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Bango Plc
Financial statements
For the year ended 31 March 2006

Grant Thornton 



Company No. 05386079

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Chairman's report

The board is delighted to report excellent progress in all areas of the business resulting in significant growth, increasing numbers of Bango customers supplying increasing amounts of content to end users and expansion into new territories.

When Bango came to market in June 2005, three months into the financial year of this report, we had set ourselves ambitious goals: to further invest in our unique Bango products and technology, and to establish a local presence in three new key markets: the USA, Spain and Germany. We now have offices and sales teams established in all three territories, alongside our successful UK presence, and we have started to see significant customer wins in these territories as a result

Compared to the previous financial year, we are pleased to report revenue growth of 121% to £7.53 million and gross margin growth of 125% to £2.19 million, driven largely by our established UK business. Additional content provider sign-ups in other territories are accelerating fast and this bodes well for the coming year and beyond.

Bango also derives revenue from end user spend on content. Having witnessed significant growth in content provider sign-ups over the last year, we now have a reasonable operating history from which to observe the relationship between a content provider signing up and then starting to promote their content. The lead time can be up to six months in some cases. We believe that greater support and assistance to content providers from our expanding partner network and developments in mobile search and advertising should result in a reduction of this lead time in the latter half of this year.

The US market is showing tremendous potential, with our US team having signed up 22 content providers by year end, and having generated a growing pipeline of prospects. US customers see Bango not only as a route to US based customers, but as a quick and easy route to consumers worldwide through the global reach of Bango's technology and services. However, the board believes that initial US growth in end user spending on content will be slower than that experienced in European markets. The US mobile operators currently have extensive restrictions on the types of content that they can bill for, pending the introduction of both detailed content guidelines and processes to ensure adequate age verification of end users. Bango is well placed to assist content providers in operating within these constraints. This view is endorsed by the increasing number of US customers investing in Bango products in preparation for marketing content to mobile end users, and to gain additional revenues outside the USA.

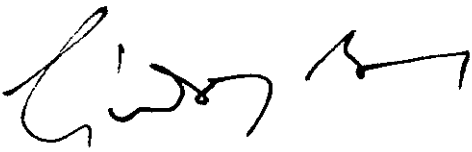
In the year under review end user spending was below that anticipated earlier in the year, which was counter-balanced by increased spending on access fees to use the Bango Service. As restraints on content types are relaxed in the USA and our partner network builds out, we believe end user spending will accelerate, bringing that market back in line with more developed markets we operate in, in line with our original plans.

We are very positive about our ability to exploit our market leading position. The product line is stronger than ever and we have several innovations coming to market that the board believes will add competitive strength, accelerate growth and reduce sales costs. Our direct sales team started the new financial year three times larger than at the end of March 2005 and we have increased the number of partners reselling the Bango Service internationally from 3 to 14 at the year end.

A business with strong and widely applicable technology that gains an early leadership position gains significant benefits for adopters of its products due to the "eco-system" that forms round the business. The Bango team has a track record of creating such powerful eco-systems that deliver long term value to shareholders as well as customers. I am therefore pleased that Bango is gaining an increasing number of partners among not only mobile internet businesses and mobile operators, but increasingly among the leading internet media companies who in our experience are starting to recognise the mobile internet opportunity and develop strategies for addressing it.

Bango is a uniquely well positioned business and there is a great deal of opportunity ahead in this very exciting market. We look forward to providing a further progress update at the half year.

Lindsay Bury
Chairman

A handwritten signature in black ink, appearing to read 'Lindsay Bury', with a stylized flourish at the end.

CEO's report

The past financial year was a good one for Bango. The market opportunity continued to expand and our year-on-year sales growth increased from 65% to 121%. Our gross margin increased by 125% demonstrating the leverage of our business model and reflecting strong levels of content provider sign ups to pay package fees to access the Bango system. We won many new global brands as customers and strengthened our team, product line and partner network, and created a new high end package for larger content providers. We therefore enter the new financial year with confidence and enthusiasm.

Successful float on AIM

Early in 2005, the board decided to capitalize on Bango's strong technology and market position by raising funds to enable the business to accelerate its growth in the UK and selected overseas territories, to expand our customer support team and further develop our technology. We are pleased to have completed a successful IPO on AIM in June 2005, which raised net proceeds of £6.21 million for the Company. In addition it has raised the Company's profile, increased our ability to do business with larger customers and is helping us attract and motivate key staff.

Strengthening the Business

We exploit Bango's unique position in the market by staying relentlessly focussed in the mainstream of market growth, evolving our products, developing our strong team, efficiently leveraging our technology through partnership, and by ensuring that our proposition is clearly marketed, easy to buy and simple to use.

Product development

During the year our development team continued to add significant new features and functions to the Bango platform to enable content providers to offer a better user experience and to reduce the costs of doing business in the mobile internet. We also added features to the platform that increased the number of visitors to content providers' sites by providing better integration with mobile search companies such as Overture (part of Yahoo) and Motionbridge (part of Microsoft). We believe that promotion of content through mobile search engines will become an important driver of end user activity in the coming years, and it is an area where we see good opportunities to leverage our industry position.

The Bango platform handles a high volume of transactions with very high reliability. For example, in March 2006 the system processed in excess of 40 million mobile transactions across 22,000 different WAP gateways. We saw 361,218 first-time users and 1,266 different mobile phone types. With these volumes constantly increasing, scalability is key and our development team has made good progress increasing the capacity of the Bango system to stay ahead of demand, while ensuring we maintain the reliability of our systems which perform a vital role for our customers.

Expanding our partner relationships

We partnered with many new companies to increase our efficiency in collecting money from users for our content providers. PayPal chose to partner with Bango to expand its reach into mobile content. Cingular Wireless, the largest mobile operator in the USA selected Bango as its first move in opening up its billing system to enable payment for content through the internet.

If a content provider wants to create a mobile internet site, they can develop it themselves or use a specialist mobile company to do it for them. Many specialist companies have joined the Bango Accredited Partner (BAP) programme to enable them to re-sell or integrate the Bango Service. These companies give our platform great credibility and also market to content providers outside the countries where we are directly present. At the end of the year there were 14 partners including Blue Star Mobile, Volantis, Graphico, Entriq, July Systems and Crisp Wireless.

During the year we announced unique relationships with Orange, O2, Proximus and Cingular. The benefits to an MNO of opening up the mobile internet (enabling their end users to access off-portal

content) can be gained safely and cost effectively through partnering with Bango. We expect many further relationships in the coming years.

Expanding customer base

Bango customers range from global brands such as Manchester United Football Club, Sony BMG and News International through smaller brands such as Codemasters, The National Portrait Gallery and Funkimobiles to individuals running small businesses. They cover a wide range of sectors, including music, sports, print media, broadcasting, games and phone personalisation. During the year we have significantly grown our customer base which currently includes Channel 4, Sony BMG, Hearst Publications, Discovery Mobile, The Sun, Manchester United Football Club, Codemasters, EMI, Ministry of Sound and WWE

Sales and marketing

During the year we started investing in establishing regional sales teams, modelled after our successful UK operations. We established these teams in the USA, Germany and Spain. They are the countries where the mobile operators were starting to follow the UK model of encouraging content providers to promote mobile content.

We believe that the US mobile content market is about 18 months behind the UK market but growing fast. Many US companies have generated additional revenues using Bango to export their services to countries outside the USA where the market for mobile internet content is currently more mature.

Financial Performance

Revenues increased 121% to £7.53million as more content providers signed up for Bango products and successfully sold mobile internet content via the Bango platform. Gross Profit increased 125% to £2.19million (29.1% of revenue)(FYE Mar 2005: £0.97m, 28.4 %). The improving margins were driven by increasing sign-ups to higher margin package fees together with modest price increases in package fees during the year.

Operating expenses increased in line with expectations by 92% to £3.72million, reflecting our establishment of sales and support operations in New York, California, Germany and Madrid, increased spending on product development and increased marketing activity. The loss for the overall business was increased by £0.4 million to £1.33 million, as anticipated. The UK operation was significantly profitable and cash generative over the year, illustrating the model we expect to become the norm in each country where we have a direct presence. The cash outflow from operations was broadly in line with the trading results for the period, reflecting the small change in working capital requirements despite the substantial increase in turnover.

Following the AIM float in June 2005 through which we raised £6.21M net of expenses, Bango has started to use these funds to accelerate the commercial opportunities available, particularly in USA and Europe.

	Year ended 31 March 2006	Change on previous year	Year ended 31 March 2005
	£M	%	£M
Turnover	7.53	Up 121%	3.41
Gross profit	2.19	Up 125%	0.97
Margin %	29.1%	-	28.4%
Operating loss	1.53	Up 64%	0.93
Loss before tax	1.33	Up 44%	0.92
Cash outflow from operations	1.65	Up 184%	0.58
Cash position	4.86	-	0.32
Basic and fully diluted loss per share	5.34 pence	Up 22%	4.38 pence

Key metrics

The appetite of content providers to use our services is evident from the growth in sales of standard Bango products and these sales are relatively predictable. These are recurring monthly charges with a negligible attrition rate, so a base of predictable high margin sales underpins our business model.

We have a wide range of content providers in a range of market sectors, which provides us with some very encouraging data on our development:

- The number of content providers spending £5,000 per year or more on service fees has increased by 250% from 42 in March 2005 to 156 in March 2006.
- The monthly service fees have increased by over 400% from March '05 to March '06

Strategy for growth for FY 2007

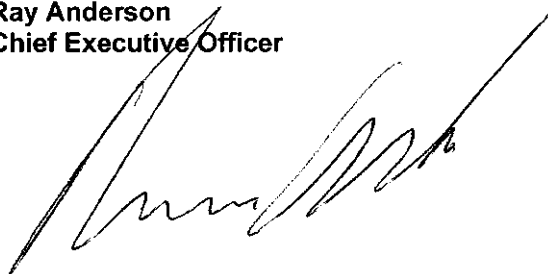
In FY 2007 we will continue our marketing and promotional activities to communicate the benefits of the Bango Service to content providers. We will also focus on giving maximum support to our Bango Accredited Partners to enable them to use the Bango platform to attract and assist customers who want to market direct to consumer across any mobile operator network. We will also be working hard to increase the number of users who visit the sites on our platform by partnering with search companies and by encouraging community activity between end users and the use of the mobile internet in general.

Outlook

We have established a strong and scalable business. Our growth is accelerating and the performance indicators are good. We are in a strong financial position to capitalize on our opportunities. However we are at the early stage of the market, and will therefore remain vigilant, energetic and efficient.

On behalf of the Board, I would like to express my gratitude to Bango's customers, partners and employees for their continued support. I would also like to thank our advisers and shareholders who enabled us to raise funds on the AIM market to provide both investment and credibility to underpin our ambitious growth plans. Working with mobile operators, content providers and brands, other commercial partners and investors, we look forward to continuing success in the coming years.

Ray Anderson
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Ray Anderson', is written over a light grey horizontal line. The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 March 2006.

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 ring-tones on their mobile phones.

Bango enables content providers to quickly and easily gain access to a rapidly expanding market of millions of internet connected mobile phone users in more than one hundred countries. Bango technology and services have been delivered to many leading brands, including EMI, Manchester United, The Sun, Monsternob, Sony BMG, Vodafone, Hearst Corporation, World Wrestling Entertainment and hundreds of others.

A review of the group's performance for the year ended 31 March 2006 and future developments is contained in the Chairman's Report and the Chief Executive's Report.

Changes in share capital

During the year the company issued 5,599,826 new ordinary shares. Of these, 5,223,886 were issued when the company floated on AIM and 375,940 were issued when share options were exercised (see note 15).

The directors and their interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary shares of 20 pence each At 31 March 2006	Ordinary B shares of 1 pence each At 8 March 2005 or later date of appointment
Mr R Anderson	5,947,260	297,363
Mr A Malhotra	4,007,000	200,350
Mr P Saxton	74,626	-
Mr L C N Bury	700,000	28,696
Mr G S Seabrook	44,000	2,200

The shares shown at 8 March 2005 are prior to the share arrangements described in note 15 and relate to shareholdings in Bango.net Limited.

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

		Options to buy Ordinary Shares of 20 pence each		
		Option price	At 31 March 2006	At 8 March 2005 or later date of appointment
Mr R Anderson			-	-
Mr A Malhotra			-	-
Mr P Saxton	granted 1 March 2005	£0.50	200,000	200,000
	granted 21 September 2005	£2.02	50,000	-
Mr L C N Bury			-	-
Mr G S Seabrook			-	-

Mr R Anderson was appointed as a director on 12 May 2005.

Mr A Malhotra was appointed as a director on 20 May 2005.

Mr L C N Bury was appointed as a director on 20 May 2005.

Mr G Seabrook was appointed a director on 20 May 2005.

These four directors were previously directors of Bango.net Limited

Mr P Saxton was appointed as a director on 20 May 2005.

Huntsmoor Limited and Huntsmoor Nominees Limited were appointed as a director on incorporation and resigned as directors on 12 May 2005.

Substantial interests

As at 9 May 2006 the following, other than directors whose shareholdings are outlined above, had interests in 3% or more of the nominal value of the company's ordinary shares of 20 pence each:

	Number of ordinary shares of 20 pence each	Percentage of issued share capital at time of notification
Herald Ventures Limited Partnerships	2,827,210	10.65%
Chase Nominees Limited	1,400,900	5.27%
Bank of New York (Nominees)	1,120,100	4.22%
Mellon Nominees UK Limited	990,000	3.73%

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 2006, the Group had an average of 42 days (2005: 41 days) content provider purchases outstanding in trade creditors.

Reporting under IFRS

As an AIM-listed group, the group is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) from 2007. The company is currently undertaking a review of the conversion from UK GAAP to IFRS. The first financial results prepared in accordance with IFRS's will be for the six months ending 30 September 2007.

Financial risk management

Details of the groups policy in respect to financial risk management is disclosed in Note 14 to the financial statements.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and 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 group's auditors are unaware; and
- 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.

Corporate governance

The group is committed to high standards of corporate governance incorporating best practice for a group of this size.

During the year the Board comprised three executive and two non-executive directors. The company is in the process of identifying and appointing a third non-executive director.

The Board is responsible to shareholders for the proper management of the company, and meets eleven times a year. The Board is responsible for setting and monitoring strategy, reviewing trading performance, ensuring adequate funding, formulating policy on key issues and reporting to shareholders.

Audit Committee

An Audit Committee has been appointed which consists of the non-executive directors and meets not less than twice annually. The committee provides a forum for the company's external auditors; meetings are also attended by invitation by the executive directors. The audit committee is responsible for reviewing a wide range of financial matters including the interim and annual figures and reports and monitoring the controls which are in force in the company, to ensure the integrity of the financial information reported to the shareholders.

The Board acknowledges its responsibility for maintaining a system of internal control which can provide appropriate assurance against misstatement or loss.

The elements contributing to this system are:

- An organisation structure with clearly defined lines of authority, limits for authorisation of transactions and segregation of duties.
- Production and review of monthly management information covering all aspects of the business in accordance with agreed timescales.
- Identification, monitoring and review of key performance indicators.
- Preparation, monitoring and review of annual budgets.

The Audit Committee considers that the system of internal financial control has operated effectively during the year.


Remuneration Committee

A Remuneration Committee has been appointed, which consists of the non-executive directors and meets not less than twice annually. The principal functions of the committee are to determine, on behalf of the Board and the shareholders, the company policy for executive remuneration and the remuneration packages of the executive directors. It also considers the granting of share options to employees.

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 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



Mrs K L Oakley
Secretary
17 May 2006

Report of the independent auditor to the members of Bango Plc

We have audited the group and parent company financial statements (the "financial statements") of Bango Plc for the year ended 31 March 2006 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement and notes 1 to 23.

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

Respective responsibilities of directors and auditor

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

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

Basis of opinion

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


Report of the independent auditor to the members of Bango Plc (continued)

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2006 and of the loss of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements for the year ended 31 March 2006.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
17 May 2006
CAMBRIDGE

The maintenance and integrity of the Bango plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdictions.

Accounting policies

Basis of preparation

Bango PLC was incorporated for the purpose of achieving admission to trading on AIM of the existing business of Bango.net Limited. This was effected by the acquisition of the entire share capital of Bango.net Limited by way of a share for share exchange.

On 9 June Bango Plc acquired the entire issued share capital of Bango.net Limited by way of a share for share exchange. The transaction qualifies as a group reconstruction within the meaning of FRS 6, and has been accounted for using the merger accounting method. Accordingly the financial information for the current period and comparatives has been presented as if Bango.net Limited had been owned by Bango Plc throughout the current and prior periods.

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards. The principal accounting policies of the group are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all group undertakings. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Revenue recognition

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

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

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

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

Revenue from services provided to mobile phone operators and content providers are recognised over the term of the contract.

Fixed assets

All fixed assets are initially recorded at cost.

Accounting policies

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

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

Domain names costs are capitalised as tangible fixed assets under UITF 29 and written off over their useful lives.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for some employees. The assets of the schemes are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

Accounting policies

Financial Instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. 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 receivable on cash balances is recognized on a receivable basis in the profit and loss account.

Investments

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Employee share option schemes

In accordance with Urgent Issues Task Force Abstract 17 "Employee Share Schemes" the cost of awards to employees that take the form of shares or rights to shares is recognised as a charge to the profit and loss account. The amount charged to profit and loss is the difference between the "market value" at the time of grant (as agreed with the Inland Revenue) and the exercise price and a corresponding credit is made to reserves. During the year, all options were awarded at market value as agreed with the Inland Revenue.

Group profit and loss account

	Note	2006 £	2005 £
Turnover	1	7,532,877	3,414,506
Cost of sales		5,341,577	2,439,628
Gross profit		<u>2,191,300</u>	<u>974,878</u>
Other operating charges	2	3,719,266	1,933,647
Other operating income	3	-	(25,532)
Operating loss	4	<u>(1,527,966)</u>	<u>(933,237)</u>
Interest receivable – bank interest		195,069	15,315
Loss on ordinary activities before taxation		<u>(1,332,897)</u>	<u>(917,922)</u>
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	8	<u><u>(1,332,897)</u></u>	<u><u>(917,922)</u></u>
Basic and diluted loss per share (pence)	9	<u>(5.34)</u>	<u>(4.38)</u>

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

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Group balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	11	<u>343,096</u>	<u>88,533</u>
Current assets			
Debtors	12	2,267,458	1,048,050
Cash at bank		4,863,004	320,220
		<u>7,130,462</u>	<u>1,368,270</u>
Creditors: amounts falling due within one year	13	<u>2,186,123</u>	<u>1,211,571</u>
Net current assets		<u>4,944,339</u>	<u>156,699</u>
Total assets less current liabilities		<u>5,287,435</u>	<u>245,232</u>
Capital and reserves			
Called-up equity share capital	15	5,306,864	4,186,900
Share premium account	16	5,255,136	-
Merger reserve	16	1,236,225	1,236,225
Profit and loss account	16	(6,510,790)	(5,177,893)
Shareholders' funds	16	<u>5,287,435</u>	<u>245,232</u>

These financial statements were approved by the directors on 17 May 2006 and are signed on their behalf by:



Mr R Anderson



Mr P Saxton

Company balance sheet

	Note	As at 31 March 2006 £
Fixed assets		
Investment	10	4,204,286
Current assets		
Debtors – due within one year	12	73,250
- due after one year	12	3,307,672
Cash at bank		3,000,000
		<u>6,380,922</u>
Creditors: amounts falling due within one year	13	56,037
Net current assets		<u>6,325,885</u>
Total assets less current liabilities		<u>10,529,171</u>
Capital and reserves		
Called-up equity share capital	15	5,306,864
Share premium account	16	5,255,136
Profit and loss account	16	(32,829)
Shareholders' funds	16	<u>10,529,171</u>

These financial statements were approved by the directors on 17 May 2006 and are signed on their behalf by:



Mr R Anderson



Mr P Saxton

Group cash flow

	Note	2006 £	2005 £
Net cash outflow from operating activities	17	(1,652,206)	(583,065)
Returns on investments and servicing of finance			
Interest received		195,069	15,315
Net cash inflow from returns on investments and servicing of finance		195,069	15,315
Taxation		-	-
Capital expenditure			
Payments to acquire tangible fixed assets		(333,679)	(62,297)
Net cash outflow from capital expenditure		(333,679)	(62,297)
Cash outflow before financing		(1,790,816)	(630,047)
Financing			
Issue of equity share capital		1,119,963	947
Share premium on issue of equity share capital		5,999,758	810,173
Share issue expense		(786,121)	(5,507)
Net cash inflow from financing		6,333,600	805,613
Increase in cash	17	<u>4,542,784</u>	<u>175,566</u>

Notes to the financial statements

1 Turnover

An analysis of turnover by destination is given below:

	2006 £	2005 £
United Kingdom	6,833,613	3,218,675
EU	254,363	51,590
US and Canada	344,180	104,676
Rest of the World	100,721	39,565
	<u>7,532,877</u>	<u>3,414,506</u>

Turnover and loss before taxation is split between the following activities.

Turnover	£	£
Content access fees	6,470,383	2,902,059
Content provider fees	1,002,619	311,797
Services to Mobile Network Operators	59,875	200,650
	<u>7,532,877</u>	<u>3,414,506</u>

Loss before taxation	£	£
Content access fees	1,315,125	531,711
Content provider fees	816,300	242,517
Services to Mobile Network Operators	59,875	200,650
	<u>2,191,300</u>	<u>974,878</u>
Common costs	(3,719,266)	(1,908,115)
Operating loss	<u>(1,527,966)</u>	<u>(933,237)</u>

2 Other operating charges

	2006 £	2005 £
Administrative expenses	<u>3,719,266</u>	<u>1,933,647</u>

3 Other operating income

	2006 £	2005 £
Receipt on termination of contract	<u>-</u>	<u>25,532</u>

Notes to the financial statements

4 Operating loss

Operating loss is stated after charging/(crediting):

	2006 £	2005 £
Depreciation of owned fixed assets	76,427	42,874
Auditor's remuneration:		
Audit fees	82,730	17,000
Audit	36,500	12,000
Non-audit fees		
Tax advisory service	43,065	2,000
Other advisory services	3,165	3,000
Operating lease costs:		
Plant and equipment	1,110	1,691
Land and buildings	108,582	89,250
Net loss on foreign currency translation	<u>5,032</u>	<u>1,518</u>

The aggregate amount of auditors remuneration paid in respect of flotation costs amounted to £119,067 (2005: nil). In accordance with FRS4 this has been deducted from share premium.

5 Particulars of employees

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

	2006 No	2005 No
Administrative staff	4	3
Marketing staff	6	4
Sales staff	7	3
Technical staff	9	6
Executive directors	3	2
Support staff	8	3
	<u>37</u>	<u>21</u>

The aggregate payroll costs of the above were:

	2006 £	2005 £
Wages and salaries	1,745,137	979,732
Social security costs	176,307	109,332
Other pension costs	21,300	12,428
	<u>1,942,744</u>	<u>1,101,492</u>

Notes to the financial statements

6 Directors

Remuneration in respect of directors was as follows:

	2006 £	2005 £
Emoluments receivable	<u>300,407</u>	<u>193,740</u>

The highest paid director received total emoluments of £104,801 (2005: £86,870).

None of the directors exercised share options in the company during the year.

No directors participated in the pension scheme during the year (2005: nil).

Included in the remuneration above is an amount of £26,250 paid to third parties for services as non-executive directors.

7 Taxation on ordinary activities

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax refund in the UK of 19% (2005: 19%)

	2006 £	2005 £
Loss on ordinary activities before taxation	<u>(1,332,897)</u>	<u>(917,922)</u>
Loss on ordinary activities by rate of tax	(253,251)	(174,405)
Expenses not deductible for tax purposes	20,869	4,117
Difference between capital allowances and depreciation	(3,573)	1,397
Unutilised tax losses	226,383	167,790
Other timing differences	<u>9,572</u>	<u>1,101</u>
Total current tax	<u>-</u>	<u>-</u>

At 31 March 2006 the unutilised tax losses carried forward are £6.1 million (2005: £4.9 million).

8 Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company for the period from 10 June 2005 to 31 March 2006 was £32,829 (2005 - £Nil).

9 Loss per share

The calculation of basic loss per ordinary share is based on a loss of £ 1,332,897 (2005 - £917,922), being the loss for the year and on 24,983,944 (2005 - 20,918,940) being the weighted average number of equity shares in issue during the year.

The diluted loss per ordinary share is the same as the basic loss per share as the share options in issue are anti-dilutive.

The weighted average number of shares for the year-ended 31 March 2005 has been recalculated based on the share split on 9 June 2005 when each share in the group was subdivided by 20.

Notes to the financial statements

10 Investments

	£
Shares in subsidiary undertaking at 10 June 2005	4,186,900
Additions	17,386
Shares in subsidiary undertakings at 31 March 2006	<u>4,204,286</u>

As at 31 March 2006 the company had an interest in the following undertakings:

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

Bango GmbH and Bango Inc were dormant throughout the year.

11 Tangible fixed assets

Group

	Leasehold improvements £	Office equipment £	Computer equipment £	Domain names £	Total £
Cost					
At 1 April 2005	29,446	32,578	213,672	-	275,696
Additions	124,312	31,634	146,769	30,964	333,679
Disposals	(29,446)	-	(1,530)	-	(30,976)
At 31 March 2006	<u>124,312</u>	<u>64,212</u>	<u>358,911</u>	<u>30,964</u>	<u>578,399</u>
Depreciation					
At 1 April 2005	25,310	23,235	138,618	-	187,163
Charge for the year	10,484	5,353	53,709	6,881	76,427
Depreciation on Disposals	(28,117)	-	(170)	-	(28,287)
At 31 March 2006	<u>7,677</u>	<u>28,588</u>	<u>192,157</u>	<u>6,881</u>	<u>235,303</u>
Net book value					
At 31 March 2006	<u>116,635</u>	<u>35,624</u>	<u>166,754</u>	<u>24,083</u>	<u>343,096</u>
At 31 March 2005	<u>4,136</u>	<u>9,343</u>	<u>75,054</u>	<u>-</u>	<u>88,533</u>

Notes to the financial statements

12 Debtors

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	1,833,401	802,151	-	-
Amounts due from subsidiary undertaking	-	-	3,307,672	-
Corporation tax repayable	28,502	28,502	-	-
Other debtors	405,555	217,397	73,250	-
	<u>2,267,458</u>	<u>1,048,050</u>	<u>3,380,922</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Bank overdraft	10,772	-	-	-
Trade creditors	1,787,603	664,800	17,401	-
Accruals and deferred income	236,760	410,305	21,250	-
Amounts owed to group undertakings	-	-	17,386	-
Other taxation and social security	150,988	136,466	-	-
	<u>2,186,123</u>	<u>1,211,571</u>	<u>56,037</u>	<u>-</u>

14 Financial risk management objectives and policies

The group does not hold or issue financial instruments except those which arise directly from the group's operations (e.g. trade debtors, trade creditors, accruals and prepayments). The group raises funds through equity financing.

Credit risk

The group monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The group has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Interest risk

The group has no borrowings. At the year-end some surplus funds were deposited with HSBC Bank plc and mainly with Anglo Irish Bank Corporation plc for periods of up to three months. The interest rates with Anglo Irish Bank were between 4.53% and 4.61% per annum.

Fair values of financial assets and liabilities

The fair values of all of the group's financial instruments are not materially different from their carrying values.

Notes to the financial statements

15 Share capital

Group authorised share capital:

	2006	2005
	£	£
37,500,000 ordinary shares of 20 pence each in Bango plc	<u>7,500,000</u>	<u>7,500,000</u>

Group allotted and called up share capital:

	2006		2005	
	No	£	No	£
Ordinary shares of 20 pence each in Bango plc	<u>26,534,321</u>	<u>5,306,864</u>	<u>20,934,495</u>	<u>4,186,900</u>

Company

	2006	
	No	£
Authorised		
Ordinary shares of 20 pence	<u>37,500,000</u>	<u>7,500,000</u>
Allotted and called up share capital		
Ordinary shares of 20 pence	<u>26,534,321</u>	<u>5,306,864</u>

The company was incorporated on 8 March 2005 with 1,000 authorised ordinary shares of £1 each. On incorporation the company issued 1 ordinary share of £1 at par. The authorised shares were subdivided into £0.20 shares on 31 May 2005.

On 31 May 2005, the authorised share capital of the company was increased to £7,500,000 by the creation of 7,499,000 new ordinary shares of £1 each. In accordance with merger accounting, the authorised share capital at 31 March 2005 has been restated.

On 31 May 2005, the authorised share capital of the company was reorganised into 37,500,000 ordinary shares of 20 pence each.

On 9 June 2005, the company acquired 100% of the issued share capital of Bango.net Limited by issuing 20,934,495 shares at par as follows:

- 568,940 ordinary shares in exchange for 28,477 "A" ordinary shares of Bango.net Limited.
- 14,797,559 ordinary shares in exchange for 739,878 "B" ordinary shares of Bango.net Limited.
- 1,740,440 ordinary shares in exchange for 87,022 "C" ordinary shares of Bango.net Limited.
- 3,827,560 ordinary shares in exchange for 191,378 "D" ordinary shares of Bango.net Limited.

On admission (30 June 2005) to AIM the company issued 5,223,886 ordinary shares for a consideration of £1.34 per share. Share issue costs amounted to £786,121.

Notes to the financial statements

During the year, the company has issued 303,176 ordinary shares where employee share options have been exercised, for the following consideration:

Exercise date	Number of shares	Consideration per share (pence)
2 November 2005	150,000	31.00
10 November 2005	20,000	31.00
29 November 2005	4,500	28.75
29 November 2005	60,000	50.00
6 December 2005	6,000	28.75
6 December 2005	58,668	31.00
18 January 2006	2,006	50.00
18 January 2006	2,002	28.75
	303,176	

On 22 June 2005 72,764 share options were exercised for consideration of £0.20 per share. These were issued in lieu of services for a fair value of £41,500.

16 Reconciliation of shareholders funds and movements on reserves

Group

	Share capital	Share premium	Merger reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£
At 1 April 2004	9,520	4,472,092		(4,259,971)	221,641
Proceeds from issue of Shares	947	946,073			947,020
Share issue costs		(5,507)			(5,507)
Share for share exchange	4,186,900				4,186,900
Share issue costs					
Retained loss for the year				(917,922)	(917,922)
Merger adjustment	(10,467)	(5,412,658)	1,236,225		(4,186,900)
At 1 April 2005	4,186,900	-	1,236,225	(5,177,893)	245,232
Proceeds from issue of Shares	1,044,776	5,955,224			7,000,000
Share issue costs		(786,121)			(786,121)
Exercise of share options	75,188	86,033			161,221
Retained loss for the year				(1,332,897)	(1,332,897)
At 31 March 2006	5,306,864	5,255,136	1,236,225	(6,510,790)	5,287,435

The merger reserve has arisen as a result of the share for share exchange and represents the difference between the investment value in Bango Plc and the share capital and share premium account in Bango.net Limited at the time of the transaction.

Notes to the financial statements

16 Reconciliation of shareholders funds and movements on reserves (continued)

Company

	Share capital	Share premium	Profit and loss account	Total shareholders' funds
	£	£	£	£
Share for share exchange	4,186,900	-	-	4,186,900
Issue of ordinary shares	1,044,776	5,955,224	-	7,000,000
Exercise of share options	75,188	86,033	-	161,221
Share issue costs		(786,121)	-	(786,121)
Retained loss for the year			(32,829)	(32,829)
At 31 March 2006	<u>5,306,864</u>	<u>5,255,136</u>	<u>(32,829)</u>	<u>10,529,171</u>

17 Notes to the statement of cash flows

Reconciliation of operating loss to net cash outflow from operating activities

	2006 £	2005 £
Operating loss	(1,527,966)	(933,237)
Shares issued in lieu of services	41,500	-
Depreciation	76,427	42,874
Decrease/(increase) in debtors	(1,219,408)	(188,341)
(Decrease)/increase in creditors	974,552	495,639
Disposal of fixed assets	2,689	
Net cash outflow from operating activities	<u>(1,652,206)</u>	<u>(583,065)</u>

Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
(Decrease)/Increase in cash in the period	<u>4,542,784</u>	<u>175,566</u>
Movement in net funds in the period	<u>4,542,784</u>	<u>175,566</u>
Net funds at 1 April 2005	<u>320,220</u>	<u>144,654</u>
Net funds at 31 March 2006	<u>4,863,004</u>	<u>320,220</u>

Notes to the financial statements

Analysis of changes in net debt

	At 1 Apr 2005 £	Cash flows £	At 31 Mar 2006 £
Net cash:			
Cash in hand and at bank	320,220	4,542,784	4,863,004
Net debt	<u>320,220</u>	<u>4,542,784</u>	<u>4,863,004</u>

Major non-cash transactions

On 9 June 2005 1,046,725 ordinary shares in Bango.net Limited as specified in Note 15 were exchanged for 20,934,495 ordinary shares in Bango plc

18 Share options

After the acquisition of Bango.net Limited on 9 June 2005 all of the existing share options in that company amounting to the equivalent of 2,052,000 options in Bango plc were transferred to Bango plc.

The share options continue to carry the same rights as they did before the acquisition.

The following share options were outstanding over ordinary shares of £0.20 each as at 31 March 2006:

Date option granted	Option price per share (pence)	Expiry date	Number of options
28 April 2000	50.00	28 April 2010	60,000
2 May 2000	50.00	2 May 2010	60,000
19 May 2000	5.00	19 May 2010	80,000
25 August 2000	88.40	25 August 2010	26,000
31 October 2001	0.05	31 October 2011	2,500
2 April 2002	31.00	24 April 2012	93,000
2 May 2002	31.00	2 May 2012	115,000
25 August 2002	31.00	25 August 2012	92,000
24 February 2003	31.00	24 February 2013	95,332
27 August 2003	28.75	27 August 2013	69,000
27 February 2004	28.75	27 February 2014	417,500
27 May 2004	31.00	27 May 2014	40,000
27 July 2004	28.75	27 July 2014	50,000
28 August 2004	50.00	28 August 2014	96,000
18 February 2005	50.00	18 February 2015	190,500
1 March 2005	50.00	1 March 2015	230,000
21 September 2005	202.00	21 September 2015	251,000
1 March 2006	177.50	1 March 2016	208,000
			<u>2,175,832</u>

During the year 499,000 share options have been granted, 303,176 have been exercised and 71,992 options have been cancelled for employees who have left the group during the year.

The market price of the ordinary shares of £0.20 each at 31 March 2006 was £2.05. The market price ranged from a low of £1.60 to a high of £2.30 from 30 June 2005 to 31 March 2006.

The share options held by directors are detailed in the Directors Report.

Notes to the financial statements

19 Commitments under operating leases

At 31 March 2006 the group had annual commitments under non-cancellable operating leases as set out below.

The group	2006		2005	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire:				
Within 1 year	28,430	399	-	60
Within 2 to 5 years	-	-	89,250	1,320
Thereafter	141,246	-	-	-
	<u>169,676</u>	<u>399</u>	<u>89,250</u>	<u>1,380</u>

The company does not hold any operating leases.

20 Related party transactions

There were no related party transactions during the year which require disclosure under FRS 8 except as disclosed elsewhere in these financial statements.

21 Capital commitments

There were no capital commitments at 31 March 2006 or 31 March 2005.

22 Contingent liabilities

There were no contingent liabilities at 31 March 2006 or 31 March 2005.

23 Pensions

Bango contributes to the pension funds of some employees. The pension cost charge represents contributions payable by Bango to these funds and amounted to £21,300 (2005: £12,428). Contributions totalling £1,775 (2005: £794) were owed at the balance sheet date and are included in creditors.

Notice of Meeting

Notice is hereby given that the Annual General Meeting will be held at

ICIS
3rd Floor
Aldermary House
10-15 Queen Street
London
EC1N 1TX

on Wednesday 12th July 2006 at 12:00 for the following purposes:

1. To consider the Accounts and Directors' Report.
2. To re-appoint the auditors.
3. To authorise the Directors to fix the remuneration of the auditors.
4. To transact any other business.

A Member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote.

By order of the Board
Mrs K L Oakley, Secretary
17 May 2006

Registered Office
5 Westbrook Centre
Milton Road
Cambridge
CB4 1YG

Registered number 5386079