which normally incurs a small monthly fee. Around 10% of these trials upgraded to a paying customer. This was a higher rate than the number of customers upgrading from the "free" product in a similar time period, and it appears that prospects were more motivated to integrate and test the product during the first month.

Shortly after the year end Bango expanded this process to Payment products. More than 11,700 users registered for the free "Bango Starter" payment product. The plan is now to offer them a more functional product for a small monthly fee. Extended use of the free product, other than an initial trial period will be phased out.

## Sales and marketing activity

Bango decided in early 2008 to reduce prices and strengthen the self-serve product proposition. This was to enable a reduction in customer acquisition costs and grow sales and margins without increasing expenditure. For the second year running, costs have been reduced while sales and operating margins have grown, demonstrating the success of this approach.

The "self serve" sign up at [Bango.com](http://Bango.com) was augmented by a small telesales team during the year, enabling Bango's "industry experts" to focus on larger accounts with more complex requirements. This ensures Bango assist larger prospects transition from using SMS aggregators to the Bango "mobile web billing" platform.

Bango Analytics had its first year of sales, and is off to a promising start with several leading brands adopting the product to measure the effectiveness of their mobile marketing campaigns.

With its reputation for accuracy and independence of measurement, Bango is seeing the first signs of Bango Analytics being used as an "independent measurement" of page traffic and quality – to enable mobile website owners to sell advertising space at higher prices.

## Product development

The development focus during the year was on improving the ability of Bango systems and partners to collect payments from consumers in the key countries of USA, UK, Spain and Germany where content provider customers see most opportunity.

A key success factor in selling to mobile users is the “payment conversion rate” – the proportion of users who choose to buy something from whom payment can be collected. An improvement in conversion rate of 2% can lead to a 20% or more improvement in profit for the content provider.

Unique technologies developed by Bango during the year have succeeded in improving payment conversion rates by 1 to 20% or more compared with alternatives.

During the year the Bango UserID system was expanded to embrace users connecting their mobile phones through Wi-Fi or “non-operator” connections. This enabled Bango – and therefore our customers – to improve conversion rates when users access content providers through such routes, especially when using credit cards. Bango technology also has potential benefit to mobile operators, who otherwise lose sight of their subscribers when they “bypass” the carrier networks through Wi-Fi connections.

Bango data showed that mobile phone access via Wi-Fi grew from a 2% share to a 7% share over the 2008 calendar year. This traffic is invisible to mobile operators. Bango can provide them with useful and accurate information about the behavior of their consumers and can also enable operator billing when subscribers are not using an operator network – a big profit opportunity for the operators.

For example, Bango can use mobile operator billing to collect payments from iPhone users browsing over Wi-Fi. The operator would not be able to do this as they are not involved in the activity between the user of the iPhone and the content provider's website. Bango's operator alliances team is now discussing these new opportunities with selected mobile operators.

The Bango roadmap for the coming year concentrates on further improving the conversion rates of Bango Payment products, especially in the territories where the most powerful content providers focus. This gives Bango customers a significant competitive edge compared with others, and Bango is dedicated to giving them the tools to succeed in their markets.

Bango is negotiating with several mobile operators who want to open up their billing capabilities to a broader audience. Bango expects to make announcements of the fruits of this work in 2009.

In March 2009 Bango appointed Lee Davies to the role of Chief Technology Officer (CTO), reflecting the increasing need for Bango to engage at a technology planning level with influential partners and peers in the mobile internet, such as Yahoo, Vodafone, Nokia, AT&T, Sprint, Google and Microsoft. As these organizations increasingly consider Bango as a technology or service provider, it is important to better understand their architectures and roadmaps so Bango can better supply them or compete with potential alternatives.

## New analytics product for mobile marketing

The beginning of the year saw the launch of Bango Analytics, a new product that enables businesses of all sizes to get a better return from their investment in marketing and advertising campaigns on the mobile web. Bango provides more accurate and comprehensive data than any alternative. Information about mobile users responding to campaigns and what they do is captured and presented in an easy to use form to enable informed decision-making.

It is a widely held view within advertising agencies that the inability to measure the effectiveness of mobile marketing is holding back investment. Gartner (IT) forecasts the mobile advertising market could grow to £5.5 billion in global revenue in 2011, up from less than £500M a year in 2007. Tools such as Bango Analytics which can demonstrate or even improve the return on this investment should be able to attract a significant part of this expenditure.

Bango Analytics can be used to measure the conversion rates of existing payment products. Bango believes this will demonstrate the benefits of moving to Bango Payment products by those who use alternative ways to collect payments from mobile users.

Being early to market, exploiting our 9 years of technology development and with an established initial customer base, and low costs of sale, Bango is well positioned to capitalize on this growth. The company has packaged its unique technology for a new set of customers – those that use the mobile web for marketing or customer engagement rather than for selling digital content.

## System availability, reliability and scalability

Bango services are delivered by software running in our datacenters, enabling us to sign up new customers and grow them with little or no extra operating cost. System availability is vital to our customers. Less than two hours of service were lost in the 12 months.

Bango regularly reviews procedures, capabilities and scalability plans with larger customers to ensure the ability to meet their present and future needs. Several have advised the Company that they require capacity for ten or twentyfold transactional volume increases in the coming year.

Privacy has become an increasingly important issue for the industry and consumers over the year. Bango recognizes the importance that individuals place on their personal data. Bango collects information about the websites that mobile phone users visit, where they spend their money or their time, and about their mobile operator, choice of handset over time, and potentially other information such as credit card data, phone number and so on.

Bango holds information on more than 40 million unique mobile subscribers, and this is growing at the rate of more than 1 million a month. It is therefore vital that we continue to comply with best practice on privacy and data security. We therefore appointed Tim Moss to the role of “Chief Data Officer” (CDO) in February 2009 to ensure we meet or exceed industry best practice and ensure the necessary security of consumer data.

### Financial performance

Gross revenue in FY2009 grew by 28% compared with the previous year to £17.6m and in the second half of the year by 61% compared with the first half year. Revenue from outside the UK accounted for 61% (£10.8m) of total revenue for the year, up from 22% (£3.1m) in the previous year.

Gross profit in the second half grew 12% compared with the first half, to give a gross profit for the year of £2.66m.

End user revenue grew by 36% year on year, and 69% half on half, and is now running at about 2.7 times the level experienced in early June 2008. Absolute margin on end user spend was maintained at £1.01m, whilst margin percentage reduced from 8.7% to 6.4% as a result of Bango's decision, as reported previously, to lower transaction fees for larger content provider customers, resulting in significant increases in revenue from larger customers and the opportunity for substantial future growth.

In early 2008 Bango changed the sales process for content providers by introducing simpler and cheaper products, requiring reduced sales effort and reducing sales and marketing costs by about £0.7m year on year. As a result, some migration occurred with existing customers moving to cheaper Bango products. Gross margin from content provider fees only reduced by £0.08m year on year, whilst putting Bango in a much stronger position for future growth.

Sales of Bango Analytics products, launched during the year, made a small contribution to content provider revenues although not significant enough to warrant separate analysis at this stage.

Administrative expenses decreased by about £1.15m (26.2%) to £3.26m from £4.41m in the previous year, mainly as a result of significant improvements in sales and marketing efficiencies.

The loss before tax was £0.65m, improved by 65% compared with the loss of £1.83m in FY07, and the retained loss for the year was further reduced to £0.48m by the receipt of £0.17m from R&D tax credits.

The cash outflow from operations was £0.55m (£0.87m) broadly in line with the loss before tax. Expenditure on assets totalled £0.41m, including £0.35m on internal R&D relating to analytics product development which was completed in April 2009 when we released Analytics 4.0. In July 2008 the Company raised £0.48m from the issue of new ordinary shares to some existing major shareholders at the then market price of 33.5p to give the company the flexibility to accelerate payments to certain customers.

### Industry trends

Bango management sees a number of trends that are growing the market opportunity for Bango:

- More sophisticated devices are achieving widespread adoption
- The adoption of the mobile web is increasing globally
- Mobile broadband technology enables the delivery of richer content to consumers

- More mobile users are using the internet and buying products on their phones
- The functionality and usability of mobile web browsers continues to improve
- Businesses are placing more emphasis on the mobile channel
- MNO's are moving to open up opportunities for third parties reaching out to their subscribers
- Increased interest in "paid content" models as "ad funding" becomes more challenging
- Increased competition for "useful shelf space" in the MNO portals and "Application Stores"
- Growing recognition of the value of behavioral or personalized marketing
- Businesses are focussing on payment conversion rates as competition becomes more intense

Once a mobile web site is established, it is immediately accessible to mobile users around the world. Users must be geo-located, age-verified for certain content types, MNO's identified and a variety of currencies and payment options might be accepted. The appropriate taxes must be collected and paid, payment fraud risk mitigated, and assurances made that products are not available to banned locations or inappropriate consumers. These and other requirements of a web enabled system make it an expensive and potentially risky undertaking for any business. These factors also make a comprehensive and highly effective outsourced Bango offering an attractive alternative.

Traditionally consumers have been encouraged to obtain digital content on a PC and transfer it to a mobile device. With the mobile phone replacing the iPod as the most popular music device and more phones having internet capability, consumers are becoming increasingly comfortable with the direct delivery of digital products, including software, audio-books, e-books, computer games, video games, music, and video to their mobile phones.

This shift to direct delivery is being driven by benefits to both buyers and sellers of these products. For buyers, downloaded products are immediately available for use, without the inconvenience of a "side-loading". For sellers, direct delivery increases the speed of user wish fulfilment and maximizes the chances of repeat sales.

Bango's technology and relationships are focused on enabling successful mobile web business models because mobile devices are increasingly the way in which consumers will be connected to content in the future. Many of the world's largest content providers agree with Bango and are starting to use Bango's services and products to replace traditional SMS driven content delivery.

Traditional internet payment mechanisms such as PayPal have been targeting the mobile market for many years but continue to show very poor conversion rates. Bango expects that during 2009 and 2010 PayPal will make changes to its systems to become more effective and this could open up a new opportunity for Bango to collect payments from some user groups.



“Application Stores” such as the Nokia OVI Store and the Apple App Store are an alternative for vendors of applications in particular. In the case of the Nokia, Blackberry and Android app stores, Bango sees opportunities to help these increase their conversion rates by adding Bango payment services, and in any case content providers can use Bango where they do their own marketing and sell via the app stores where customers discover their products through that route.

The iPhone case is more interesting. Apple has restricted the functionality from its mobile phone browser to prevent the download of applications, music or video unless they have come through an “Apple approved channel” or by side-loading. This has restricted the size of the market for content providers targeting that device. Several content providers are however using Bango to charge iPhone users for chat, information or streaming services, which are not blocked by the iPhone.

### Outlook and strategy for FY ending March 2010

Bango's strategy for the coming year is to focus on deepening success in key markets where the largest customers and biggest immediate opportunities are located. Global reach is a benefit of the Bango system, but Bango's most successful customers are focusing on getting higher returns from key successful markets so Bango will align its focus accordingly for the current financial year.

The market continues to develop broadly in the way Bango's management envisaged. Two years ago, the mobile internet was seen by many as a novelty, last year it was a minority activity. Today it is seen as an important and growing driver of consumer usage of mobile devices – with devices such as the Blackberry and the iPhone having mainstream appeal, and internet companies such as Google getting more involved in mobile phones.

The new Bango Analytics product is building a good reputation for precision and quality. Bango encounters competition from Nielsen or Omniture in our larger prospects, but according to these prospects they do not have the accuracy or quantity of data Bango can provide.

Bango expects to see continued revenue growth in the year ahead, driven by an increasing number of customers and a growing volume of transactions.

Bango sees gross margin percentage on transactional revenues being maintained by delivery of more of Bango's unique value to both content providers and mobile operators. The investments made in previous years mean Bango has a stable, automated, highly scalable system. This coupled with a proven business model and carefully managed cost base means Bango is well positioned for profitable growth in the year ahead. The mobile internet is still in its early stages but Bango management is confident of its ability to adapt to benefit from market developments.

On behalf of the Board, I would like to express my gratitude to Bango's partners and employees for their continued support. Working with mobile operators, content providers, billing companies and other commercial partners and investors, Bango looks forward to increasing success in the year ahead.

**Ray Anderson**

Chief Executive Officer

# Case studies

We work closely with our customers and partners to deliver the best mobile billing and analytics solution that will help them market and sell more mobile content and services. Through our innovative products, we have helped thousands of brands become successful on mobile. These are some of our recent success stories.

## GoSpoken

GoSpoken is an innovative international mobile e-book and audio book company that offers a wide selection of titles for purchase and download on a mobile phone. The business started in 2007 and counts former special services soldier and best selling author Andy McNab amongst its founders.

### How Bango helps

- Bango Payment technology is used to sell mobile books to users around the world
- To increase conversion rates by using Bango's optimal operator billing experience
- Specially adapted payment flows on smartphones and high end devices, which form a large percentage of the customer base
- Provide accurate and precise information about mobile traffic levels, conversion rates and other Key Performance Indicators through Bango Analytics



"By using Bango to deliver a consistent operator billing experience to all our customers we have seen a marked increase in sales. Conversion rates using operator billing are much higher than using other methods and easier for our consumers. No other billing solution lets our smartphone customers simply click to pay."

**Steve Crawford**  
Operations Director of GoSpoken

## Flirtomatic

Flirtomatic is a mobile "meet and make friends" service that allows people to meet, chat and flirt with others via a sophisticated mobile website. The service launched in the United States in 2009 and is proving a big hit with American consumers, especially iPhone users.

### How Bango helps

- Provides mobile billing to over 150 million US subscribers, enabling Flirtomatic's American customers to enjoy premium as well as standard features of the service
- Provides an optimized payment experience to iPhone, Blackberry and other customers using high-end smartphones
- Give a consistent operator billing experience to phone users who connect via Wi-Fi
- Boost mobile content sales with higher conversion rates and more successful transactions



"An increasing number of our customers are using smartphones and connect via Wi-Fi to access mobile content. With the new Bango Payment technology we can now give them the speed and convenience of familiar operator billing which helps greatly to increase our potential revenues."

**Mark Curtis**  
CEO of Flirtomatic

## Dada

Dada S.p.A. is an international leader in Community & Entertainment services for web and mobile. The company is listed on the MTA market of Borsa Italiana (DA.MI). Its Dada Entertainment business is a joint venture with Sony Music, operating in North America, which provides market leading music entertainment for consumption on mobile phones.

### How Bango helps

- Enables the expansion of their popular web music sites to music fans browsing from mobile phones
- Provides fast and secure operator billing for their subscription services across the US
- Provides a complete picture of users coming to their mobile site so Dada can match users' interests and reward loyal customers
- Maximizes conversion rates and provide detailed reporting of transactions and revenues across the user base



"We already help our community of music fans and artists to benefit from a great Web 2.0 experience. We want to bring this experience to mobile and thanks to Bango's seamless mobile billing platform, we can do just that. Through our mobile site our users can interact and consume mobile content from our extensive catalogue of mobile content."

**Massimiliano Pellegrini**  
CEO of Dada

### Telefonica O2

One of the big five global mobile networks, Telefonica O2 partners with Bango to deliver subscribers easy mobile payments across key markets of Spain, the UK and Germany.

O2 has additionally leveraged Bango technology to deliver its customers key mobile web functionality for managing access to content of different audience ratings and populating its mobile search capabilities, delivered through the operator's partnership with Yahoo!

#### How Bango helps

- Enables content providers to quickly and easily use operator billing to sell mobile content using O2's approved "Payforit" billing channel
- Enables strategic O2 content partners to secure operator billing for age verified subscribers
- Give content providers access to O2 iPhone customers for operator billing



"An increasing proportion of subscribers are choosing Wi-Fi connectivity at home or in specific locations to augment our 3G connectivity. This innovation by Bango, one of our accredited payment intermediaries with Payforit, brings the benefits of tried and trusted operator billing to subscribers, even when they connect over Wi-Fi."

**Mike Short**  
VP of Telefonica Europe

### Sprint

Sprint Nextel is one of the "Tier 1" mobile network operators covering all customer segments across the United States. The operator provides sophisticated mobile data capabilities to over 50 million subscribers, including mobile web browsing and content.

#### How Bango helps

- Launched mobile web (aka WAP) billing to Sprint's subscriber base, in conjunction with Sprint
- Brings on third party services from content providers who market through Sprint and direct-to-consumer, enabling their customers to pay on their phone bill
- Collaborates with the operator to standardize mobile web "best practice" through the Mobile Marketing Association, the industry-wide representative body



"Sprint has the highest data ARPU in the US market at £15.50 (Q2 2009) with 5 successive quarters of data revenue growth."

"Sprint is now the 6th highest rank network operator worldwide, measured by data revenues."

**Chetan Sharma Consulting Group, 2009**

### EA Mobile

Electronic Arts, the leading global interactive entertainment software company, uses Bango to bring the same successful browse and buy experience offered on their PC internet site to the EA mobile site.

#### How Bango helps

- Provides optimized, targeted billing options adapted for each customer's mobile handset
- Reporting and metrics with particular emphasis on the growing smartphone channel
- Enables payments to credit cards and to the customer's phone bill, depending on location and network factors and prior customer payment history
- Ensures customers connecting via Wi-Fi and other "off network" connections can still charge their EA mobile games to the phone bill



"EA Mobile remains the top publisher with \$49m Q1 revenues and beat its fiscal year 2009 target. It has consolidated its position as the number one global mobile games publisher. Backed by a strong slate of releases for the iPhone, and the continued success of its games for operators' portals, it achieved \$49m revenues in Q1 2009"

**Jack Kent**  
Research Analyst, Screen Digest



# Products

Through one easy integration with Bango's innovative **mobile billing** and **analytics** products, on-line businesses sell more and build closer relationships with their mobile customers.

Bango develops and markets two lines of products:

**Bango Payment** delivers more successful transactions with higher conversion rates that give bigger profits.

Businesses using **Bango Payment** benefit from:

- ✓ Optimized payment experience on all mobile devices including smartphones
- ✓ Quick and easy billing through both mobile network and Wi-Fi connections
- ✓ International coverage, with immediate international reach for no extra work
- ✓ Analytics to measure and increase conversion rates
- ✓ Automatic credit card billing to complement operator billing

**Bango Analytics** provides independent and highly accurate data reporting precise customer insights in real-time.

Businesses using **Bango Analytics** benefit from:

- ✓ Unique ID for each visitor – essential for measurement and CRM
- ✓ Real-time reporting of marketing campaign and mobile site analytics
- ✓ Complete reporting across all operator networks, Wi-Fi and smartphones
- ✓ Enriched data through key partnerships with operators and other mobile providers
- ✓ Unbiased, independent data you can trust

## Premium service and self-service with worldwide reach

Whether our customer is one of the world's largest brands or a small mobile business start-up, everybody can benefit from Bango by visiting [www.bango.com](http://www.bango.com) to manage the services they require.

## Enterprise service team

We tailor our award winning solutions to meet the requirements and high expectations of the world's largest brands. Enterprise customers get an account manager within a dedicated team of experts that provide support across all mobile payment and analytics solutions.

## Self-service

Customers can connect to any Bango service, manage marketing information, configure pricing, and access detailed reports about their visitors, customers and revenues. This can all be accomplished from the [bango.com](http://bango.com) website through a range of web services.

# Business model

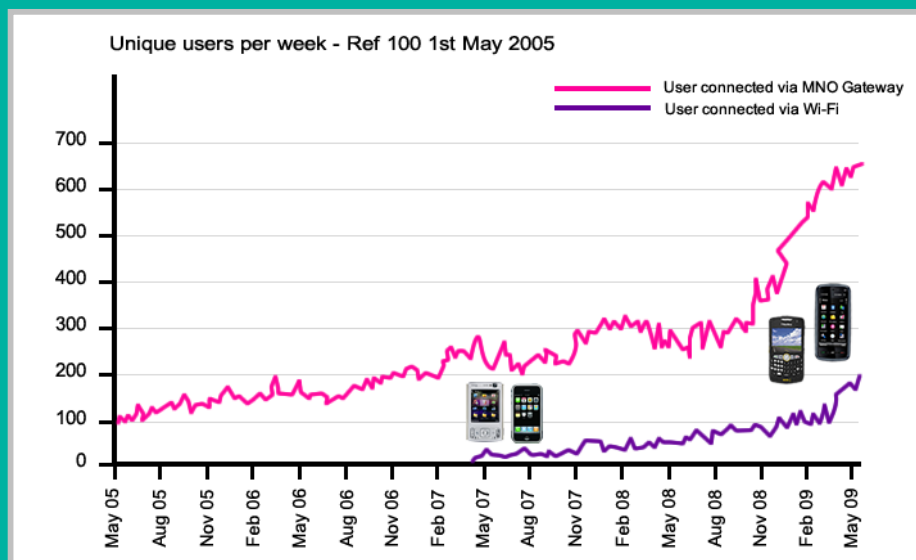
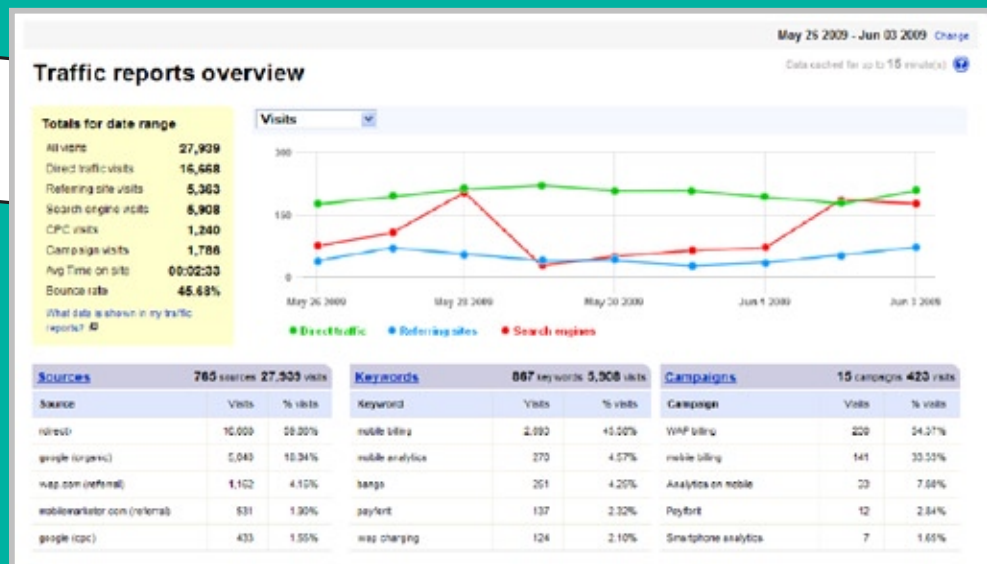
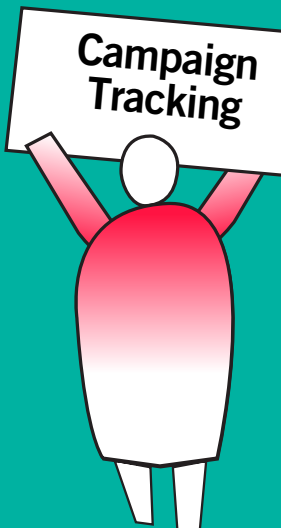
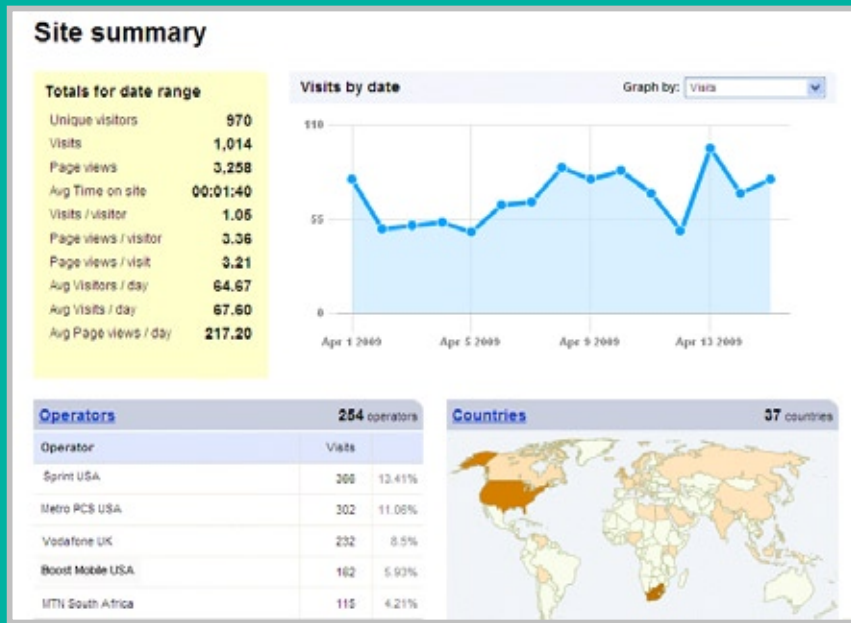
Bango charges for its services through a mixture of transaction fees and monthly fees. Where Bango collects payments through its billing partners, part of each payment transaction is retained by Bango. Around 2% is retained for very high volume customers, and up to 10% is retained at low volume levels. Monthly fees vary from a few dollars to thousands of dollars a month depending on the range and flexibility of services required.

With Bango Analytics, a monthly fee is paid depending on the traffic volumes being analyzed. Typical monthly fees range from \$49 to \$500 per month. Enterprise customers will pay according to specific load and access requirements, typically in the range of \$5,000 - \$10,000 per month. A range of Bango services are available without charge for testing or for small scale users. Most services are purchased on a recurring monthly basis, but annual contracts are available with some offerings.

# Key market developments

Anticipated in Bango's FY 2008 Annual Report, the last twelve months saw the use of the mobile web grow rapidly across key markets, driving businesses towards the "browse and buy" model that is served by Bango products. Significant developments include:

- Fast growth in the smartphones market (Blackberry, Nokia high-end devices, iPhone) – championing the idea of browsing the web on a mobile device
- Increase in Wi-Fi usage to connect to the internet from mobile devices
- Google launched "Android" – to cut the cost of mobile devices and make them more "open" to content publishers and software developers
- Nokia re-positions as an internet company, targets brands with consumer content services
- Mobile operators launched consumer marketing for mobile internet, with specific handsets and competition on data plan pricing
- Verizon Wireless and T-Mobile USA start to open up content portals to match the consumer experience delivered by AT&T and Sprint
- Vodafone started providing free "unlimited" mobile web access from phones
- UK mobile operators started mandating mobile web payment (Payforit) instead of Premium SMS



# Directors



**Ray Anderson**  
**CEO**

Ray has over 25 years experience in starting, growing and selling businesses. He was named “Technology Entrepreneur of the Year” in February 2006. Ray co-founded Bango in 1999 after realizing that the convergence of the internet with the ubiquity of mobile phones could open up huge opportunities for content and service providers. In 1988, Ray established IXI which created the industry standard network GUI - X.desktop. IXI was an early leader in the creation of the web. It sponsored the first ever WWW conference at CERN and shipped the world’s first commercial web browser.



**Anil Malhotra**  
**SVP Marketing & Alliances**

Anil is a highly experienced, senior marketing and business development manager, with over 17 years experience in building entrepreneurial, fast-growth start-up businesses in the internet, software publishing and technology sectors. He co-founded Bango with Ray Anderson in 1999 and was formerly with IXI, where Anil won worldwide deals with US, Japanese and European industry giants including IBM, Digital and Sun Microsystems.



**Peter Saxton**  
**CFO**

Peter provides the financial leadership, direction and policy guidance to the Company as it continues to grow rapidly. He has over 20 years experience in all financial disciplines including accounting, fund-raising and acquisitions. From 1996 to 2001 he was Finance Director at PayPoint, the UK’s leading branded utility bill payment Company. From start-up, Peter was responsible for all finance activity and enabled the Company to profitably process more than £2 billion of payments per year.



**Lindsay Bury**  
**Chairman**

Lindsay Bury is Chairman of Electric and General Investment Trust plc and ServicePower Technologies plc. He has in recent years been a Non-executive Director of The Sage Group plc, chairman of South Staffordshire Group and a number of other listed as well as private software and technology companies.



**Martin Rigby**  
**Non-executive Director**

Martin is founder and joint managing Director of ET Capital Limited, a shareholder in the Company. He has been a venture capital investor for over 20 years making and manages investments in innovative technology businesses, principally in network services, software and hardware.



# Company information

Company registration number	05386079
Registered office	5 Westbrook Centre Milton Road Cambridge CB4 1YG Tel: +44 (0)8700 340 360 Fax: +44 (0)1223 472 778
Directors	Mr L C N Bury – Non-executive Chairman Mr R Anderson - CEO Mr A Malhotra - SVP Marketing & Alliances Mr P Saxton - CFO Mr M Rigby – Non-executive Director
Company Secretary	Mr H Goldstein
Bankers	HSBC Bank Plc Vitrum St Johns' Innovation Park Cambridge CB4 0DS
Solicitors	Taylor Wessing 24 Hills Road Cambridge CB2 1JW
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Registered Auditors Byron House Cambridge Business Park Cowley Road Cambridge CB4 0WZ
Nominated adviser and broker	Panmure Gordon (UK) Limited 155 Moorgate London EC2M 6XB
Public relations advisor	ICIS 10 - 15 Queen Street London EC4N 1TX
US office	330 Madison Avenue 6th Floor New York, NY 10017 Tel: +1 866 528 6897 Fax: +1 646 349 3023

[www.bango.com](http://www.bango.com)  
[sales@bango.com](mailto:sales@bango.com)

# Directors' report

The Directors present the Annual Report and audited financial statements of Bango PLC for the year ended 31 March 2009.

## Principal activities and business review

The principal activity of the Company during the year was as investment holding company for Bango.net Limited and other subsidiaries.

The principal activity of the Group during the year was the development, marketing and sale of technology to enable mobile phone users to easily choose and purchase services, games, pictures, videos, music and ringtones on their mobile phones.

Bango enables businesses of all sizes to quickly and easily benefit from the expansion of the world wide web to mobile phones. Bango technology and services have been used by many leading brands.

A review of the Group's performance for the year ended 31 March 2009 and future developments is contained in the Chairman's statement and the CEO's statement.

## Key performance indicators

The Group made a loss of £477,497 (£415,001 before share based payment costs) for the year ended 31 March 2009 (2008: loss of £1,835,309, £1,577,249 before share based payment costs). The Directors do not recommend payment of a dividend.

## The Directors and their interests

The Directors who served the company throughout the year, together with their beneficial interests in the shares of the Company were as follows:

	Ordinary shares of 20p each At 31 March 2009	Ordinary shares of 20p each At 31 March 2008
Mr R Anderson	6,424,036	5,947,260
Mr A Malhotra	4,027,000	4,007,000
Mr P Saxton	225,000	200,000
Mr L C N Bury	950,000	700,000
Mr M Rigby	20,754	21,999
Mr Geoff Seabrook	-	44,000

The Directors did not exercise any share options during the year.

The Directors' interests in share options of the company were as follows:

Options to buy ordinary shares of 20p each			
Date of grant	Option price	At 31 March 2009	At 31 March 2008
<b>Mr P Saxton</b>			
1 March 2005	£0.500	200,000	200,000
21 September 2005	£2.020	50,000	50,000
25 May 2006	£1.400	50,000	50,000
22 March 2007	£0.500	76,250	76,250
31 January 2008	£0.230	91,250	91,250
19 February 2009	£0.440	62,500	-
<b>Total</b>		<b>530,000</b>	<b>467,500</b>

The share options were granted at market price and vest over a three year period in twelve equal quarterly instalments. Vested options will lapse unless exercised within ten years of the date of grant.

## Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that there has been compliance with all trading terms. Content providers are the main suppliers to the Group. At 31 March 2009, the Group had an average of 94 days (2008: 68 days) creditors outstanding in trade payables, accruals and deferred income.

## Donations

The Group made charitable donations during the year of £1,085 (2008: £670). There were no donations to political parties.

## Share capital

Details of changes in the share capital of the Company during the year are given in note 7 to the financial statements.

## Directors' indemnity arrangements

The Company has purchased and maintained throughout the year Directors' & Officers' liability insurance in respect of itself and its Directors.

## Financial risk management objectives and policies

The Group's activities expose it to some financial risks. The Group monitors these risks but does not consider it necessary to use any derivative financial instruments to hedge these risks. See notes 6, 8 and 18 for further information.

## Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably. See note 20 for further information.

## Credit risk

Credit risk arises from exposure to outstanding receivables. Potential new customers are assessed for credit risk before credit is given, to minimize credit exposure. See note 19 for further information.

## Employment policies

The Group is committed to following the applicable employment laws in each territory in which it operates. The Group is committed to fair employment practices including the prohibition of all forms of discrimination and attempts as far as possible to give equal access and fair treatment to all employees on the basis of merit. Wherever possible we provide the same opportunities for disabled people as for others. If employees become disabled we would make reasonable effort to keep them in our employment, with appropriate training where necessary.

## Health and safety policies

The Group is committed to conducting its business in a manner which ensures high standards of health and safety for its employees, visitors and the general public. It complies with all applicable and regulatory requirements.

# Directors' report

## Directors' responsibility

The following statement, which should be read in conjunction with both reports of the auditor set out on pages 18 and 41, is made in order to distinguish for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and separate parent company financial statements under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State that the Group financial statements comply with IFRSs as adopted by the European Union and that the parent financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- There is no relevant audit information of which the Company's auditors are unaware.
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

The Board intends to review the appointment of the auditor for the ensuing year and following that review the Board will make a proposal at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

BY ORDER OF THE BOARD



Company Secretary  
**Mr H Goldstein**



# Corporate governance statement

## Audit Committee

The Audit Committee comprises the Chairman and the Non-executive Director.

The Committee's main role and responsibilities are to:

- Monitor the integrity of the financial statements of the Group.
- Review the Group's internal financial controls and risk management systems.
- Make recommendations to the Board, for it to put to the shareholders for their approval in relation to the appointment of the external auditor and to approve the remuneration and terms of reference of the external auditor.
- Discussion of the nature, extent and timing of the external auditor's procedures and discussion of the external auditor's findings.
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.
- Develop and implement policy on the engagement of the external auditor to supply non-audit services.
- Report to the Board, identifying any matters in respect of which it considers that action or improvement is required.
- Ensure a formal channel is available for employees and other stakeholders to express any complaints in respect of financial accounting and reporting.

The Group does not currently have an internal audit function, which the Board considers appropriate for a Group of Bango's size. The Committee is scheduled to meet twice each year and at other times if necessary. The Audit Committee will review risk assessments and the need for an internal audit function on a periodic basis.

## Internal control procedures

The Board is responsible for the Group's system of internal controls and risk management, and for reviewing the effectiveness of these systems. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute assurance against material misstatement or loss.

The key features of the Group's internal controls are described below:

- A clearly defined organizational structure with appropriate delegation of authority.
- The approval by the Board of a one year budget, including monthly income statements, balance sheets and cash flow statements. The budget is prepared in conjunction with senior managers to ensure targets are feasible.

- The business plan is updated on a periodic basis to take into account the most recent forecasts. On a monthly basis, actual results are compared to the latest forecast and market expectations and presented to the Board on a timely basis.
- Regular reviews by the Board and by the senior management team of key performance indicators.
- A limited number of senior management are able to sign cheques and authorize payments. Payments are not permitted without an approved invoice.
- Reconciliations of key balance sheet accounts are performed and independently reviewed by the finance team.
- A disaster recovery plan and back-up system is documented and in place.

The Board in conjunction with the Audit Committee keeps under review the Group's internal control system on a periodic basis.

## Communications with shareholders

The Board recognizes the importance of regular and effective communication with shareholders. The primary forms of communication are:

- The annual and interim statutory financial reports and associated investor and analyst presentations and reports.
- Announcements relating to trading or business updates released to the London Stock Exchange.
- The Annual General Meeting provides shareholders with an opportunity to meet the Board of Directors and to ask questions relating to the business.

## Going concern

After making enquiries, at the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

# Remuneration Committee report

The Remuneration Committee comprises the Chairman and the Non-executive Director.

The Committee's main role and responsibilities are as follows:

- To review, and determine on behalf of the Board, the specific remuneration and incentive packages for each of the Group's Executive Directors.
- To review, and make recommendations to the Board in respect of, the design of remuneration structures and levels of pay and other incentives for employees of the Group, including share option awards and any adjustments to the terms of share ownership and share option schemes.
- To be responsible for reporting to the Group's shareholders in relation to remuneration policies applicable to the Group's Executive Directors.

The Committee may invite the Chief Executive Officer and Chief Finance Officer to attend meetings of the Remuneration Committee. The Chief Executive Officer is consulted on proposals relating to the remuneration of the Chief Finance Officer and of other senior executives of the Group. The Chief Executive Officer is not involved in setting his own remuneration.

The Committee may use remuneration consultants to advise it in setting remuneration structures and policies. The Committee is exclusively responsible for appointing such consultants and for setting their terms of reference.

The Committee's terms of reference are reviewed and approved by the Board. These are available for inspection at the Group's registered office.

## Remuneration policy

The Group's policy on remuneration is to provide a package of benefits, including salary, performance-related bonuses and share options, which reward success and individual contributions to the Group's overall performance appropriately, while avoiding paying more than is necessary for this purpose. In addition, the Remuneration Committee takes into account remuneration packages of comparable companies when making recommendations to the Board.

Performance-related elements of remuneration are designed to align the interests of Executive Directors with those of shareholders and accordingly are set as a significant proportion of total remuneration.

## Share options

The Group considers that active participation in a share option plan is an effective means of incentivizing and retaining high quality people. Directors and employees are eligible to participate in the scheme. Further details of the option plan and outstanding options as at 31 March 2009 are given in note 7 to the financial statements.

## Service agreements

The Executive Directors have service agreements with Bango PLC. The agreements include restrictive covenants which apply during employment and for a period of twelve months after termination.

The agreements can be terminated on twelve months' notice in writing by either the Company or by the Executive Director.

## Non-executive Directors

The remuneration of the Non-executive Directors is determined by the Executive Directors. Their appointments can be terminated on six months' notice in writing by the Company.

## Directors' emoluments

Remuneration in respect of the Directors was as follows:

	2009 £'000	2008 £'000
Aggregate emoluments	254,775	314,258
Aggregate emoluments of highest paid Director	100,800	100,500

# Report of the independent auditor to the members of Bango PLC

We have audited the Group financial statements of Bango PLC for the year ended 31 March 2009 which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and notes 1 to 21. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Bango PLC for the year ended 31 March 2009.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the CEO's statement and the Chairman's statement that is cross-referred from the business review section of the Directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, the CEO's statement, the Directors' report, the Corporate Governance statement and the Remuneration Committee report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of

evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

## Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants

Cambridge  
18 August 2009



# Consolidated balance sheet

	Note	2009 £	2008 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	259,377	318,356
Intangible assets	5	352,738	4,350
		<u>612,115</u>	<u>322,706</u>
<b>Current assets</b>			
Trade and other receivables	6	4,312,289	2,506,700
Cash and cash equivalents		826,283	1,126,033
		<u>5,138,572</u>	<u>3,632,733</u>
<b>Total assets</b>		<u><u>5,750,687</u></u>	<u><u>3,955,439</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the parent company</b>			
Share capital	7	5,673,712	5,383,282
Share premium account		5,504,749	5,320,067
Merger reserve		1,236,225	1,236,225
Other reserve		916,391	853,895
Accumulated losses		(12,385,076)	(11,907,579)
		<u>946,001</u>	<u>885,890</u>
<b>Total equity</b>		<u><u>946,001</u></u>	<u><u>885,890</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	4,804,686	3,069,549
		<u>4,804,686</u>	<u>3,069,549</u>
<b>Total liabilities</b>		<u><u>4,804,686</u></u>	<u><u>3,069,549</u></u>
<b>Total equity and liabilities</b>		<u><u>5,750,687</u></u>	<u><u>3,955,439</u></u>

These financial statements were approved by the Directors on 14 August 2009 and are signed on their behalf by:

Mr R Anderson  
Director

Mr P Saxton  
Director

The notes on pages 23 to 40 are an integral part of these consolidated financial statements.

# Consolidated income statement

	Note	2009 £	2008 £
<b>Revenue</b>	4	<b>17,607,176</b>	13,758,468
Cost of sales		<b>(14,947,758)</b>	(10,993,053)
<b>Gross profit</b>		<b>2,659,418</b>	2,765,415
Administrative expenses before share based payment		<b>(3,256,390)</b>	(4,409,832)
Share based payments		<b>(62,496)</b>	(258,060)
Total administrative expenses		<b>(3,318,886)</b>	(4,667,892)
<b>Operating loss</b>	4	<b>(659,468)</b>	(1,902,477)
Investment income	14	<b>13,426</b>	67,168
<b>Loss before taxation</b>		<b>(646,042)</b>	(1,835,309)
Income tax	15	<b>168,545</b>	-
<b>Loss for the financial year</b>		<b>(477,497)</b>	(1,835,309)
<b>Attributable to equity holders of the Company</b>		<b>(447,497)</b>	(1,835,309)
<b>Loss per share for loss attributable to the equity holders of the Company</b>			
Basic loss per share	16	<b>(1.72)</b>	(6.82)
Diluted loss per share	16	<b>(1.72)</b>	(6.82)

All of the activities of the Group are classed as continuing.

# Consolidated cash flow statement

	Note	2009 £	2008 £
<b>Net cash used by operating activities</b>	17	<b>(376,069)</b>	<b>(873,341)</b>
<b>Cash flows generated from/used by investing activities</b>			
Purchases of property, plant and equipment		<b>(59,748)</b>	(21,804)
Addition to intangible assets		<b>(352,471)</b>	-
Interest received		<b>13,426</b>	67,168
<b>Net cash generated from/used by investing activities</b>		<b>(398,793)</b>	45,364
<b>Cash flows generated from financing activities</b>			
Proceeds from issuance of ordinary shares		<b>475,112</b>	22,916
<b>Net cash generated from financing activities</b>		<b>475,112</b>	22,916
<b>Net decrease in cash and cash equivalents</b>		<b>(299,750)</b>	<b>(805,061)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,126,033</b>	1,931,094
<b>Cash and cash equivalents at end of year</b>		<b>826,283</b>	1,126,033

The notes on pages 23 to 40 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

Group	Share capital £	Share premium account £	Merger reserve £	Other reserve £	Accumulated losses £	Total £
<b>At 1 April 2007</b>	<b>5,369,548</b>	<b>5,310,885</b>	<b>1,236,225</b>	<b>595,835</b>	<b>(10,072,270)</b>	<b>2,440,223</b>
Loss for the financial year	-	-	-	-	(1,835,309)	(1,835,309)
<b>Total income/(expense) recognized for 2007/8</b>	-	-	-	-	<b>(1,835,309)</b>	<b>(1,835,309)</b>
Exercise of share options	13,734	9,182	-	-	-	22,916
Share based payment charge	-	-	-	258,060	-	258,060
	13,734	9,182	-	258,060	(1,835,309)	(1,554,333)
<b>At 31 March 2008</b>	<b>5,383,282</b>	<b>5,320,067</b>	<b>1,236,225</b>	<b>853,895</b>	<b>(11,907,579)</b>	<b>885,890</b>
Loss for the financial year	-	-	-	-	(477,497)	(477,497)
<b>Total income/(expense) recognized for 2008/9</b>	-	-	-	-	<b>(477,497)</b>	<b>(477,497)</b>
Issue of new shares	269,000	181,575	-	-	-	450,575
Share issue costs	-	(10,000)	-	-	-	(10,000)
Exercise of share options	21,430	13,107	-	-	-	34,537
Share-based payment Charge	-	-	-	62,496	-	62,496
	290,430	184,682	-	62,496	(477,497)	60,111
<b>At 31 March 2009</b>	<b>5,673,712</b>	<b>5,504,749</b>	<b>1,236,225</b>	<b>916,391</b>	<b>(12,385,076)</b>	<b>946,001</b>

The notes on pages 23 to 40 are an integral part of these consolidated financial statements.



# Notes to the financial statements

## 1 General information

Bango PLC ("the Company") was incorporated on 8 March 2005 in the United Kingdom. The Company is domiciled in the United Kingdom. The address of the registered office of the Company, which is also its principal place of business, is given on page 13. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange ("AIM").

The financial statements for the year ended 31 March 2009 (including the comparatives for the year ended 31 March 2008) were approved by the Board of Directors on 14 August 2009.

## 2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention.

The Group has prepared its Annual Report in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 1985. IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes 3.18.

These financial statements are presented in pounds sterling (GBP) because that is the presentation currency of the group. Every entity within the group has its own functional currency. Foreign operations are included in accordance with the policies set out in notes 3.13.

## 3 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.1 Basis of consolidation

On 9 June 2005 Bango PLC acquired the entire issued share capital of Bango.net Limited by way of a share for share exchange. As the shareholders were the same before and after this transaction, the share for share exchange qualifies as a common control transaction and falls outside of the scope of IFRS 3, Business Combinations.

No goodwill has been recorded and the difference between the parent company's cost of investment and Bango.net Limited's share capital and share premium is presented as a merger reserve within equity on consolidation.

The consolidated financial statements incorporate the financial statements of the Company and all entities controlled by it after eliminating internal transactions. Control is achieved where the Group has the power to govern the financial and operating policies of a Group undertaking so as to obtain economic benefits from its activities. Undertakings' results are adjusted, where appropriate, to conform to group accounting policies.

### 3.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Residual values and useful economic lives are assessed annually. Depreciation is provided to write off

the cost of all property, plant and equipment to its residual value on a straight-line basis over its expected useful economic lives, which are as follows:

Leasehold improvements	20% straight-line
Office equipment	20% straight-line
Computer equipment	33.3% straight-line

### 3.3 Intangible assets

Acquired intangible assets are measured initially at historical cost and are amortized on a straight-line basis over the expected useful economic lives:

Domain names	33.3% straight-line
Internal Development	20% straight line

### 3.4 Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets for any indication that those assets have suffered an impairment loss. Until completion of the development project, when amortisation can be charged on the intangible asset, the assets are subject to an annual impairment test. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell and value in use.

### 3.5 Loans and receivables

#### a) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits available on demand.

#### b) Trade receivables

Trade receivables are recognized initially at fair value and are measured subsequent to initial recognition at amortized cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognized in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### 3.6 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

### 3.7 Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement, except where it relates to items charged or credited directly to equity.

# Notes to the financial statements

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized as a component of tax expense in the income statement, except where it relates to items charged or credited directly to equity.

There is no income tax liability unpaid at the balance sheet date.

## 3.8 Operating lease agreements

Rentals applicable to operating leases where the risks and rewards or ownership are not transferred are charged to the income statement net of any incentives received from the lessor on a straight-line basis over the period of the lease.

## 3.9 Revenue recognition

End users make a prepayment to the Group prior to accessing chargeable mobile internet content.

Content access fees are received from end users and are recognized as revenue at the time at which end users access chargeable mobile internet content.

Where there has been no activity on an end user account for a period of 90 days, the balance remaining is released to revenue in accordance with the end user terms and conditions, because of operating policies of mobile network operators relating to number reissue.

Revenue from the sale of licences to content providers and service contracts is recognized in the financial statements over the period of the contract.

Revenue from services provided to mobile phone operators and content providers are recognized in the financial statements over the period of the contract.

## 3.10 Employee benefits

All accumulating employee-compensated absences that are unused at the balance sheet date are recognized as a liability.

Payments to defined contribution retirement benefit schemes are charged as an expense in the period to which they relate.

## 3.11 Share-based payment transactions

The Group issues equity settled share-based compensation to certain employees (including Directors). Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest. These estimates are subsequently revised if there is any indication that the number of options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods.

Fair value is measured by an external valuer using the Black-Scholes option pricing 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.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured by the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the due date of the cancellation, and any expense not yet recognized for the transaction is recognized immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

Share-based payment transactions are shown separately in the Consolidated income statement.

## 3.12 Operating loss

The operating loss is stated before investment income and finance costs.

## 3.13 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of the transaction. Exchange gains and losses are included in the income statement for the period.

# Notes to the financial statements

## 3.14 Segment reporting

A segment is a distinguishable component of the Group services or operating geography. The primary segmentation is by type of service, with a secondary segmentation by geography.

## 3.15 Financial instruments/liabilities

Financial liabilities and equity 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

## 3.16 Share capital and reserves

### Share Capital

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Share premium

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

### Merger reserve

The merger reserve represents the difference between the parent company's cost of investment and a subsidiary's share capital and share premium where a group reorganisation qualifies as a common control transaction.

### Other reserve

The other reserve represents equity-settled share-based employee remuneration until such share options are exercised.

## 3.17 Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development activities is recognized only if all of the following conditions are met:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale.
- The Group intends to complete the intangible asset and use or sell it.
- The Group has the ability to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible

asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits.

- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Internally-generated intangible assets are amortized on a straight-line basis over their useful economic lives. Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

The cost of an internally generated intangible asset comprises all direct attributable costs necessary to create, produce and prepare the intangible asset to be capable of operating in the manner intended by management. Directly attributable costs comprise employee salary and other employment costs incurred, on a time apportioned basis, on the project development. These costs are recognized as intangible assets. Until completion of the project, these assets are subject to impairment testing only. Amortisation commences upon completion of the asset, and is shown with administrative expenses in the income statement.

## 3.18 Significant accounting estimates and judgements

### Share options

Share options are granted on a discretionary basis and vest evenly over a three year period. The fair value of options granted is determined using the Black-Scholes valuation model, which requires a number of estimates and assumptions. The significant inputs into the model are share price at grant date, exercise price, expected option life, expected volatility and the risk free rate. Volatility is measured as the standard deviation of expected share price returns based on a statistical analysis of competitors' share prices.

### Trade receivables

Trade receivables are stated net of a provision for bad and doubtful debts, based on the Group's best estimate of the likelihood of recovery on a specific basis.

### Deferred tax

A deferred tax asset is recognized where the Group considers it probable that a tax credit will be received in the future. This specifically applies to tax losses and to outstanding vested share options at the balance sheet date. The Group estimates what proportion of those outstanding share options are likely to be exercised and a related tax credit received in the future. The asset recognized is also dependent on the year end share price.

### Development costs

Judgement is applied when deciding whether the recognition requirements for development costs have been met. Judgements are based on the information available at each balance sheet date. Economic success of any product development is uncertain at the time of recognition as it may be subject to future technical problems.

# Notes to the financial statements

## 3.19 Standards and interpretations not yet applied by the Group

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the Group's financial statements.

- IAS 1 Presentation of Financial Statements (revised 2007) - effective from 1 January 2009
- IAS 23 Borrowing Costs (revised 2007) - effective from 1 January 2009
- IAS 27 Consolidated and Separate Financial Statements (revised 2008) - effective from 1 July 2009
- IFRS 3 Business Combinations (revised 2008) - effective from 1 July 2009
- IFRS 8 Operating Segments - effective from 1 January 2009
- Amendment to IAS 39 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statement – Puttable Financial Instruments and Obligations Arising on Liquidation - effective from 1 January 2009
- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations - effective from 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
- IFRIC 17 Distributions of Non-cash assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009).

Based on the Group's current operations and accounting policies, management does not expect material impacts on the Group's financial statements when the standards and interpretations become effective, other than for IAS 1 the Statement of Changes in Equity will be required as well as a Statement of Comprehensive Income.



# Notes to the financial statements

## 4 Segment information

The Group operates in three main business segments. Management reporting is based principally on the type of service provided to customers. Accordingly, the Group presents its primary segment analysis on this basis:

### a. Primary reporting format – business segments

Year ended 31 March 2009

	Content access fees	Content provider fees	Services to mobile Network Operators	Common	Total
	£	£	£	£	£
Segment revenue	15,912,581	1,694,595	-	-	17,607,176
<b>Segment gross margin</b>	<b>1,015,842</b>	<b>1,643,576</b>	<b>-</b>	<b>-</b>	<b>2,659,418</b>
Common costs	-	-	-	(3,256,390)	(3,256,390)
Share based payments	-	-	-	(62,496)	(62,496)
<b>Operating loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(659,468)</b>
Investment income	-	-	-	13,426	13,426
<b>Loss before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(646,042)</b>
Taxation	-	-	-	-	168,545
<b>Loss for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(477,497)</b>
Segment assets	3,367,338	273,976	-	2,109,373	5,750,687
Segment liabilities	4,257,947	92,350	-	454,389	4,804,686
<b>Net assets</b>	<b>(890,609)</b>	<b>181,626</b>	<b>-</b>	<b>1,654,984</b>	<b>946,001</b>
Capital expenditure					
Property , plant & equipment	-	-	-	59,748	59,748
Intangible assets	-	-	-	352,471	352,471
Depreciation & amortization	-	-	-	122,810	122,810

Content access fees are the amounts paid to Bango by end users for accessing chargeable content provided by content providers. Content provider fees are the amounts paid to Bango by content providers for package fees and other services. Revenue from services to mobile network operators occur when Bango provides professional services to these organizations.

Common costs include all costs associated with staff, property and office, marketing and depreciation.

Common assets include property, plant and equipment, cash and overhead deposits and prepayments.

Common liabilities include overhead creditors and tax liabilities.

# Notes to the financial statements

Year ended 31 March 2008

	Content access fees	Content provider fees	Services to Mobile Network Operators	Common	Total
	£	£	£	£	£
Segment revenue	11,723,253	1,968,116	67,099	-	13,758,468
<b>Segment gross margin</b>	<b>1,016,203</b>	<b>1,721,382</b>	<b>27,830</b>	<b>-</b>	<b>2,765,415</b>
Common costs	-	-	-	(4,409,832)	(4,409,832)
Share based payments	-	-	-	(258,060)	(258,060)
<b>Operating loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,902,477)</b>
Investment income	-	-	-	67,168	67,168
<b>Loss before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,835,309)</b>
Taxation	-	-	-	-	-
<b>Loss for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,835,309)</b>
Segment assets	1,697,027	431,318	-	1,827,094	3,955,439
Segment liabilities	2,361,962	-	-	707,587	3,069,549
<b>Net assets</b>	<b>(664,935)</b>	<b>431,318</b>	<b>-</b>	<b>1,119,507</b>	<b>885,890</b>
Capital expenditure	-	-	-	21,804	21,804
Depreciation & amortization	-	-	-	220,859	220,859

Common costs include all costs associated with staff, property and office, marketing and depreciation.

Common assets include property, plant and equipment, cash and overhead deposits and prepayments.

Common liabilities include overhead creditors and tax liabilities.

# Notes to the financial statements

## b. Secondary reporting format – geographical segments

### Year ended 31 March 2009

	United Kingdom	Rest of EU	USA & Canada	Rest of World	Common	Total
Segment revenue	6,782,898	635,117	9,807,272	381,889	-	17,607,176
Segment assets	874,374	128,156	2,609,320	38,937	2,099,900	5,750,687
Segments liabilities	1,720,828	126,631	2,662,693	84,119	210,415	4,804,686
<b>Net assets</b>	<b>(846,454)</b>	<b>1,525</b>	<b>(53,373)</b>	<b>(45,182)</b>	<b>1,889,485</b>	<b>946,001</b>
Capital expenditure						
Property, plant, equip.	-	-	-	-	59,748	59,748
Intangible assets	-	-	-	-	352,471	352,471
Depreciation & amortization	-	-	-	-	122,810	122,810

### Year ended 31 March 2008

	United Kingdom	Rest of EU	USA & Canada	Rest of World	Common	Total
Segment revenue	10,680,360	1,254,900	1,441,360	381,848	-	13,758,468
Segment assets	1,820,475	198,264	105,482	29,400	1,801,818	3,955,439
Segments liabilities	2,165,605	218,451	258,578	66,561	360,354	3,069,549
<b>Net assets</b>	<b>(345,130)</b>	<b>(20,187)</b>	<b>(153,096)</b>	<b>(37,161)</b>	<b>1,441,464</b>	<b>885,890</b>
Capital expenditure	-	-	-	-	21,804	21,804
Depreciation & amortization	-	-	-	-	220,859	220,859

Segment revenue is based on the location of the customers and assets are based on the location of the assets.

# Notes to the financial statements

## 5 Non-current assets

### 5.1 Property, plant and equipment

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
<b>Year ended 31 March 2008</b>				
Opening net book amount	136,660	34,035	335,755	506,450
Additions	987	-	20,817	21,804
Depreciation charge for the year	(35,335)	(9,482)	(165,081)	(209,898)
Closing net book amount	<b>102,312</b>	<b>24,553</b>	<b>191,491</b>	<b>318,356</b>
<b>Year ended 31 March 2009</b>				
Opening net book amount	102,312	24,553	191,491	318,356
Additions	-	-	59,748	59,748
Depreciation charge for the year	(35,336)	(9,196)	(74,195)	(118,727)
Closing net book amount	<b>66,976</b>	<b>15,357</b>	<b>177,044</b>	<b>259,377</b>
<b>At 31 March 2009</b>				
Cost	176,679	71,859	734,430	982,968
Accumulated depreciation	(109,703)	(56,502)	(557,386)	(723,591)
Net book amount	<b>66,976</b>	<b>15,357</b>	<b>177,044</b>	<b>259,377</b>
<b>At 31 March 2008</b>				
Cost	176,679	71,859	674,682	923,220
Accumulated depreciation	(74,367)	(47,306)	(483,191)	(604,864)
Net book amount	<b>102,312</b>	<b>24,553</b>	<b>191,491</b>	<b>318,356</b>



# Notes to the financial statements

## 5.2 Intangible assets

	Domain names £	Internal Development £	Total £
<b>Year ended 31 March 2008</b>			
Opening net book amount	15,311	-	15,311
Amortization charge for the year	(10,961)	-	(10,961)
Closing net book amount	<b>4,350</b>	<b>-</b>	<b>4,350</b>
<b>Year ended 31 March 2009</b>			
Opening net book amount	4,350	-	4,350
Additions	-	352,471	352,471
Amortization charge for the year	(4,083)	-	(4,083)
Closing net book amount	<b>267</b>	<b>352,471</b>	<b>352,738</b>
<b>At 31 March 2009</b>			
Cost	32,887	352,471	385,358
Accumulated amortization	(32,620)	-	(32,620)
Net book amount	<b>267</b>	<b>352,471</b>	<b>352,738</b>
<b>At 31 March 2008</b>			
Cost	32,887	-	32,887
Accumulated amortization	(28,537)	-	(28,537)
Net book amount	<b>4,350</b>	<b>-</b>	<b>4,350</b>

## 6 Trade and other receivables

	2009 £	2008 £
Trade receivables	1,360,835	1,131,535
Other receivables	449,095	61,880
Prepayments and accrued income	2,581,586	1,363,285
Total	<b>4,391,516</b>	2,556,700
Impairment of trade and other receivables	<b>(79,227)</b>	(50,000)
	<b>4,312,289</b>	2,506,700

At the 31 March 2009, some of the unimpaired trade receivables are past their due date. The age of financial assets past due but not impaired is as follows:

	2009 £	2008 £
Not more than one month	100,092	71,712
One to two months	80,229	27,287
Three to twelve months	63,302	79,495
More than twelve months	-	77,176
	<b>243,623</b>	255,670

# Notes to the financial statements

Trade and other receivables are usually due within 30-60 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. There is no material difference between fair value and book value.

A reconciliation of bad debt provisions is provided below:

	2009 £	2008 £
Brought forward provision	50,000	40,410
Debts written off in the year	(81,517)	(64,802)
Increase in provision	110,744	74,392
Carry forward provision	<u>79,227</u>	<u>50,000</u>

Trade receivables from content providers consist of numerous accounts with no significant individual balances. Provision for impairment has been made where the debt is not considered likely to be recoverable, although successful recovery can take over twelve months where a debtor has agreed a payment plan with Bango.

Trade receivables from payment providers include significant individual balances from two major US mobile networks, Sprint Spectrum LP ("Sprint") and AT&T Mobility LLC ("AT&T").

## 7 Share capital

Authorised share capital:

	2009 £	2008 £
37,500,000 (2008: 37,500,000) ordinary shares of 20p each in Bango PLC	<u>7,500,000</u>	<u>7,500,000</u>

Allotted, called up and fully paid:

Ordinary shares of 20p each in Bango PLC	No	£
As at 1 April 2007	26,847,739	5,369,548
Exercise of share options	68,670	13,734
As at 31 March 2008	<u>26,916,409</u>	<u>5,383,282</u>
Issue of new shares	1,345,000	269,000
Exercise of share options	107,148	21,430
As at 31 March 2009	<u>28,368,557</u>	<u>5,673,712</u>

# Notes to the financial statements

## Employee share options

The Group issues share options to Directors and to employees under either an HM Revenue and Customs approved Enterprise Management Incentive (EMI) scheme or an unapproved scheme. Employees resident overseas are eligible to participate in the scheme but their options do not qualify as HM Revenue and Customs approved.

The grant price for share options is equal to the average quoted market price of the Company shares on the date of grant. Options vest evenly over a period of one to three years following grant date. If share options remain unexercised after a period of ten years from the date of grant, the options expire. Share options are forfeited if the employee leaves the Group before the options vest.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Year ended 31 March 2009		Year ended 31 March 2008	
	Average exercise price per share	Options	Average exercise price per share	Options
	p	No	p	No
Outstanding at 1 April 2008	68	2,727,626	78	2,456,638
Granted	48	375,435	31	555,540
Lapsed	64	(93,839)	90	(215,882)
Exercised	32	(107,148)	33	(68,670)
Expired	-	-	-	-
Outstanding at 31 March 2009	<u>67</u>	<u>2,902,074</u>	<u>68</u>	<u>2,727,626</u>
Exercisable at 31 March 2009	<u>75</u>	<u>2,172,434</u>	<u>70</u>	<u>1,800,057</u>

The weighted average share price at date of exercise of options exercised during the year was 32 pence (2008: 33 pence).

The fair value of options granted outstanding was determined using the Black-Scholes valuation model. Significant inputs into the model include a weighted average share price of 79 pence (2008: 84 pence) at the grant date, the exercise prices shown above, weighted average volatility of 71% (2008: 71%), dividend yield of nil, an expected option life of five years and an annual risk-free interest rate of 4.50% (2008: 4.69%).

The volatility of the Group's share price on each date of grant was calculated as the average of volatilities of share prices of companies in the Peer Group on the corresponding dates. The volatility of share price of each company in the Peer Group was calculated as the average of standard deviations of daily continuously compounded returns on the Company's stock, calculated over 1, 2, 3, 4 and 5 years back from the date of grant. This method estimates volatility of the companies' share prices over a period commensurate with the option's expected life. Furthermore, this method is designed such that it gives proportionately more weight to recent historical returns, which are likely to reflect current volatility better due to the argument of volatility persistence.

# Notes to the financial statements

At 31 March 2009, the Group had the following outstanding options and exercise prices:

		2009			2008		
		Average exercise price per share	Options	Remaining contractual life	Average exercise price per share	Options	Remaining contractual life
Expiry date		Pence	Number	Months	Pence	Number	Months
2 May	2010	50.00	60,000	13	50.00	60,000	25
19 May	2010	50.00	40,000	14	50.00	40,000	26
2 April	2012	31.00	40,000	36	31.00	66,000	48
2 May	2012	31.00	15,000	37	31.00	25,000	49
25 August	2012	31.00	40,000	41	31.00	52,000	53
24 February	2013	31.00	45,000	47	31.00	66,000	59
27 August	2013	29.00	35,000	53	29.00	52,000	65
27 February	2014	29.00	346,500	59	29.00	361,500	71
27 May	2014	31.00	40,000	62	31.00	40,000	74
27 July	2014	29.00	40,000	64	29.00	40,000	76
28 August	2014	50.00	46,000	65	50.00	58,668	77
18 February	2015	50.00	106,000	71	50.00	114,000	83
1 March	2015	50.00	230,000	71	50.00	230,000	83
22 June	2015	50.00	24,500	75	50.00	24,500	87
21 September	2015	202.00	190,000	68	202.00	194,250	90
1 March	2016	177.50	151,835	83	177.50	159,335	95
25 May	2016	140.00	210,000	86	140.00	210,000	98
9 October	2016	106.50	111,897	90	106.50	119,466	102
22 March	2017	50.00	76,250	96	50.00	76,250	108
23 March	2017	50.50	195,075	96	50.50	205,715	108
9 July	2017	47.00	4,000	99	47.00	12,000	111
19 September	2017	41.00	201,395	102	41.00	216,400	114
31 January	2018	23.00	287,472	106	23.00	304,542	118
15 October	2018	53.50	149,370	114			
19 February	2019	44.00	216,780	119			
At 31 March			<u>2,902,074</u>			<u>2,727,626</u>	

## 8 Trade and other payables

	2009 £	2008 £
Trade payables	4,501,921	2,577,273
Social security and other taxes	77,159	194,600
Accruals and deferred income	225,606	297,676
	<u>4,804,686</u>	<u>3,069,549</u>

Trade and other payables are due within one year and are non-interest bearing. There is no material difference between book value and fair value.



# Notes to the financial statements

## 9 Commitments

The Group leases an office under a non-cancellable operating lease for which the future aggregate minimum lease payments are as follows:

	2009 £	2008 £
No later than 1 year	192,446	141,246
Later than 1 but no later than 5 years	512,017	564,984
More than 5 years	-	88,279
	<b>704,463</b>	<b>794,509</b>

The lease expires on 14 November 2013. The last rent review was due on 18 November 2008.

## 10 Expenses by nature

	2009 £	2008 £
Employee benefit expense	2,183,945	2,940,194
Depreciation	122,810	220,859
Other expenses	15,959,889	12,499,892
	<b>18,266,644</b>	<b>15,660,945</b>
<i>Analysed as:</i>		
Cost of sales	14,947,758	10,993,053
Administrative expenses	3,256,390	4,409,832
Share based payments	62,496	258,060
	<b>18,266,644</b>	<b>15,660,945</b>

## 11 Loss before taxation

Loss before taxation is stated after charging:

	2009 £	2008 £
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	2,500	5,000
Audit of the financial statements of the Company's subsidiaries	27,500	27,750
Other services relating to tax	3,600	3,500
Other services	-	-
Operating lease expenses:		
Land and buildings	156,381	141,246
Plant and equipment	547	3,639
Depreciation on property, plant and equipment	118,727	209,898
Amortization of intangible assets	4,083	10,961
Research and development costs	418,161	830,799

# Notes to the financial statements

## 12 Employee benefit expense

The average number of staff employed by the Group during the financial year amounted to:

	2009 No	2008 No
Administrative staff	4	4
Marketing staff	7	8
Sales staff	4	11
Technical staff	12	13
Executive Directors	3	3
Support staff	10	10
	<b>40</b>	<b>49</b>

The aggregate payroll costs of the above were:

	2009 £	2008 £
Wages and salaries	1,880,525	2,403,089
Social security costs	183,650	237,042
Other pension costs	57,274	42,003
Share based remuneration	62,496	258,060
	<b>2,183,945</b>	<b>2,940,194</b>

The Directors have identified six (2008: seven) key management personnel, including Directors. Compensation to key management is set out below:

	2009 £	2008 £
Wages and salaries	348,995	435,126
Social security costs	37,458	47,529
Pension	16,951	28,160
Share based compensation	45,673	91,446
	<b>449,077</b>	<b>602,261</b>

## 13 Directors

Remuneration in respect of Directors was as follows:

	2009 £	2008 £
Emoluments	<b>254,775</b>	<b>314,258</b>

The highest paid director received total emoluments of £100,800 (2008: £100,500), pension contributions of £4,200 (2008 : £nil), and share based compensation of £nil (2008 : £nil).

The number of directors who accrued benefits under pension schemes was one (2008 : one).

The total share based compensation for directors was £21,627 (2008 : £35,287)

During the year no share options were exercised by the Directors, and pension contributions of £4,200 (2008: £3,430) were made on their behalf.

## 14 Investment income

	2009 £	2008 £
Bank interest receivable	<b>13,426</b>	<b>67,168</b>

# Notes to the financial statements

## 15 Income tax expense

	2009 £	2008 £
Current tax	-	-
Deferred tax	-	-
R&D tax credits received	(168,545)	-
	<u>(168,545)</u>	<u>-</u>

Income tax expense for the year differs from the standard rate of taxation as follows:

Loss on ordinary activities before taxation	(646,042)	(1,835,308)
Loss on ordinary activities multiplied by standard rate of tax of 28% (2008: 30%)	(180,891)	(550,592)
Effect of :		
Expenses not deductible for tax purposes	(220,060)	83,569
Differences between capital allowances and depreciation	(1,046)	29,111
Unutilised tax losses	412,287	420,743
Other temporary differences	(10,290)	17,169
R&D tax credits received	(168,545)	-
<b>Total tax</b>	<u>(168,545)</u>	<u>-</u>

At 31 March 2009 the unutilised tax losses carried forward amounted to £11.7 million (2008: £11.2 million).

### Unrecognized deferred tax assets:

	2009 £	2008 £
Share option scheme	19,204	-
Tax losses	3,286,103	3,165,095
Other temporary differences	11,615	21,904
Accelerated capital allowances	8,177	9,991
	<u>3,325,099</u>	<u>3,196,990</u>

No deferred tax asset has been recognized in respect of the above temporary differences due to the unpredictability of future taxable trading profits from which these differences may be deducted.

# Notes to the financial statements

## 16 Loss per share

### (a) Basic

Basic loss per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009 £	2008 £
<b>Loss attributable to equity holders of the Company</b>	<b>(477,497)</b>	(1,835,308)
Weighted average number of ordinary shares in issue	<b>27,794,361</b>	26,906,358
<b>Basic and diluted loss per share</b>	<b>(1.72)</b>	(6.82)

### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares.

At 31 March 2009 options over 2,902,074 (2008: 2,727,626) ordinary shares were outstanding. Given the loss for the year these options are considered to be anti-dilutive. Such options could potentially dilute basic loss per share in the future.

There were no actual or potential share transactions occurring after the balance sheet date that would have significantly changed the number of ordinary shares or potential ordinary shares outstanding at the end of the year if those transactions had occurred before the end of the reporting period.

## 17 Cash generated/used by operations

	2009 £	2008 £
Loss for the financial year	(477,497)	(1,835,309)
Depreciation and amortization	122,810	220,859
Taxation in income statement	(168,545)	-
Investment income	(13,426)	(67,168)
Share-based payment expense	62,496	258,060
Increase in receivables	(1,805,589)	(83,434)
Increase in payables	1,735,137	633,651
	<b>(544,614)</b>	(873,341)
Corporation tax rebate	168,545	-
<b>Net cash used by operations</b>	<b>(376,069)</b>	(873,341)

# Notes to the financial statements

## 18 Financial assets and liabilities

Financial assets included in the balance sheet relate to the following IAS 39 categories:

	2009 £	2008 £
Loans and receivables	4,705,070	3,328,440
Total financial assets	<u>4,705,070</u>	<u>3,328,440</u>

These financial assets are included in the balance sheet within the following headings:

	2009 £	2008 £
<b>Current assets</b>		
Trade and other receivables	3,878,787	2,202,407
Cash and cash equivalents	826,283	1,126,033
Other financial assets	-	-
Total financial assets	<u>4,705,070</u>	<u>3,328,440</u>

Financial liabilities included in the balance sheet relate to the following IAS 39 categories:

	2009 £	2008 £
Financial liabilities measured at amortized cost	4,501,921	2,577,273
Total financial assets	<u>4,501,921</u>	<u>2,577,273</u>

These financial liabilities are included in the balance sheet within the following headings:

	2009 £	2008 £
<b>Current liabilities</b>		
Trade payables	4,501,921	2,577,273
Total financial liabilities	<u>4,501,921</u>	<u>2,577,273</u>



# Notes to the financial statements

## 19 Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date, as summarized in note 18.

The Group continuously monitors defaults of customers and other counterparties, identified individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality including those that are past due. See note 6 for further information on financial assets that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## 20 Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on a monthly basis. Long-term liquidity needs are identified on a quarterly basis.

At 31 March 2009 the Group has contractual maturities which are summarized in Note 9 Commitments.

## 21 Market risk analysis

### 21.1 Interest risk sensitivity

The Group has no borrowings on which it is subject to interest rate risk.

### 21.2 Foreign currency sensitivity

Most of the Group's transactions are carried out in Sterling. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars and Euros.

The amounts to be paid and received in a specific currency are expected to largely offset one another, so no hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows.

	2009		2008	
	US \$	€	US \$	€
<b>Nominal amounts</b>				
Financial assets	3,693,165	93,826	187,415	165,355
Financial liabilities	4,746,697	76,104	75,856	242,366
<b>Short term exposure</b>	<u>(1,053,532)</u>	<u>17,722</u>	<u>111,559</u>	<u>(77,011)</u>

# Report of the independent auditor to the members of Bango PLC

We have audited the parent company financial statements of Bango PLC for the year ended 31 March 2009 which comprise the balance sheet and notes 1 to 8. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Bango PLC for the year ended 31 March 2009.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the parent company financial statements. The information given in the Directors' report includes that specific information presented in the CEO's statement and Chairman's statement that is cross-referred from the business review section of the Directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited parent company financial statements. This other information comprises only the Chairman's statement, the CEO's statement, the Directors' report, the Corporate governance statement and the Remuneration Committee report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

## Opinion

In our opinion:

- The parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009;
- The parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants

Cambridge  
18 August 2009

# Company balance sheet

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Investment in subsidiary	4	<u>5,120,677</u>	<u>5,058,181</u>
<b>Current assets</b>			
Debtors due within one year	5	1,012	2,158
Debtors due after one year	5	<u>6,835,734</u>	<u>6,490,578</u>
Cash at bank		-	-
		<u>6,836,746</u>	<u>6,492,736</u>
Creditors falling due within one year	6	<u>42,904</u>	<u>51,699</u>
<b>Net current assets</b>		<u><u>6,793,842</u></u>	<u><u>6,441,037</u></u>
<b>Total assets less current liabilities</b>		<u><u>11,914,519</u></u>	<u><u>11,499,218</u></u>
<b>Capital and reserves</b>			
Share capital	7	5,673,712	5,383,282
Share premium account	8	5,504,749	5,320,067
Other reserve	8	916,391	853,895
Retained earnings	8	(180,333)	(58,026)
<b>Shareholders' funds</b>		<u><u>11,914,519</u></u>	<u><u>11,499,218</u></u>

These financial statements were approved by the Directors on 14 August 2009 and are signed on their behalf by:

Mr R Anderson  
Director

Mr P Saxton  
Director

# Notes to the financial statements

## 1 Accounting policies

### Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law.

The principal accounting policies are summarized below. They have all been applied consistently throughout the year.

### Investments

Fixed asset investments are shown at cost less provision for impairment.

### Share based payments

The Company issues equity settled share-based compensation to certain employees (including Directors). Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is credited to reserves on a straight-line basis over the vesting period, together with a corresponding increase in the book value of the Company's investment in subsidiaries, based upon the Company's estimate of the shares that will eventually vest. These estimates are subsequently revised if there is any indication that the number of options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods.

Fair value is measured by an external valuer using the Black-Scholes option pricing 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.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured by the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the due date of the cancellation, and any expense not yet recognized for the transaction is recognized immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

### Related party transactions

In accordance with Financial Reporting Standard Number 8: Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the Group headed by Bango PLC as it is a parent company publishing consolidated financial statements.

## 2 Profit for the year

The Company has made full use of the exemptions as permitted by Section 230(1) of the Companies Act 1985 and accordingly

the profit and loss account of the Company is not presented as part of the accounts. The parent company loss for the year ended 31 March 2009 of £122,307 (2008: £62,295) is included in the Group loss for the financial year.

The auditor's remuneration for audit and non-audit services to the Company was borne entirely by Bango.net Limited, a wholly owned subsidiary.

## 3 Directors and employees

Details of Directors' interests in the shares and options of the Company are provided in the Directors' report on page 14.

There are no employees employed directly by the Company.

Details of Directors' remuneration are disclosed on page 36 of the Group accounts.

# Notes to the financial statements

## 4 Investments

	£
<b>Cost</b>	
Shares in subsidiary undertakings at 1 April 2008	5,058,181
Share based payments	62,496
	<hr/>
Shares in subsidiary undertakings at 31 March 2009	5,120,677
	<hr/> <hr/>
<b>Net book amount</b>	
At 31 March 2009	5,120,677
	<hr/> <hr/>
At 31 March 2008	5,058,181
	<hr/> <hr/>

Details of subsidiary undertakings at 31 March 2009 are as follows:

	Country of incorporation	Class of share capital held	Held by the company	Nature of business
Bango.net Limited	England & Wales	Ordinary	100%	Development, marketing and sale of technology for mobile phone users to purchase services for their mobile phones
Bango GmbH	Germany	Ordinary	100%	Sales office for Bango.net Limited services in Germany, Austria and Switzerland
Bango Inc	Delaware, USA	Common	100%	Sales office for Bango.net Limited services in USA

## 5 Debtors

	2009 £	2008 £
Amounts due from Group undertakings	6,835,734	6,490,578
Other debtors	1,012	2,158
	<hr/>	<hr/>
	6,836,746	6,492,736
	<hr/> <hr/>	<hr/> <hr/>

## 6 Creditors

	2009 £	2008 £
Trade creditors	15,381	18,892
Accruals and deferred income	10,137	15,421
Amounts owed to group undertakings	17,386	17,386
	<hr/>	<hr/>
	42,904	51,699
	<hr/> <hr/>	<hr/> <hr/>



# Notes to the financial statements

## 7 Share capital

Authorised share capital:

	No	2009 £	No	2008 £
Ordinary shares of 20 pence each	37,500,000	7,500,000	37,500,000	7,500,000

Allotted, called up and fully paid:

Ordinary shares of 20p each in Bango PLC	No	£
<b>As at 1 April 2007</b>	<b>26,847,739</b>	<b>5,369,548</b>
Exercise of share options	68,670	13,734
<b>As at 31 March 2008</b>	<b>26,916,409</b>	<b>5,383,282</b>
Issue of new shares	1,345,000	269,000
Exercise of share options	107,148	21,430
<b>As at 31 March 2009</b>	<b>28,368,557</b>	<b>5,673,712</b>

## 8 Reserves

	Share premium account £	Other reserve £	Retained reserves £
At 1 April 2008	5,320,067	853,895	(58,026)
Issue of new shares	171,575	-	-
Exercise of share options	13,107	-	-
Share based payments	-	62,496	-
Loss for the year	-	-	(122,307)
<b>At 31 March 2009</b>	<b>5,504,749</b>	<b>916,391</b>	<b>(180,333)</b>