Annual Report 2011

Bango is the leading provider of mobile payment and analytics technology for businesses targeting users of internet enabled mobile devices.

Bango's unique technology and operator relationships, plus millions of consumer profiles worldwide, enable businesses and developers to market and sell digital content more effectively to mobile device users.

With over 5 billion mobile phones worldwide, Bango Payment technology leverages operator billing, credit cards, PayPal plus unique 'social payment' functionality, enabling any phone user to purchase content and services from their device using the optimum payment method available to them.

Bango Analytics provides website owners and app developers with the most accurate and detailed information available. The technology delivers business critical insights into how customers visit mobile sites and use mobile applications.

Content and services are becoming digitized at an ever increasing rate and the internet usage model is becoming dominated by mobile devices. Bango is a key technology provider in this evolving, fast growing, global industry.

Highlights

Financial highlights

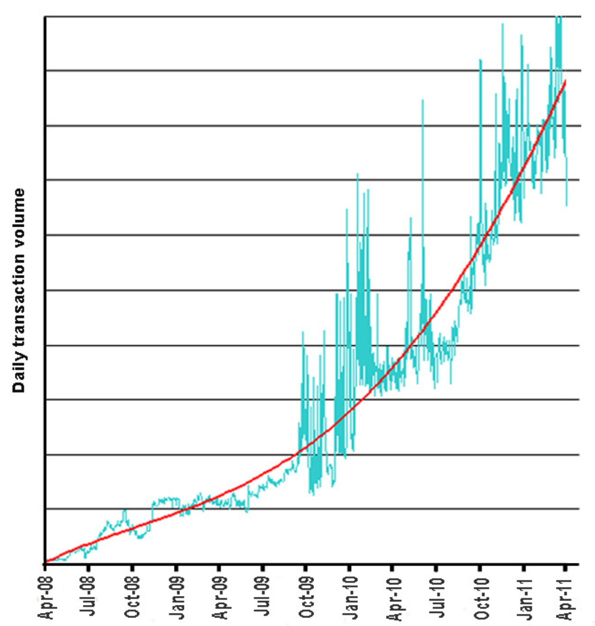
- Gross profit grew 7% to £1.29m in second half (H2) from £1.21m in H1, giving a total for the year of £2.49m (£2.67m)
- EBITDA for the year showed a deficit of £0.5m (£0.1m) with the deficit reduced from £0.3m in H1 to £0.2m in H2
- H2 underlying positive EBITDA (before share-based payments) after adjusting for £0.12m costs to accelerate sales model transition and £0.11m additional profit recognition for operator integrations
- Loss after tax £0.70m (£0.01m profit) with H2 loss of £0.27m improved from H1 loss of £0.43m
- Cash balance of £2.71m as at 31 March 2011 (£2.74m at 31 March 2010)
- Revenue for the year of £19.3m (£26.1m) with low margin end user activity down 29% to £17.46m (£24.69m) and high margin revenues up 29% to £1.86m (£1.44m)

(comparative data for FYE 31 March 2010 except where indicated)

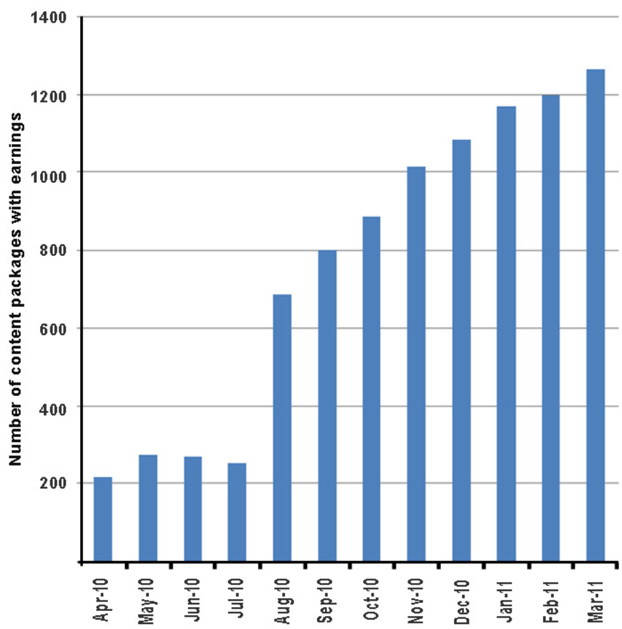
Operational highlights

- Business re-focused on high growth, higher margin smartphone market
- Agreement with RIM to provide billing and settlement for BlackBerry App World
- More than 60 new, direct carrier integrations now underway
- Announced second major app store agreement – Opera - in June 2011
- Successful launch of operator billing for BlackBerry App World in multiple markets
- Further app store business won with global mobile content providers
- Major Bango Analytics customers, including Turner, extend use of technology and deepen commitment
- New operator engagements including Vodafone Global Payments gateway, Telefónica O2 for analytics and Telecom New Zealand for payments and age verification services
- Major new users including McDonalds, Sears, PlayPhone and Glu Mobile

Bango Analytics growth



Content provider growth



Chairman’s statement

This is my first report as Bango's Chairman, having been appointed on 1 April 2011, following the retirement of Lindsay Bury. The Board would like to thank Lindsay for his contribution to Bango over the past 10 years and wishes him well in his retirement.

The year was one of transition for both Bango and the market it serves. Since inception, Bango has applied its technology and marketing across all internet enabled phones. To date, the majority of these were so called ‘feature phones’ which had limited local processing power and therefore the most common content types were relatively low value items such as ringtones, short videos and simple games.

Traditionally, smartphones, with much richer capabilities, touch interfaces and a powerful operating system, such as the iPhone, occupied a smaller niche due to their high price. However, during the last year or so, with the increasing success of Apple, BlackBerry and Android powered devices, and lower prices for entry level models it is becoming clear that smartphones are set to be a major, if not the dominant, segment of the market.

According to IDC, the global smartphone market will grow by 55 percent in 2011 to 472 million units as people upgrade from feature phones to smartphones. Gartner reported that in Q1 2011, smartphones accounted for 23.6 percent of overall sales of 428 million mobile phones, an increase of 85 percent year-on-year.

During the year Bango began a transition in its business to focus on this smartphone opportunity. It focused on providing its technology and relationships to major ‘app stores’ providing applications for smartphones and to major publishers targeting smartphones with valuable services and applications.

Bango serves a large and growing market. The worldwide mobile content market is expected to surpass $64 billion by 2012, up from $20 billion in 2007, according to Juniper Research. In 2009, mobile application download revenue exceeded $4.2 billion, reports Gartner, with a prediction of revenue growing to $29.5 billion by the end of 2013. Major mobile phone manufacturers, mobile operators and internet businesses are driving the uptake of the mobile internet.

Bango has unique and proven technology which is at the heart of its payment network. Unlike some ‘mobile payment’ companies, which focus on payment for content delivered to a PC from a user’s phone bill, Bango focuses on services and apps purchased on and delivered to the mobile device.

Coupled with mobile operator relationships and traction with the largest players in the industry, this gives Bango, a competitive advantage. Bango technology handles the current generation of downloadable apps, with charging for download during the use of the application and subscription based services. Bango technology also works with newer HTML5 web technology which is expected to become more important in the coming years.

With major players such as Apple, Google and Microsoft battling to gain a position in this key marketplace, the competitive pressures on app stores to perform effectively should drive more opportunities for Bango.

During the year, Bango appointed Rudy Berger as a Non-Executive Director. He has extensive relevant experience in strategic planning and international business development, and is based in Silicon Valley. Rudy's experience and independent perspective has already proved valuable as Bango's relationships with larger companies on the US west coast become increasingly significant.

I would like to thank Bango's employees and partners for their unswerving efforts to make Bango a key player in this exciting, fast-growing, global industry.

David Sear
Chairman

CEO's statement

In line with Bango's strategy to focus on smartphones, a key development for the year has been the success and momentum we are experiencing in enabling mobile operator payments for 'mobile applications' (apps) for smartphone users.

Bango is now selling content to BlackBerry users in many countries by enabling them to buy applications in the BlackBerry App Store (called 'BlackBerry App World') using their mobile phone bill. This increases the value of sales through BlackBerry App World, giving developers a stronger motivation to target the BlackBerry platform. Bango is expanding this capability across dozens of new mobile operators around the world.

The ability of the Bango system to provide a common connection point to dozens of diverse billing systems from mobile operators around the world, coupled with the automated settlement, currency and tax management, risk management and reporting systems to deliver payments to thousands of content providers is a powerful tool for any business building an app store.

End user spend from the smartphone and app store sector grew during the year, but not enough to offset the decline in the feature phone market over the year. Correspondingly, total end user spending and the gross margin on that revenue declined over the year. However, as app store revenues continued to accelerate, total end user spend returned to growth in May and has continued to grow since then.

Bango relationship with BlackBerry and additional app stores

Bango provides mobile network operator ("carrier") billing for BlackBerry App World. The first mobile operator, AT&T, went live towards the end of the first half, enabling BlackBerry application developers to benefit from increased revenues. During the second half, Bango connected and commissioned many new mobile operators, both in its pool of existing connections, such as Vodafone UK and T-Mobile USA and new connections, and a small number of these were active at the year end.

In January 2011 the overall value of sales through the BlackBerry App World surpassed any one of Bango's traditional content providers. As of June 2011 they have grown to more than our top three traditional content providers combined.

Shortly after the year end, Bango announced its second major app store agreement - providing operator billing for the Opera Mobile Store. This is provided as part of Opera's browser to more than 100 million users around the world.

App stores can use any of the active Bango mobile operator billing integrations and Bango connects new mobile operators as required for our app store customers. More than 60 additional mobile operator integrations are now in progress. The integrations involve not only technical connection, but also may involve three way commercials involving the operator, Bango and the app store. The processes for cash collection, tax treatments and reconciliation are also set up in Bango's automatic systems to ensure high volumes of transactions can be processed at low cost.

Bango is actively progressing significant opportunities with additional app store providers, which will also have benefits for our other customers, including RIM and traditional content providers, as Bango scales out into other territories with these new prospects. Bango payment technology will soon appear in new markets such as Indonesia, Mexico and the Middle East, markets where mobile content is a passion for the young mobile customer base.

We have been extremely encouraged by the quick uptake of Bango's payment platform by BlackBerry app developers, the success that BlackBerry developers are seeing on this important smartphone platform, and the interest in Bango technology from other large industry players.

A wide range of applications are being sold. These include business tools and services, communications and time management utilities and a broad range of eBooks and audio books, alongside a wide selection of games.

Bango looks forward to being able to update the market as these relationships develop.

Sales of content for feature phones

The sales of mobile content and services to primarily feature phone users has, as previously discussed, been impacted by industry factors - primarily relating to consumer refund policies of US mobile operators. Bango believes that the opportunity for growth in this market is limited, and therefore action has been taken to reduce costs in this area while still retaining the capacity to support our largest content providers. This will ensure that this sector of the business generates cash and profit going forward.

Bango's largest traditional content providers in the feature phone sector are also consolidating and shifting to address the smartphone opportunity. The 'long tail' of smaller content providers is being directed towards the app stores where Bango's payment services are usable indirectly at lower cost to Bango.

The growth of Android

Canalys reported that in Q4 2010, Android powered smartphones became the fastest selling with 33% share of smartphone shipments, ahead of Nokia (31%) iPhone (16%) and BlackBerry (14%). Google provides an app store called Android Market for Android, but there are other app stores being developed to target the fast growing Android user base. iPhone users are restricted by Apple in their choice of content and apps, and how they can be marketed and sold, but Android enables much more choice and innovation. This represents a significant opportunity for Bango. App stores using mobile operator billing provided by Bango demonstrate significant extra sales volume.

Product development

There have been three areas of activity for Bango product development during the year:

(1) Operational scalability in the payment network
With increasing numbers of mobile operators connecting to Bango, the technology used to manage risk and ensure transactions can be processed in volume at very low cost has been developed significantly over the year.

(2) New Bango Payment and Analytics services
New services include innovative ways to identify and authenticate Android and other devices to enable secure mobile payments and the provision of 'in-application toolkits' to enable the collection of detailed analytical data from within running applications across smartphones including iPhone, Android, BlackBerry, Windows Phone 7 and Nokia. In addition, the technology has been adapted to better serve larger screen 'tablet' devices such as Apple iPad and BlackBerry Playbook. In addition to payments collected by mobile websites, Bango has also introduced products to support payment collection from within mobile applications (apps). The popularity of mobile applications is driving more developers and content providers to commit resources to developing mobile applications, as another channel to engage with consumers and generate revenue. According to Juniper Research, mobile application revenues will be worth £25 billion in 2014.

(3) R&D to support growing transaction volumes and numbers of customers
Bango has deployed new hardware and data-warehouse technologies to support increasing usage volumes. New services were developed to allow partners, such as RIM, to create customer accounts in the Bango system using their sign-up processes, to enable rapid on-boarding of thousands of new customers to the Bango system without manual involvement at Bango.
Bango regularly reviews procedures, capabilities and scalability plans with larger partners and content providers to be able to meet their present and future needs.

As well as expecting considerable growth in revenue from smartphones, Bango has seen rapid growth in volumes of analytics transactions from our largest customers, with volume in March 2011 being 4.3 times higher than in March 2010.

The current system architecture and data centres are scalable to sustained transaction volumes more than ten times those being seen today. At the end of 2010 a project was initiated to design and plan a transition to a next generation platform that will enable Bango to quickly and economically further scale up capacity which may be required.

Financial performance

Gross revenue in FY2011 reduced by 26% to £19.3m compared with the previous year, with revenue in the second half of the year at £8.72m compared with £10.6m in the first half year. Revenue from outside the UK accounted for 83.5% (£16.1m) of total revenue for the year, up from 83.2% (£21.7m) in the previous year.

Gross profit in the second half grew 7% compared with the first half, to give a gross profit for the year of £2.49m.

End user revenue reduced by 29% year on year, 22% half on half. Gross profit on end user activity reduced by 48% to £0.64m from £1.23m, whilst margin percentage reduced from 5.0% to 3.7% because the costs of providing connections to payment providers, charged to cost of sales, are fixed even if sales volumes decrease.

Gross profit from other fees increased by £0.4m to £1.85m reflecting app store revenues and growth in analytics revenues, which increased from £0.13m to £0.33m.

During the second half of the year and after the year end, Bango reduced certain sales, marketing and technical support functions related to the feature phone business. One time costs associated with some of these reductions, recognized in the year ending 31 March 2011 amounted to approximately £0.12m. The cost saving in the following financial year is expected to be £0.3m, ensuring that the legacy feature phone business continues to be cash and margin generative.

The increase in gross profit in the second half and the return to an underlying profit - after allowing for the expenses associated in acceleration of the transition, recognition of £0.11m of profit from mobile operator connections, and a slightly faster depreciation rate - demonstrates progress with our newer, larger customers.

Administrative expenses increased by £0.37m (12.3%) to £3.22m from £2.85m in the previous year with increased depreciation and amortization accounting for £0.15m of the increase.

The loss before tax was £0.84m, compared with the loss of £0.25m in FY10, with £0.46m arising in the first half of the year and £0.38m in the second half year.

After an R&D tax credit of £0.22m and payment of US taxes of £0.08m, the loss after tax £0.696m.

The cash used by operating activities for the year was £1.16m (£0.04m) broadly in line with the loss for the year plus some consumption of positive working capital arising from the reduction in end user spend.

Expenditure on assets totaled £1.11m (£1.04m), including £1.03m (£0.88m) on internal R&D mainly on projects relating to operational scalability in future periods.

In January 2011 the Company raised £2.4m before expenses by the issue of new ordinary shares at a price of 135 pence per share.

At 31 March 2011 Bango had cash balances of £2.71m (£2.74m).

Strategy and outlook for FY ending March 2012

Bango's strategy is to leverage its central position as a payments network in the smartphone marketplace and the Board believes it is well positioned to benefit from the increased level of business activity in this space. With considerable technical and commercial investment made to date, the Bango platform can handle significant increases in transaction volumes without the need for major additional capital or operational expenditure.

Bango expects to see continued revenue growth in both end user activity and other fees, driven by an increasing number of content providers and a growing volume of transactions from existing content providers.

Bango is supporting RIM to drive the success of the BlackBerry App World. Enabling success for thousands of BlackBerry app developers brings many benefits to RIM, mobile operators and Bango. It is Bango's intention to support Android, iPhone and Nokia developers, as well as those on other platforms, either directly or through the major app stores.

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

Success stories

With our unique technology and key partnerships we have helped leading app stores, mobile businesses and brands become successful on mobile. Our mobile billing and analytics solutions enable them to market and sell more mobile content and services. Here are some of our success stories.

GoSpoken

GoSpoken is an innovative digital bookshop offering e-books and audio books designed for mobile phones and tablets. Customers are able to make purchases from the extensive catalogue of bestseller titles and download them straight to their mobile device. The business started in 2007 and counts former British special services soldier and best selling author Andy McNab amongst its founders.

GoSpoken use **Bango** to provide customers with a quick and easy way to purchase e-books and audio books by placing a charge on their mobile phone bill. This click-to-pay consumer experience is seamless and secure, maximizing conversion rates and delivering a marked increase in sales for GoSpoken.

Telefónica UK

Telefónica UK is a leading communications company for consumers and businesses in the UK, with over 22 million mobile customers through the O2 brand. Through its O2 Active mobile site, O2 offers subscribers a personalized service with fast access to a wide range of leading content including Facebook, Twitter, BBC news and Sky Sports, among others.

Bango provides Telefónica UK with advanced, real-time mobile analytics to deliver insights into customer interactions across all of their mobile websites. Powerful filtering tools enable fast and flexible analysis, supporting a wide variety of viewpoints into the data. Telefónica UK gains visibility into both their own subscribers and prospective customers coming from different networks and over Wi-Fi. With **Bango** Analytics Telefónica UK can quickly and easily optimize the content and services across each mobile site, delivering a much improved user experience.

Dada

Dada Entertainment is an international leader in community and entertainment services for web and mobile. Dada's latest MusicBox mobile application gives users access to a massive library of content containing over 100,000 of the hottest ringtones and wallpapers, updated on a daily basis.

Dada use **Bango** mobile billing within their MusicBox application to present customers with a seamless in-app payment experience. Android customers on AT&T and T-Mobile are able to place a charge on their mobile phone bill and download the latest ringtones and wallpapers directly to their mobile device from the application.

Opera

The Opera Mobile Store is one of the top ten app stores for mobile phone users available worldwide today. The store is quickly and easily accessed through a single-click from the Opera Mini or Opera Mobile browsers, making it immediately accessible to more than 100 million customers. The Opera Mobile Store is also accessible through any other mobile browser by going to mobilestore.opera.com. Every Opera Mobile Store user will discover apps and content targeting their specific mobile device, local market and currency.

Bango enables Opera Mobile Store customers to purchase apps and pay for content within apps on their mobile phone bill or through a credit card. **Bango** delivers the optimal payment experience for each individual customer wherever they are, maximizing revenues for developers.

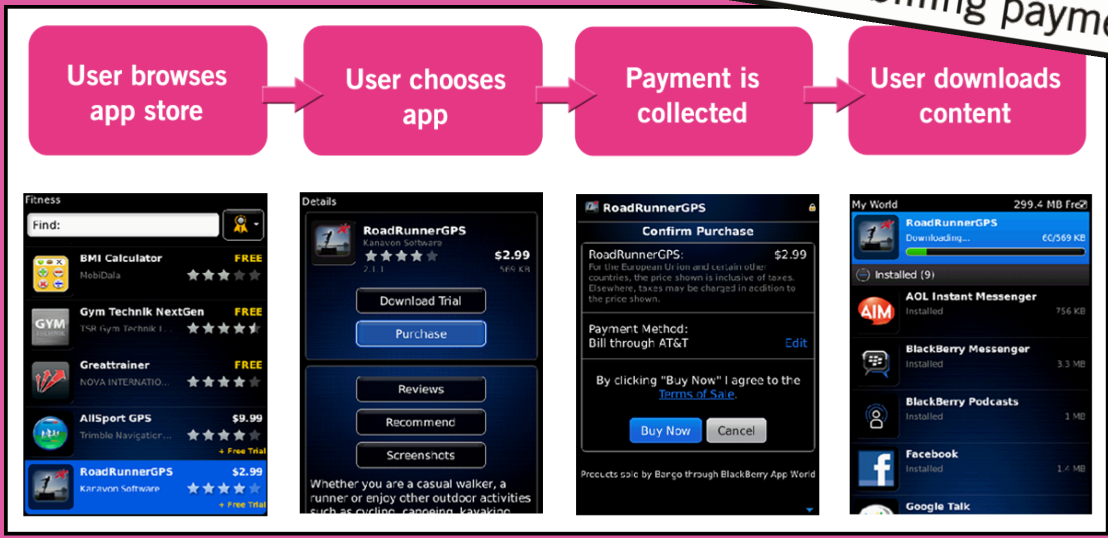
RIM (Research in Motion)

BlackBerry App World is one of the largest global app stores providing over 40 million BlackBerry smartphone users with access to all the latest mobile applications for their devices. Many apps are pay to use, customers can either pay to download the app or download for free and then pay to unlock specific features and content.

RIM chose to partner with **Bango** to enable customers to apply charges for apps directly to their mobile phone bill. **Bango** provides all operator billing, using the **Bango** mobile payments platform to activate new connections in BlackBerry markets worldwide.

In addition, **Bango** acts as the merchant of record for BlackBerry App World content sales. All connection, collection, reporting and settlement tasks are performed by **Bango** as RIM's payments global partner for operator-billed payments.

BlackBerry App World operator billing payment flow



BlackBerry App World developer portal

Products

Bango delivers a complete billing and analytics solution for app stores, mobile apps and websites.

Bango Payment delivers everything from simple pay-to-download solutions through to advanced subscription services. We provide the latest direct operator billing technology worldwide, along with credit card, debit card and PayPal connections designed to exceed even the most demanding, large-scale app store, in-app and web payment requirements.

Bango takes care of all the merchant of record, taxation and settlement complexities, handles large-scale developer on-boarding with automatic account creation and mass out payment of earnings.

We deliver detailed real-time reporting to app store owners and developers, covering payments, refunds and app or website use, as well as comprehensive marketing campaign measurement.

Detailed customer care tools allow fast transaction lookup from mobile number, with easy refund and subscription management, everything you need to give your customers the best possible experience.

Bango Analytics provides a complete end-to-end measurement solution designed to excel in today's world of mobile internet, smartphones and tablets. It delivers accurate, independent customer insights from the initial point of contact within marketing campaigns through website navigation and app usage to specific goals.

Bango leverages unique relationships with mobile network operators, handset manufacturers and browser developers to deliver over 8 times greater accuracy than traditional PC analytics solutions. Our server-based user identification technology returns an anonymous, persistent User ID for all customers each time they visit any website or application – giving you a consistent view across all your properties.

Real-time, ad-hoc reporting with advanced filtering and segmentation of data, allows you to quickly get to the important facts in the way you want.

Bango Analytics makes it easy to understand customer's paths and behavior across all your websites or applications, while our unique mobile data delivers precise details about each customer's carrier, including virtual network operators such as Virgin Mobile, and their connections, including Wi-Fi.

Business model

Bango sells content to end users. Bango pays the variable costs charged by payment providers and pays a pre-agreed amount to the content provider for each sale. The remaining part of each transaction is retained by Bango. Fixed percentages are not earned on each transaction – on average 2% is retained for high volume customers, while 5% is retained at low volume levels.

Bango also charges monthly fees for the platform functionality along with custom integration and consultancy fees. Fees vary from a few dollars to thousands of dollars a month depending on the range and flexibility of services required. Integration and consultancy fees are priced to meet specific customer requirements.

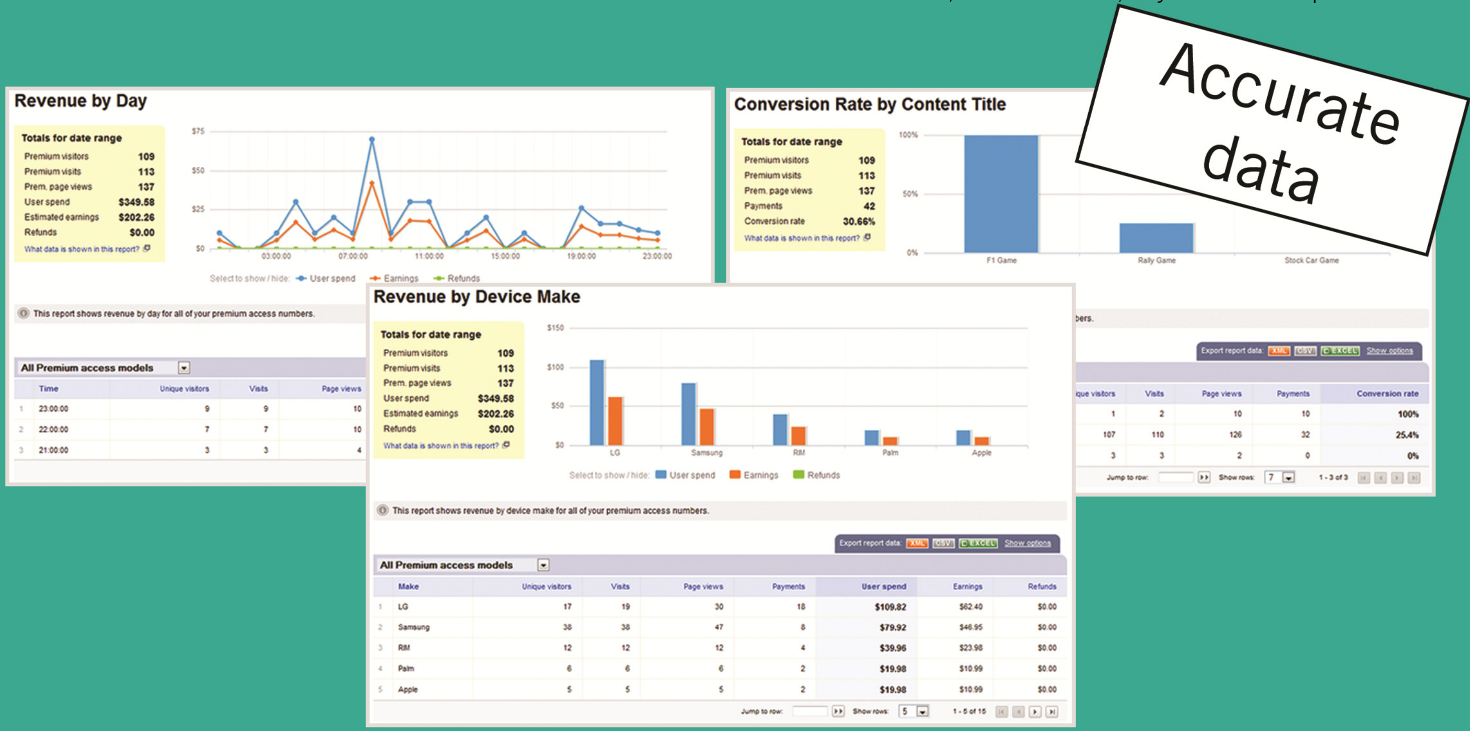
With Bango Analytics, a monthly fee is paid depending on the volume of data being recorded, stored and analyzed. Additionally a fee for advanced functionality and user accounts is applied. Typical monthly fees start from £29 ($49) per month, while enterprise customers pay upwards of £3,000 - £6,000 ($5,000 - $10,000) per month depending on data volumes and specific requirements.

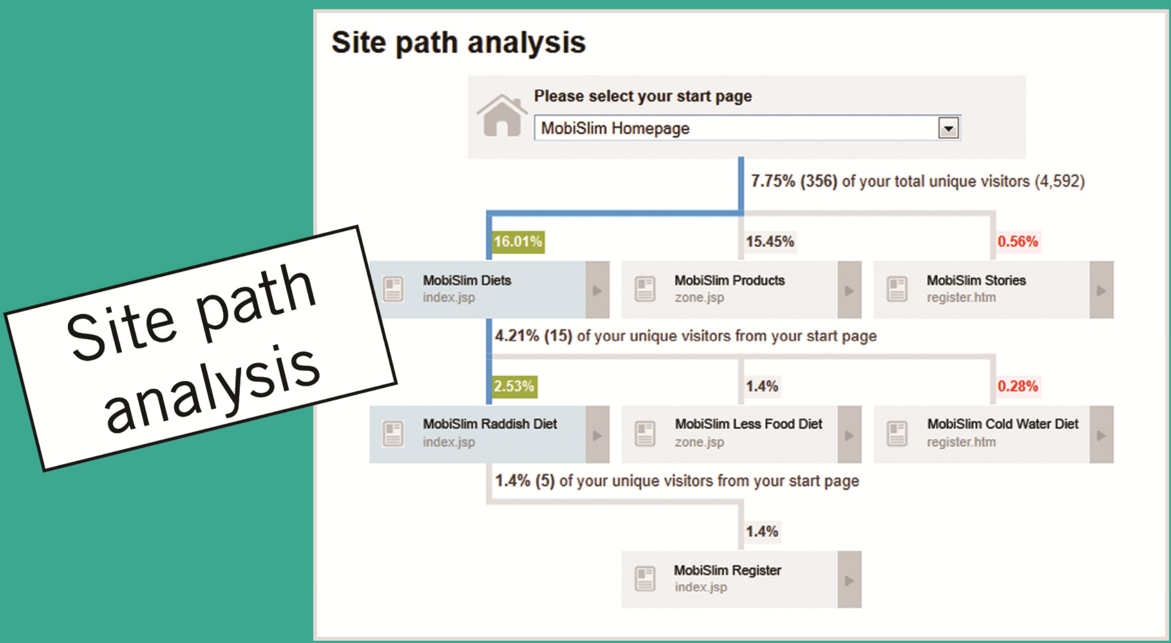
A range of Bango services are available without charge for testing or for small scale users. Most services are purchased on a recurring monthly basis, but annual contracts are available for our larger scale offerings where service level agreements and long form contracts are required.

Key market developments

The battle to establish the mobile smartphone standard has been the defining feature of this last year. The market opportunity – there are now over 5 billion mobile phone users worldwide (source: GSMA) – is driving significant investment in devices and services that increase mobile phone usage, including mobile commerce services. Significant developments include:

- The ascendency of Google's Android smartphone operating system. The rate of growth in North America now exceeds the iPhone
- The popularity of RIM BlackBerry devices in emerging markets. The overall decline in the popularity of Nokia devices, the company has yet to deliver a competitive smartphone product
- More mobile content 'app stores' are being rolled-out as device makers present a package of services around their smartphone products
- Device independent app stores are attractive for developers, offering a cross-platform channel to market and better merchandizing support than manufacturers can provide. App store vendors include Amazon and mobile browser maker Opera Software provide these
- M&A activity in the mobile payments sector, as big payment processors including Visa, American Express and PayPal look for positioning and know-how in the sector
- Nokia shake-up steps up a gear through closer alignment with the Windows Phone 7 platform. Expect further downsizing during the current year
- Mobile web adopted as a strategic differentiator by Google, Yahoo, HP, RIM, Opera and others. Outside of Apple iOs, more browser based service delivery to mobile devices is happening
- The return of paid mobile content after a period in which advertising-funding was positioned as the business model for content


Accurate data
Revenue by Day
Conversion Rate by Content Title
Revenue by Device Make


Site path analysis
Site path analysis
Please select your start page
MobiSlim Homepage
7.75% (356) of your total unique visitors (4,592)
16.01%
15.45%
0.56%
MobiSlim Diets
index.jsp
MobiSlim Products
zone.jsp
MobiSlim Stories
register.htm
4.21% (15) of your unique visitors from your start page
2.53%
1.4%
0.28%
MobiSlim Raddish Diet
index.jsp
MobiSlim Less Food Diet
zone.jsp
MobiSlim Cold Water Diet
register.htm
1.4% (5) of your unique visitors from your start page
1.4%
MobiSlim Register
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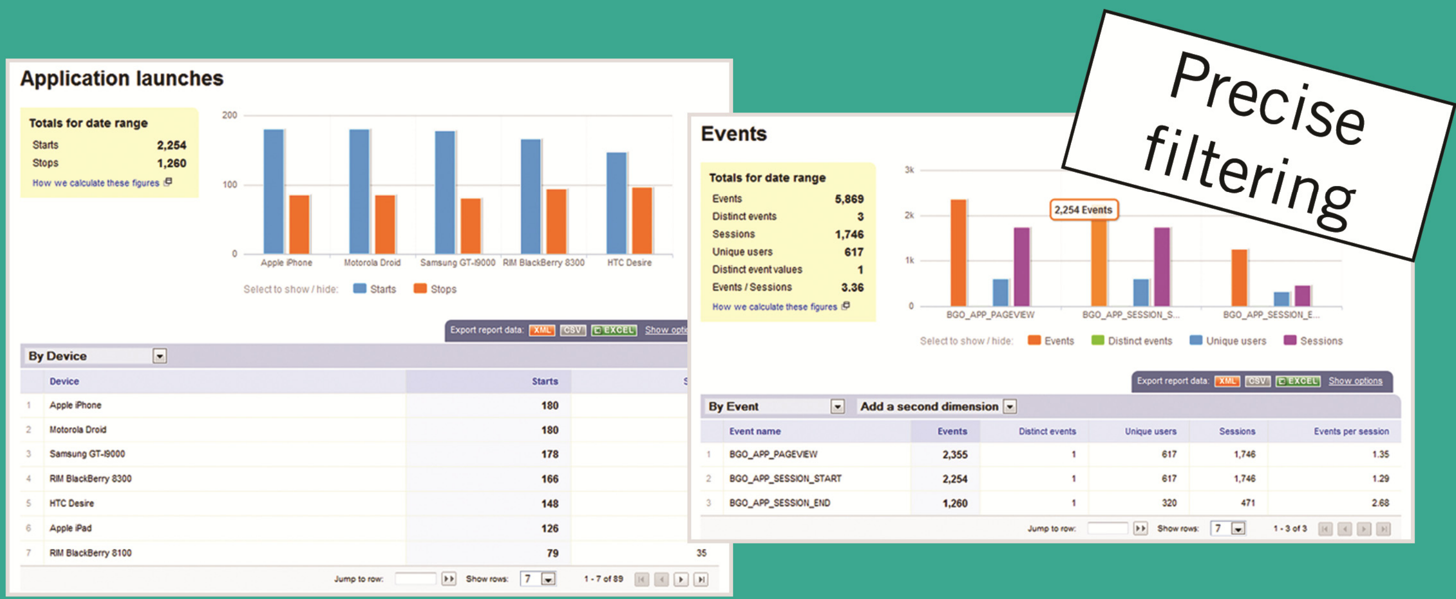
Application launches
Events
Precise filtering

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 20 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 25 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.

David Sear
Non-executive Director

David Sear is Divisional Managing Director at Travelex Global Business Payments, a company which provides international payment services to 35,000 businesses across 14 countries. David joined Travelex in March 2006 from Voca Ltd (previously BACS), where he helped to transform the company at the centre of the UK's payments industry. Prior to Voca, David was Chief Operating Officer at WorldPay Group plc. Earlier in his career David spent seven years at Equifax Cheque Services, the world's largest cheque guarantee company, becoming European Managing Director.

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 managing investments in innovative technology businesses, principally in network services, software and hardware.

Rudy Burger
Non-executive Director

Rudy is the Managing Partner of Woodside Capital, an investment bank for emerging growth companies. Rudy has founded five companies, all in the digital media technologies sector. He is a leading expert in digital technologies and international business development. Dr.Burger serves on the boards of several US and European companies. He has a BSc and MSc from Yale University and a PhD from Cambridge University.

Company information

Company registration number	05386079
Registered office	5 Westbrook Centre Milton Road Cambridge CB4 1YG Tel: +44 (0)1223 472 777 Fax: +44 (0)1223 472 778
Directors	Mr D Sear - Non-executive Chairman (appointed Director 20 August 2010, appointed Chairman 1 April 2011) Mr R Anderson - CEO Mr A Malhotra - SVP Marketing & Alliances Mr P Saxton - CFO Mr M Rigby – Non-executive Director Dr R Burger – Non-executive Director (appointed 3 June 2010) Mr L C N Bury – Non-executive Chairman (resigned as Chairman 31 March 2011, resigned as Director 31 May 2011)
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 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Nominated adviser and broker	Cenkos Securities Ltd 6.7.8 Tokenhouse Yard London EC2R 7AS
Public relations advisor	Threadneedle Communications 3rd Floor, Aldermary House 10-15 Queen Street London EC4N 1TX
US office	20 West 22nd Street Suite 906 New York, NY 10010 Tel: +1 866 528 6897 Fax: +1 646 349 3023

www.bango.com
sales@bango.com

Directors' report

The Directors present the Annual Report and audited financial statements of Bango PLC for the year ended 31 March 2011.

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 and the sale of such mobile content to end users via this technology platform.

Bango enables businesses of all sizes to quickly and easily benefit from the expansion of the worldwide 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 2011 and future developments is contained in the Chairman's statement and the CEO's statement on pages 5 and 6. The key financial performance indicators are gross margin, net profit and cash balances.

The Directors have reviewed the appropriateness of adopted accounting policies, with particular focus on revenue recognition in compliance with IAS 18. After taking account of the variety of processes adopted by payment providers, together with the range of contractual arrangements in place with content providers and the terms and conditions operated with end users, the Directors have continued to recognise revenue on end user activity as principal and not as agent.

Key performance indicators

Key performance indicators are used to control and measure financial and operational performance and reviewed to ensure that plans are achieved and corrective action taken where necessary.

Relationships with content providers are fundamental to the Bango business model. During the year, the number of active content provider relationships for payment and/or analytic services showed an encouraging increase from about 300 to about 1,400 mainly as a result of activity within the BlackBerry AppWorld.

Analytics events grew during the year and by March 2011 had increased four-fold compared with the level one year before.

A review of product development, financial performance and strategy and outlook for FY2012 is contained in the CEO's Statement on pages 5 and 6.

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 2011	Ordinary shares of 20p each At 31 March 2010
Mr D Sear	**-**	-
Mr R Anderson	**6,624,036**	6,624,036
Mr A Malhotra	**3,887,000**	3,887,000
Mr P Saxton	**225,000**	225,000
Mr L C N Bury	**865,000**	1,160,000
Mr M Rigby	**17,934**	18,684
Dr R Burger	**-**	-

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 2011**	At 31 March 2010
Mr P Saxton			
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**	62,500
1 October 2009	£0.445	**31,250**	31,250
25 March 2010	£0.595	**31,250**	31,250
10 December 2010	£1.315	**31,250**	-
17 March 2011	£0.825	**31,250**	-
Total		655,000	592,500
Mr D Sear			
7 February 2011	£1.530	100,000	-

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 2011, the Group had an average of 46 days (2010: 56 days) creditors outstanding in trade payables, accruals and deferred income. The average days for the company was 37 (2010: 33)

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, 19 and 21 for further information.

Directors' report

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

Currency risk
Overseas currency sales are largely offset by costs in the same currency and hence exposure to currency risk and impact on margin is considered relatively small. See note 21 for further information. The group manages its foreign exchange exposure on a net basis. No forward exchange or other such financial instruments have been used in the period.

Principal risks and uncertainties
The key business risks affecting the group are set out below:

Financial
See financial risk management and policies section above.

Technology
The Group's revenue is dependent on its technology keeping pace with developments in mobile phone technology, including volumes of data and growth in applications. The Group manages this risk by a commitment to research and development combined with ongoing dialogue with trading partners and sector specialists to ensure that market developments are understood.

Payment Providers
The current business model is dependent on payment providers. These are therefore key trading relationships to the Group and Bango's access and revenue from the end-user is subject to influence by the payment providers. The Group manages access risk by investment in relationships and regular dialogue with payment providers and content providers who are actual or potential users of those payment providers. The Group manages payment risk by undertaking regular credit risk analysis using third parties combined with other sources of market intelligence, together with monitoring of payment performance.

Retention of staff
The Group's performance depends largely on its ability to recruit and retain key individuals with the right experience and skills. To ensure that the Group retains the highest calibre staff, a number of schemes have been implemented linked to the group results, including bonus and share option schemes.

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' responsibility
The following statement, which should be read in conjunction with both reports of the auditor set out on pages 18 and 39, 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 elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and separate parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and 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 and that the parent financial statements are prepared under UK Accounting Standards.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company 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.

Directors' report

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed 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 all other Non-executive Directors.

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,

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. The Directors expect the current level of investing activities to continue but expect to see a substantial reduction in the net cash used by operating activities as a result of improvements in the key performance areas. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements and to provide reasonable, but not absolute assurance against material misstatement or loss.

Remuneration Committee report

The Remuneration Committee comprises the Chairman and all other Non-executive Directors.

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 2011 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

Details of remuneration in respect of the Directors is provided in note 13.

Independent auditor's report to the members of Bango PLC

We have audited the group financial statements of Bango plc for the year ended 31 March 2011 which comprise the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Bango Plc for the year ended 31 March 2011.

Alison Seekings, Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
26 August 2011

Consolidated balance sheet

	Note	2011 £	2010 £
ASSETS			
Non-current assets			
Property, plant and equipment	5	240,620	315,792
Intangible assets	5	2,030,918	1,163,591
		2,271,538	1,479,383
Current assets			
Trade and other receivables	6	3,354,033	4,018,967
Cash and cash equivalents		2,713,226	2,735,460
		6,067,259	6,754,427
Total assets		8,338,797	8,233,810
EQUITY			
Capital and reserves attributable to equity holders of the parent company			
Share capital	7	7,580,482	7,176,989
Share premium account		8,917,009	7,005,012
Merger reserve		1,236,225	1,236,225
Other reserve		1,098,802	981,236
Accumulated losses		(13,071,120)	(12,375,035)
Total equity		5,761,398	4,024,427
LIABILITIES			
Current liabilities			
Trade and other payables	8	2,577,399	4,209,383
Total liabilities		2,577,399	4,209,383
Total equity and liabilities		8,338,797	8,233,810

These financial statements were approved by the Directors on 26 August 2011 and are signed on their behalf by:

Mr R Anderson
Director

Mr P Saxton
Director

Company registration number 05386079

The notes on pages 24 to 39 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Note	2011 £	2010 £
Gross revenue	4	19,324,857	26,133,109
Cost of sales		(16,829,874)	(23,465,448)
Gross profit		2,494,983	2,667,661
Administrative expenses before share based payment		(3,215,195)	(2,845,417)
Share based payments		(117,566)	(64,845)
Total administrative expenses		(3,332,761)	(2,910,262)
Operating loss		(837,778)	(242,601)
Interest payable		(103)	(8,834)
Investment income	14	516	1,165
Loss before taxation		(837,365)	(250,270)
Income tax	15	141,280	260,311
(Loss) / profit and total comprehensive income for the financial year		(696,085)	10,041
Attributable to equity holders of the parent		(696,085)	10,041
Earnings / (loss) per share attributable to the equity holders of the parent			
Basic earnings / (loss) per share	16	(1.90)p	0.03p
Diluted earnings / (loss) per share	16	(1.90)p	0.03p

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

The notes on pages 24 to 39 are an integral part of these consolidated financial statements

Consolidated cash flow statement

	Note	2011 £	2010 £
Net cash used by operating activities	17	(1,228,970)	(51,465)
Cash flows used by investing activities			
Purchases of property, plant and equipment		(77,767)	(159,489)
Addition to intangible assets		(1,031,400)	(875,740)
Interest received		516	1,165
Net cash generated from/used by investing activities		(1,108,651)	(1,034,064)
Cash flows generated from financing activities			
Proceeds from issuance of ordinary shares		2,315,490	3,003,540
Interest payable		(103)	(8,834)
Net cash generated from financing activities		2,315,387	2,994,706
Net (decrease) / increase in cash and cash equivalents		(22,234)	1,909,177
Cash and cash equivalents at beginning of year		2,735,460	826,283
Cash and cash equivalents at end of year		2,713,226	2,735,460

The notes on pages 24 to 39 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 £	Retained earnings £	Total £
Balance at 1 April 2009	5,673,712	5,504,749	1,236,225	916,391	(12,385,076)	946,001
Share based payments	-	-	-	64,845	-	64,845
Exercise of share options	5,603	4,121	-	-	-	9,724
Issue of new shares	1,497,674	1,496,142	-	-	-	2,993,816
Transactions with owners	7,176,989	7,005,012	1,236,225	981,236	(12,385,076)	4,014,386
Profit for the period	-	-	-	-	10,041	10,041
Total comprehensive income for the period	-	-	-	-	10,041	10,041
Balance at 31 March 2010	7,176,989	7,005,012	1,236,225	981,236	(12,375,035)	4,024,427
Balance at 1 April 2010	7,176,989	7,005,012	1,236,225	981,236	(12,375,035)	4,024,427
Share based payments	-	-	-	117,566	-	117,566
Exercise of share options	43,649	39,547	-	-	-	83,196
Issue of shares	359,844	1,872,450	-	-	-	2,232,294
Transactions with owners	7,580,482	8,917,009	1,236,225	1,098,802	(12,375,035)	6,457,483
Loss for the period	-	-	-	-	(696,085)	(696,085)
Total comprehensive income for the period	-	-	-	-	(696,085)	(696,085)
Balance at 31 March 2011	7,580,482	8,917,009	1,236,225	1,098,802	(13,071,120)	5,761,398

The notes on pages 24 to 39 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 2011 (including the comparatives for the year ended 31 March 2010) were approved by the Board of Directors on 26 August 2011.

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 2006. 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 note 3.17.

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. The US subsidiary only performs a sales and support function for services provided by Bango.net Limited. Due to the nature and set up of the US operation as a support centre for the UK, the functional currency of Bango Inc has to date been considered to be sterling. 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.

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. Subsidiary 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	10% - 33.3% straight-line

3.3 Intangible assets

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 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 amortised 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. Development costs previously recognized as an expense are not included in the amount recognized as an asset. Until completion of the project, these assets are subject to impairment testing only. Amortisation commences upon completion of the asset, and is shown within administrative expenses in the statement of comprehensive income.

Notes to the financial statements

3.5 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.

3.6 Loans and receivables
a) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and bank deposits available on demand.

b) Trade and other receivables
Trade and other receivables are recognized initially at fair value and are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognized in profit or loss.

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 discounted at the original effective interest rate.

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

3.8 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 recognised outside profit or loss. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income, and tax relating to items recognised directly in equity is recognised directly in equity.

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 other comprehensive income, when it is recognised in other comprehensive income. Deferred tax relating to items recognised directly in equity is recognised directly in equity.

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

3.10 Revenue recognition
End user activity arises from the provision of mobile internet content to end users facilitated through mobile network operators and other payment providers. End users make a prepayment to the Group prior to accessing chargeable mobile internet content.

End user activity is recognised as gross revenue at the time at which end users access chargeable mobile internet content. In some cases, third party payment processors elect to refund their customers without returning content to the content provider and this is treated as an additional payment provider cost included in cost of sale.

Where there has been no activity on an end user account for a period of 60 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.

Other fees includes revenue from the sale of access licences to content providers and is recognised evenly over the period of the contract since the services are provided evenly over this period.

Other fees also includes revenue from service contracts and is recognized in the financial statements over the period of the contract.

Other fees also includes revenue from services provided to mobile phone operators and content providers and is recognized in the financial statements over the period of the contract in proportion to the element of the services provided at the balance sheet date.

Revenue is measured by reference to the fair value of consideration receivable by the Group for services provided, excluding VAT.

3.11 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.

Notes to the financial statements

3.12 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, over the remaining vesting period.

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 statement of comprehensive income.

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 profit or loss for the period.

3.14 Segment reporting
In identifying its operating segments, management recognise two service lines – the provision of a mobile payment platform allowing end users to purchase content, and the provision of services, including licence fees and analytics technology to provide accurate information about users, to content providers and other organisations. The revenue and margin generated from each of these segments is separately reported but where costs and assets are managed and utilised on a group basis, these are not allocated to a segment.

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 profit or loss. 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.

Interest income and expenses are reported on an accrual basis using the effective interest method.

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.

Retained earnings
Retained earnings include all current and prior period retained profits.

3.17 Significant accounting estimates and judgements

Revenue recognition
Based on the status Bango plays within transactions and consistent with the prior year, revenue has been reported gross consistent with Bango being the principal in the transaction. In arriving at this judgement the Directors have considered the risks the group faces from the variety of processes adopted by payment providers, together with the range of contractual arrangements in place with content providers and the terms and conditions operated with end users. See note 4 for further details.

Notes to the financial statements

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. See note 7 for further details.

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. Details of the bad debt provision and trade receivables is provided in note 6.

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. No deferred tax asset is currently being recognised due to the unpredictability of future taxable trading profits from which these differences may be deducted (note 15).

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. The carrying value of capitalised development costs is £2,030,918 (2010 : £1,163,591).

Notes to the financial statements

4 Segment reporting

(a) The Group identifies two operating segments. Management reporting is based principally on the type of customer and strategic decisions are made on the basis of the gross profit generated from each segment. The segments are not separately managed and therefore the Group's headquarters and its research and development activity are considered group operations and are not allocated to any operating segment. Segment information can be analysed as follows for the reporting periods under review.

Year ended 31 March 2011

	End user activity	Other fees	Group	Total
	£	£	£	£
Segment revenue	17,461,790	1,863,067	-	19,324,857
Segment gross profit	**643,316**	**1,851,667**	-	**2,494,983**
Segment assets	2,095,037	508,221	5,735,539	8,338,797
Segment liabilities	(2,136,865)	(35,116)	(405,418)	(2,577,399)
Net assets	**(41,828)**	**473,105**	**5,330,121**	**5,761,398**

Year ended 31 March 2010

	End user activity	Other fees	Group	Total
	£	£	£	£
Segment revenue	24,691,741	1,441,368	-	26,133,109
Segment gross profit	**1,226,293**	**1,441,368**	-	**2,667,661**
Segment assets	2,891,751	248,601	5,093,458	8,233,810
Segment liabilities	(3,539,876)	(35,038)	(634,469)	(4,209,383)
Net assets	**(648,125)**	**213,563**	**4,458,989**	**4,024,427**

End user activity arises from revenues paid to Bango by end users for accessing chargeable content provided by content providers. Cost of sales for this segment includes both content provider and payment provider charges. Assets for this segment are amounts due from payment providers. Liabilities for this segment are mainly fees payable to payment providers for provision of services and fees payable to content providers for provision of content sold by Bango to end users.

Other fees are the amounts paid to Bango by content providers and others for package fees and other services including analytics. Assets for this segment are amounts due for package fees and other services. Liabilities for this segment represent deferred income for package fees.

Group assets include non-current assets and cash and cash equivalents. Group liabilities relate to administrative expenses.

(b) The Group's revenue from external customers is divided into the following geographical areas. All non-current assets are based in the UK.

	2011	2010
	£	£
United Kingdom (country of domicile)	3,185,826	4,397,990
EU	452,077	606,252
USA	15,120,714	20,843,390
Rest of World	566,240	285,477
	19,324,857	26,133,109

Segment revenue is based on the location of the customers.

Notes to the financial statements

5 Non-current assets

5.1 Property, plant and equipment

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 April 2009	176,679	71,859	734,430	982,968
Additions	-	-	159,489	159,489
At 31 March 2010	176,679	71,859	893,919	1,142,457
Depreciation				
At 1 April 2009	109,703	56,502	557,386	723,591
Charge for the year	35,336	8,790	58,948	103,074
At 31 March 2010	145,039	65,292	616,334	826,665
Net book value				
At 31 March 2010	**31,640**	**6,567**	**277,585**	**315,792**

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 April 2010	176,679	71,859	893,919	1,142,457
Additions	14,243	11,756	51,768	77,767
At 31 March 2011	190,922	83,615	945,687	1,220,224
Depreciation				
At 1 April 2010	145,039	65,292	616,334	826,665
Charge for the year	28,846	7,951	116,142	152,939
At 31 March 2011	173,885	73,243	732,476	979,604
Net book value				
At 31 March 2011	**17,037**	**10,372**	**213,211**	**240,620**

Notes to the financial statements

5.2 Intangible assets

	Domain Names	Internal Development	Total
	£	£	£
Cost			
At 1 April 2009	32,887	352,471	385,358
Additions	-	875,740	875,740
At 31 March 2010	32,887	1,228,211	1,261,098
Depreciation			
At 1 April 2009	32,620	-	32,620
Charge for the year	267	64,620	64,887
At 31 March 2010	32,887	64,620	97,507
Net book value			
At 31 March 2010	-	**1,163,591**	**1,163,591**

	Domain Names	Internal Development	Total
	£	£	£
Cost			
At 1 April 2010	32,887	1,228,211	1,261,098
Additions	-	1,031,400	1,031,400
At 31 March 2011	32,887	2,259,611	2,292,498
Depreciation			
At 1 April 2010	32,887	64,620	97,507
Charge for the year	-	164,073	164,073
At 31 March 2011	32,887	228,693	261,580
Net book value			
At 31 March 2011	-	**2,030,918**	**2,030,918**

Amortisation is shown within administrative expenses in the income statement.

6 Trade and other receivables

	2011	2010
	£	£
Trade receivables	**1,268,337**	1,145,601
Other receivables	**935,896**	471,804
Prepayments and accrued income	**1,222,408**	2,475,876
Total	**3,426,641**	4,093,281
Impairment of trade and other receivables	**(72,608)**	(74,314)
	3,354,033	4,018,967

Notes to the financial statements

At 31 March 2011, some of the unimpaired trade receivables are past their due date. The age of financial assets past due but not impaired is as follows:

	2011 £	2010 £
Not more than one month	97,300	54,513
One to two months	187,427	38,850
Three to twelve months	92,874	126,044
More than twelve months	33,901	26,033
	411,502	245,440

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.

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.

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 provision for trade receivables is provided below:

	2011 £	2010 £
Brought forward provision	74,314	79,227
Debts written off in the year	(63,902)	(80,464)
Increase in provision	62,196	75,551
Carry forward provision	72,608	74,314

7 Share capital and employee share options

Allotted, called up and fully paid:

Ordinary shares of 20p each in Bango PLC	No	£
As at 1 April 2009	28,368,557	5,673,712
Issue of new shares	7,488,372	1,497,674
Exercise of share options	28,018	5,603
As at 31 March 2010	35,884,947	7,176,989
Issue of new shares	1,799,220	359,844
Exercise of share options	218,242	43,649
As at 31 March 2011	37,902,409	7,580,482

During the year 1.799m new shares were issued at 135.0 pence per share. The total proceeds were £2,232,294 (net of issue costs of £196,653) of which £359,844 was recognised as share capital and £1,872,450 as share premium.

During the year 218,242 share options were exercised at exercise prices between 23 pence and 106.5 pence and a par value of 20 pence per share. The total proceeds were £83,196 of which £43,649 was recognised as share capital and £39,547 as share premium.

Notes to the financial statements

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 2011		Year ended 31 March 2010	
	Average exercise price per share	Options	Average exercise price per share	Options
	p	No	p	No
Outstanding at 1 April 2010	64	3,455,635	67	2,902,074
Granted	131	502,800	51	661,157
Lapsed	42	(159,486)	64	(79,620)
Exercised	39	(218,242)	30	(28,018)
Expired	-	-	-	42
Outstanding at 31 March 2011	75	3,580,707	64	3,455,635
Exercisable at 31 March 2011	70	2,662,746	69	2,407,662

The weighted average share price at date of exercise of options exercised during the year was 125.11 pence (2010: 47.55 pence).

The fair value of options granted during the year was determined using the Black-Scholes valuation model. Significant inputs into the model include a weighted average share price of 130.64 pence (2010: 50.71 pence) at the grant date, the exercise prices, weighted average volatility of 48.7% (2010: 49.3%), dividend yield of nil, an expected option life of five years and an annual risk-free interest rate of 2.32% (2010: 2.72%).

For the share awards there was sufficient share price data for Bango plc to calculate the company's volatility.

Notes to the financial statements

At 31 March 2010, the Group had the following outstanding options and exercise prices:

		2011			2010		
		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	1
19 May	2010	-	-	-	50.00	40,000	2
2 April	2012	-	-	-	31.00	40,000	24
2 May	2012	-	-	-	31.00	15,000	25
25 August	2012	31.00	20,000	17	31.00	40,000	29
24 February	2013	31.00	45,000	23	31.00	45,000	35
27 August	2013	29.00	15,000	29	29.00	15,000	41
27 February	2014	29.00	298,500	35	29.00	346,500	47
27 May	2014	31.00	40,000	38	31.00	40,000	50
27 July	2014	29.00	40,000	40	29.00	40,000	52
28 August	2014	50.00	46,000	41	50.00	46,000	53
18 February	2015	50.00	106,000	47	50.00	106,000	59
1 March	2015	50.00	230,000	47	50.00	230,000	59
22 June	2015	50.00	24,500	51	50.00	24,500	63
21 September	2015	202.00	190,000	54	202.00	190,000	66
1 March	2016	177.50	116,000	59	177.50	146,000	71
25 May	2016	140.00	210,000	62	140.00	210,000	74
9 October	2016	106.50	87,335	66	106.50	99,085	78
22 March	2017	50.00	76,250	72	50.00	76,250	84
23 March	2017	50.50	170,626	72	50.50	182,126	84
19 September	2017	41.00	171,565	78	41.00	187,940	90
31 January	2018	23.00	251,622	82	23.00	276,027	94
15 October	2018	53.50	126,957	91	53.50	139,050	102
19 February	2019	44.00	191,020	95	44.00	204,655	107
19 January	2019	44.00	115,377	94	44.00	125,377	106
11 August	2019	46.50	25,000	101	46.50	25,000	113
1 October	2019	44.50	219,265	103	44.50	231,375	115
17 March	2020	59.50	263,640	108	59.50	274,750	120
24 September	2020	167.00	183,125	114	-	-	-
10 December	2020	131.50	31,250	116	-	-	-
7 February	2021	153.00	100,000	118	-	-	-
17 March	2021	82.50	186,675	120	-	-	-
At 31 March			3,580,707	76		3,455,635	79

8 Trade and other payables

	2011 £	2010 £
Trade payables	2,373,998	3,921,538
Social security and other taxes	45,082	89,256
Accruals and deferred income	158,319	198,589
	2,577,399	4,209,383

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 two offices under a non-cancellable operating leases for which the future aggregate minimum lease payments are as follows:

	2011 £	2010 £
No later than 1 year	193,787	171,775
Later than 1 but no later than 5 years	314,222	370,771
More than 5 years	-	-
	508,009	542,546

The UK lease expires on 14 November 2013. The US office lease expires on 30 September 2013.

10 Expenses by nature

	2011 £	2010 £
Employee benefit expense	2,421,696	2,156,286
Depreciation & amortisation	317,012	167,961
Other expenses	17,423,927	24,051,463
	20,162,635	26,375,710
Analysed as:		
Cost of sales	16,829,874	23,465,448
Administrative expenses	3,215,195	2,845,417
Share based payments	117,566	64,845
	20,162,635	26,375,710

11 Profit or loss before taxation

Profit or loss before taxation is stated after charging:

	2011 £	2010 £
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	2,500	2,500
Fees payable to the company's auditors for other services: audit of company's subsidiaries	27,500	27,500
Other services relating to tax	45,690	29,375
Other services	12,561	7,500
Operating lease expenses:		
Land and buildings	186,263	159,676
Finance charges – bank interest payable	103	8,834
Exchange rate variances	148,182	(86,073)
Depreciation on property, plant and equipment	152,939	103,074
Amortization of intangible assets	164,073	64,887
Research and development costs	365,138	234,840

Notes to the financial statements

12 Employee benefit expense

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

	2011 No	2010 No
Administrative staff	6	5
Marketing staff	6	5
Sales staff	5	4
Technical staff	13	13
Executive Directors	3	3
Support staff	10	12
	43	42

The aggregate payroll costs of the above were:

	2011 £	2010 £
Wages and salaries	2,046,505	1,864,999
Social security costs	194,416	166,538
Other pension costs	63,209	59,904
Share based remuneration	117,566	64,845
	2,421,696	2,156,286

Included in the above payroll costs is £772,500 (2010 : £605,575) capitalised within internal development (note 5.2)
The Directors have identified nine (2010: seven) key management personnel, including Directors. Compensation to key management is set out below:

	2011 £	2010 £
Wages and salaries	446,447	496,585
Social security costs	48,460	39,298
Pension	28,494	30,155
Share based compensation	57,268	52,753
	580,669	618,791

13 Directors

Remuneration in respect of Directors was as follows:

	2011 £	2010 £
Emoluments	317,378	268,904

2011	Wages and salaries	Pension and other benefits	Sums paid to third parties for directors services	Fees	Total
	£	£	£	£	£
R Anderson	72,389	-	-	-	72,389
A Malhotra	103,550	1,929	-	-	105,479
P Saxton	83,507	-	-	-	83,507
L Bury	18,617	-	-	-	18,617
M Rigby	-	-	15,750	-	15,750
R Burger	-	-	-	11,813	11,813
D Sear	-	-	-	9,823	9,823
	278,063	1,929	15,750	21,636	317,378

Notes to the financial statements

2010	Wages and salaries	Pension and other benefits	Sums paid to third parties for directors services	Fees	Total
	£	£	£	£	£
R Anderson	43,875	-	-	-	43,875
A Malhotra	100,557	4,652	-	-	105,209
P Saxton	77,682	-	-	-	77,682
L Bury	26,388	-	-	-	26,388
M Rigby	-	-	15,750	-	15,750
	248,502	4,652	15,750	-	268,904

The highest paid director received total salary of £103,550 (2010: £100,557), pension contributions of £1,929 (2010 : £4,652), and share based compensation of £nil (2010 : £nil).

The number of directors who accrued benefits under pension schemes was one (2010 : one).

The total share based compensation for directors was £28,514 (2010 : £8,908)

During the year no share options were exercised by the Directors. For details of directors shareholdings please see directors report.

14 Investment income

	2011	2010
	£	£
Bank interest receivable	516	1,165

15 Income tax expense

	2011	2010
	£	£
Current tax - overseas	78,151	-
Deferred tax	-	-
R&D tax credits receivable	(219,431)	(260,311)
	(141,280)	(260,311)

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

	2011	2010
Loss on ordinary activities before taxation	(837,365)	(250,270)
Loss on ordinary activities multiplied by standard rate of tax of 28% (2010: 28%)	(234,462)	(70,076)
Effect of :		
Expenses not deductible for tax purposes	35,674	(41,093)
Differences between capital allowances and depreciation	(6,010)	7,798
Unutilised tax losses	204,798	114,196
Other temporary differences	-	(10,825)
Overseas tax	78,151	-
R&D tax credits receivable	(219,431)	(260,311)
Total tax	(141,280)	(260,311)

At 31 March 2011 the unutilised tax losses carried forward amounted to £11.9 million (2010: £11.3 million).

Unrecognized deferred tax assets:

	2011	2010
	£	£
Share option deduction	96,739	118,055
Tax losses	3,088,542	3,171,829
Other temporary differences	2,052	2,212
Accelerated capital allowances	(422,200)	(335,920)
	2,765,133	2,956,176

Notes to the financial statements

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.

16 Earnings per share

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

	2011	2010
	£	£
(Loss) / profit attributable to equity holders of the Company	(696,085)	10,041
Weighted average number of ordinary shares in issue	36,564,487	30,113,120
Earnings (basic) per share	(1.90) p	0.03 p

(b) Diluted
Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary share options.

	2011	2010
	£	£
(Loss) / profit attributable to equity holders of the company	(696,085)	10,041
Weighted average number of ordinary shares (as adjusted for dilutive options in the prior year)	36,564,487	32,542,820
Earnings (diluted) per share	(1.90) p	0.03 p

At 31 March 2011 options over 3,580,707 (2010: 3,455,635) ordinary shares were outstanding.

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

	2011	2010
	£	£
(Loss) / profit for the financial year	(696,085)	10,041
Depreciation and amortization	317,012	167,961
Taxation in income statement	(141,280)	(260,311)
Investment income	(516)	(1,165)
Interest payable	103	8,834
Share-based payment expense	117,566	64,845
Decrease in receivables	884,365	445,111
Decrease in payables	(1,631,984)	(595,303)
	(1,150,819)	(159,987)
Corporation tax (paid) / rebate	(78,151)	108,522
Net cash used by operations	(1,228,970)	(51,465)

Notes to the financial statements

18 Financial assets and liabilities

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

	2011 £	2010 £
Loans and receivables	5,450,671	5,608,636
Total financial assets	5,450,671	5,608,636

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

	2011 £	2010 £
Current assets		
Trade and other receivables	2,737,445	2,873,176
Cash and cash equivalents	2,713,226	2,735,460
Total financial assets	5,450,671	5,608,636

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

	2011 £	2010 £
Financial liabilities measured at amortized cost	2,532,317	4,120,127
Total financial liabilities	2,532,317	4,120,127

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

	2011 £	2010 £
Current liabilities		
Trade payables	2,373,998	3,921,538
Accruals and deferred income	158,319	198,589
Total financial liabilities	2,532,317	4,120,127

19 Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets and cash and cash equivalents 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 Group completes regular credit checks on those payment providers accounting for significant individual balances. In addition, the terms and conditions of trade with content providers allow the group to withhold payment of the relevant part of the content provider earnings until payment is received from the payment provider.

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.

Notes to the financial statements

20 Liquidity risk analysis and capital management

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, taking account of operating activities and investing activities.

At 31 March 2011 the Group's trade and other payables had contractual maturities which are summarized below:

	2011 £	2010 £
Current within 6 months	2,567,490	4,203,053
Current 6 to 12 months	9,909	6,330
Trade and other payables	2,577,399	4,209,383

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders, via sufficient cash resources, through profitable trading and equity issues to mitigate liquidity risk.

During the year the Group successfully issued new shares on the AIM market and raised £2.2m (2010 :£3.0m) and the Directors consider that the capital management objectives have been satisfied.

At 31 March 2011 the Group had no borrowings.

Capital for the reporting period under review is summarised as follows:

	2011 £	2010 £
Total equity	5,761,398	4,024,427
Less cash and cash equivalents	(2,713,226)	(2,735,460)
	3,048,172	1,288,967

21 Market risk analysis

21.1 Interest risk sensitivity

The Group has no borrowings on which it is subject to interest rate risk. The risk associated with interest earned on cash balances is low, given the low level of interest currently being earned.

21.2 Foreign currency sensitivity

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.

	2011			2010		
Nominal amounts	£ Financial assets	£ Financial liabilities	£ Net assets/ (liabilities)	£ Financial assets	£ Financial liabilities	£ Net assets/ (liabilities)
US $ USD	2,134,242	1,636,140	498,102	3,326,912	3,590,933	(264,021)
Euro EUR	167,719	97,958	69,761	83,137	350,618	(267,481)
Australian $ AUD	8,644	2,477	6,167	-	-	-
Canadian $ CAD	170,855	3,693	167,162	-	-	-
New Zealand $ NZD	101,715	-	101,715	-	-	-
Short term exposure	2,583,175	1,740,268	842,907	3,410,049	3,941,551	(513,502)

Independent auditor's report to the members of Bango PLC

We have audited the parent company financial statements of Bango Plc for the year ended 31 March 2011 which comprise the company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Bango Plc for the year ended 31 March 2011.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
26 August 2011

Company balance sheet

	Note	2011 £	2010 £
Fixed assets			
Investment in subsidiary	4	5,303,088	5,185,522
Current assets			
Debtors due within one year	5	5,005	20,559
Debtors due after one year	5	11,874,398	9,707,205
Cash at bank		-	-
		11,879,403	9,727,764
Creditors falling due within one year	6	53,525	28,828
Net current assets		11,825,878	9,698,936
Total assets less current liabilities		17,128,966	14,884,458
Capital and reserves			
Share capital	7	7,580,482	7,176,989
Share premium account	8	8,917,009	7,005,012
Other reserve	8	1,098,802	981,236
Retained earnings	8	(467,327)	(278,779)
Shareholders' funds		17,128,966	14,884,458

These financial statements were approved by the Directors on 26 August 2011 and are signed on their behalf by:

Mr R Anderson
Director

Mr P Saxton
Director

Company registration number 05386079

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 2006. 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 summarised 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 over the remaining vesting period.

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 wholly owned 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 408(1) of the Companies Act 2006 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 2011 of £188,548 (2010: £98,446) is included in the Group result 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 35 of the Group accounts. A charge of £26,154 (2010 : £4,460) has been recognised within the parent company's own figures relating to wages and salaries.

Notes to the financial statements

4 Investments

	£
Cost	
Shares in subsidiary undertakings at 1 April 2010	5,185,522
Share based payments	117,566
Shares in subsidiary undertakings at 31 March 2011	5,303,088
Net book amount	
At 31 March 2011	5,303,088
At 31 March 2010	5,185,522

Details of subsidiary undertakings at 31 March 2011 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%	Non-trading
Bango Inc	Delaware, USA	Common	100%	Sales office for Bango.net Limited services in USA

5 Debtors

	2011 £	2010 £
Amounts due from Group undertakings	11,874,398	9,707,205
Other debtors	5,005	20,559
	11,879,403	9,727,764

6 Creditors

	2011 £	2010 £
Trade creditors	26,041	10,142
Accruals and deferred income	10,098	1,300
Amounts owed to group undertakings	17,386	17,386
	53,525	28,828

Notes to the financial statements

7 Share capital

Allotted, called up and fully paid:

Ordinary shares of 20p each in Bango PLC	No	£
As at 1 April 2009	28,368,557	5,673,712
Issue of new shares	7,488,372	1,497,674
Exercise of share options	28,018	5,603
As at 31 March 2010	35,884,947	7,176,989
Issue of new shares	1,799,220	359,844
Exercise of share options	218,242	43,649
As at 31 March 2011	37,902,409	7,580,482

During the year 1.799m new shares were issued at 135.0 pence per share. The total proceeds were £2,232,294 (net of issue costs of £196,653) of which £359,844 was recognised as share capital and £1,872,450 as share premium.

During the year 218,242 share options were exercised at exercise prices between 23 pence and 106.5 pence and a par value of 20 pence per share. The total proceeds were £83,196 of which £43,649 was recognised as share capital and £39,547 as share premium.

During the year 502,800 options were granted to employees, including 62,500 to Peter Saxton, a Director and 100,000 to David Sear, a non-executive Director.

At the period end, 3,580,707 options were outstanding.

8 Reserves

	Share Premium Account £	Other reserve £	Retained earnings £
At 1 April 2010	7,005,012	981,236	(278,779)
Issue of new shares	1,872,450	-	-
Exercise of share options	39,547	-	-
Share based payments	-	117,566	-
Loss for the year	-	-	(188,548)
At 31 March 2011	8,917,009	1,098,802	(467,327)