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Annual Report 2016

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# Highlights

2016 was a year of strong growth in footprint, partner relationships and technological advances.

# 191%

Growth in exit run rate

# 196%

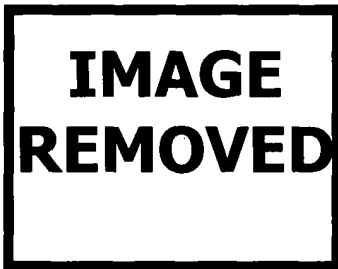
EUS increase

# £5.1m

Stable cost base

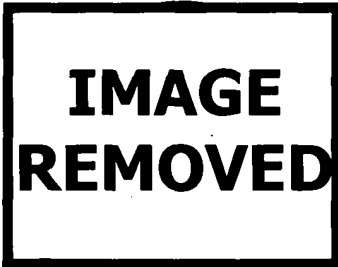
# \$2bn

annual processing  
capacity of  
platform



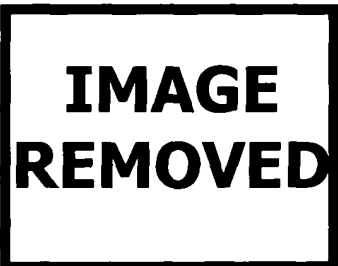
### Acquired BilltoMobile

Bango is now the only processor of carrier billing transactions across all four major US mobile network operators (MNOs), representing more than 300 million connected devices.



### Xbox carrier billing

Extended partnership with Microsoft. New activations for Windows Store across all Windows 10 devices, including first carrier billing launch for Xbox content.



### India activation

Launched the first Google Play carrier billing activation in India with Idea Cellular.

“ At Idea Cellular, we continually innovate to provide our customers with the best service, and Bango impressed us with their platform architecture, simplicity of integration and credibility as the market leader. ”

**Sashi Shankar, Chief Marketing Officer, Idea Cellular**

# Bango at a glance

**#1**

for app store  
carrier billing

## Bringing mobile payments to everyone

**Bango technology opens up online payment to the mass market. Internet giants that want to offer payments to everyone use the Bango Platform to deliver the best possible payment performance at global scale.**

Bango sees a future in which payments are deeply embedded into user experiences. The Bango Platform enables that vision by providing a smooth

and easy way for any online service to identify, authenticate and collect money from users. Bango achieves this simplicity by using information captured and analyzed by the platform to process transactions using payment routes that are available to the user.

Bango is the winning choice for offering carrier billing and other alternative payment methods to every customer, through one, global platform.

**1.7bn**  
addressable  
user base

**140+**  
routes  
activated

**60+**  
countries  
activated

## Power of a platform

The Bango Platform improves through continual use by Bango partners, creating and sharing value with every interaction it processes. Shared across more major stores than any other provider, the Bango Platform has information that is not available to other solution providers. Everyone connected to the Bango Platform ecosystem benefits from this platform effect, improving payment performance and driving market growth.

- Payment providers gain insight into user behavior to increase successful transactions and drive user engagement
- Major stores and merchants can model campaign performance to focus their massive advertising spend to gain the highest ROI, driving higher spend

- Major stores and merchants maximize coverage through the platform's universal payment capability - any device, any content type, with any alternative payment method to reach the biggest possible market

As more customers and partners adopt the Bango Platform and as more transactions are analyzed by Bango technology, the platform becomes increasingly powerful, providing unique insights that drive revenue growth. This in turn drives more customers to use the Bango Platform which feeds a virtuous circle of success for the Bango Platform and the industry.

**1st**  
to launch  
Google Play DCB  
in LATAM

**1st**  
to launch  
Google Play DCB  
in Africa

**1st**  
to launch  
Google Play DCB  
in India

**1st**  
to launch  
Windows Store  
DCB on Xbox

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# Chairman's statement

2016 was an impressive year for Bango. The technology developed and deployed by Bango in previous years comfortably processed a near tripling of End User Spend (EUS) with no additional operating costs, demonstrating the operational scalability of the business.

Bango technology continues to deliver organic growth, both by efficiently adding new billing routes and using a powerful data analysis capability, Bango Boost, to improve the yield of live routes on the platform. The additional jump in EUS resulting from the acquisition of BilltoMobile was handled seamlessly, a testament to both the technology and the team.

The continuing success of Android in the market supports the Bango strategy to power the leaders. In 2016, four out of every five smartphones sold were Android devices. The app stores delivered record breaking revenue to developers, with many of the most successful titles, such as Pokémon Go, making news headlines across the world. Bango benefits directly from these global trends, and from each wave of apps, content and services that are marketed and delivered through the app stores.

I was struck by two findings Bango published last year from its analysis of consumer behavior. First, a ground-breaking piece of research conducted by Bango in partnership with Proximus, the main Mobile Network Operator (MNO)

in Belgium, proving that consumers who select carrier billing to pay in the Google Play store increase the amount of money they spend overall using their mobile phone accounts. This analysis is necessary to assure MNOs that consumers do not reduce spending on network services to fund apps, games, movies and music. They simply increase the amounts they spend.

The second piece of analysis looked at what happened when last year's mobile blockbuster, Pokémon Go, was launched. The research showed that a new title, and new product genre, attracted many first time users to carrier billing, and did not simply redirect spending from existing titles. This was incremental spending.

Bango builds competitive differentiation and value through technology, focusing its R&D effort on anticipating the needs of the market and on preparing for the needs of its key partners. In 2017 some of this investment will become visible in a number of new and exciting applications of the Bango Platform that leverage its power and capabilities, enabling our partners to expand mobile payments into new products and services. The interest in Bango technology is growing beyond its major app store partners and payment providers out to the major app developers, who are increasingly excited about directly accessing the sophisticated payments information

that has successfully boosted the performance of MNOs.

I am impressed by the management team's long-term thinking, which has enabled Bango to deliver 2016's eye-catching growth on a stable cost based through a technology-led strategy. Rachel Elias-Jones was promoted to Chief Financial Officer, bringing a deep understanding of Bango technology gained from her four years at Bango to ensure the Bango Platform can handle scale and complex requirements.

Rachel replaced Gerry Tucker as CFO and on the Bango Board. Rudy Burger retired from the Board after nearly 7 years to be replaced by Gianluca D'Agostino. Gianluca brings a vast amount of industry experience gained from his career at Telecom Italia Mobile, KPMG and a range of mobile technology companies including Neomobile.

Bango enters 2017 in a very strong position, enjoying significant growth in End User Spend, closing-in on profitability and with a healthy cash balance. Bango has the most important pieces in place, powering the leaders with the unique Bango Platform and an excellent team. It executed exceptionally well in 2016 and this year has the opportunity to break new ground and set new records with the business.

**David Sear**  
Chairman



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Product development

## Bango Boost v2 – generating more revenue for payment providers, stores and merchants

Bango Boost technology was enhanced to enable stores and merchants to maximize their carrier billing success. Award winning Bango Boost v1 achieved significant success for operators by focusing on the causes of friction in payment routes. It increased basic transaction success rate by between

20% and 40%, sometimes more. Bango Boost v2 expands on this, providing stores and merchants with unique comprehensive data analysis, including benchmarking performance, to enable them to boost revenue growth and customer experience.

**IMAGE  
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“ Bango Boost has been an invaluable tool allowing us to monitor and optimize our carrier billing services with Bango. The data provided has helped fill gaps in the overall service performance and allowed us to take actions to continuously grow the service. ”

Noaf Eriqat, Manager Consumer Multimedia Services, du

Market development

## Subscribers using carrier billing in Google Play spend more across all operator services

Bango and Belgian operator Proximus partnered to analyze the impact of launching carrier billing in Google Play on subscriber behavior. The findings show that contrary to popular belief:

1. Adding Direct Carrier Billing (DCB) to an app store does not cannibalize end user spending on mobile data, voice and SMS services
2. Pre-paid subscribers that pay using their mobile phone bill in Google Play do not have a fixed wallet size. They maintain the same level of spending on data, voice and SMS services and spend additional money on app store content

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Download the report to view the analysis, findings and conclusions, visit:

[http://bango.com/resource/bango\\_proximus\\_report](http://bango.com/resource/bango_proximus_report)

**IMAGE  
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# CEO's statement

***"As Bango has started to prove, revenues grow faster using the Bango Platform, and as app stores have started to mandate the Bango Platform to avoid the burden and shortcomings of a direct connection, the competitive position of Bango has strengthened."***

During 2016 the Bango Platform built substantial momentum – demonstrated by high growth in End User Spend from established routes, and by the increasing adoption of the Bango Platform by the giants of the internet industry.

As more customers and partners adopt the Bango Platform and as more transactions are analyzed by Bango technology, the platform becomes increasingly powerful, providing unique insights that drive revenue growth. This in turn drives more customers to use the Bango Platform which feeds a virtuous circle of success for the Bango Platform and the industry.

Alternative payment methods such as Direct Carrier Billing (DCB) are vital to fill the payment gap caused by the rate of smartphone growth hugely exceeding the availability of credit cards. The Bango Platform approach is increasingly being recognized by partners and customers as providing valuable insights and analysis that cannot be achieved without Bango.

## Growth across all markets

During 2016 Bango showed growth from both developed markets, where card payments are well established, and also from emerging markets where DCB is the only widely available method of payment. In both cases the deployment of DCB improves sales.

Bango made key hires in Latin America, Asia and North America to ensure increasing collaboration with its global partners and local customers. The Bango presence on the US West Coast was also strengthened by the

acquisition in May 2016 of leading US carrier billing business BilltoMobile. This brought billing relationships to Bango representing more than 300 million connected devices across the USA and new partners which have been migrated to the Bango Platform.

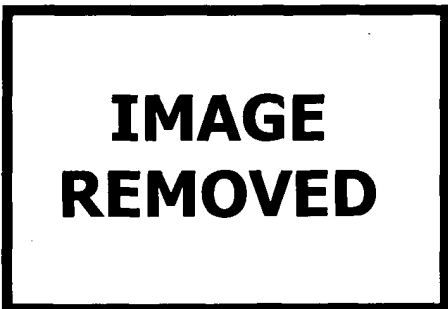
To support the ambitions of Bango customers in Japan and Korea, the most valuable DCB markets in the world, Bango made a senior hire in Tokyo to head up Bango KK, its subsidiary in Japan, and also established a strategic partnership with Danal Inc, which leads the DCB market in South Korea.

## Technology focus and R&D expansion

The strategy of building a powerful platform that is used by a range of customers across multiple payment routes, rather than simply acting as a payment integrator or merchant aggregator, is starting to demonstrate its benefits.

## Platform effect

The Bango Platform extends far beyond the reliable and secure processing of payment transactions. The information gathered through interactions with users that pay, and also those that are unable to pay, creates a unique and valuable pool of data. The data can then be used to improve user experience for all merchants, it also delivers deep insights and behavioral data that can be used to increase revenues and drive improved marketing yields. With the broadest view across the market, the Bango Platform has knowledge and data that no one



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else has, and can enable this to be used - in compliance with privacy rules – through the tools and APIs presented by the Bango Platform. Everyone integrated with the Bango Platform ecosystem benefits from the platform effect, supporting and driving market growth.

- Payment providers gain insight into user behavior to increase successful transactions and drive user engagement
- Stores and developers can model campaign performance to focus their massive advertising spend to gain the highest ROI, driving higher user spending
- Stores gain an increased reach through the platform's universal payment capability to reach the biggest available market

The more payment providers who integrate with the Bango Platform, the greater the benefits for every partner.

#### **Bango Boost**

MEFFY award-winning Bango Boost technology provides insights and recommendations to payment providers to grow their revenues. This has given payment providers that integrate with the Bango Platform an important competitive advantage.

Bango Boost v2 adds enhanced comparative analysis, peer benchmarking, cohort behavior predictions and other modelling techniques deployed in v1. This enables marketers focused on revenue growth and customer delight to distinguish active customers from

inactive customers, generate transaction forecasts for customers and determine future best customers.

Bango Boost has enabled MNOs to find new and effective ways to encourage users to make their first purchase with DCB, and then to tailor their marketing to grow spending and achieve increased return on marketing investment by targeting the highest spending consumers.

#### **Migrations to the Bango Platform**

In expectation of a number of migrations to the Bango Platform from traditional direct integrations between app stores and MNOs during the next year and beyond, Bango has developed tools and technologies to streamline the upgrade. The post-acquisition migration of live routes from the legacy BilltoMobile systems to the Bango Platform has been a proving ground for these capabilities.

Bango has also developed Jarvis - an internal suite of tools, modules, simulators and systems to streamline the integration of new payment routes. Negotiations between MNOs and app stores are normally the key factor influencing activation timing. Bango ensures that the technical work is fast, flexible and error free by using Jarvis to configure the Bango Platform to external payment systems, and minimize the need for any technical integration work. With hundreds of potential payment providers needing Bango Platform integration in the coming years, the development teams at Bango can be focused on expanding platform capabilities and not on initial integrations or migrations.

#### **Developed new API with additional functionality**

One of the most substantial technological achievements of Bango is the creation of a stable API which presents the power of the Bango Platform, and all the payment routes it is integrated with, to the app stores and merchants. During 2015 and 2016 the API was given a major upgrade – culminating in the release of Bango API v5.

Bango API v5 uses a unique and innovative approach to ensure that payment route diversity can be handled within the Bango Platform, and without the merchants and app stores having to change their code for different payment methods or user experiences. Bango API v5 also incorporates new capabilities that facilitate the sale of physical goods such as partial shipment, partial refunds, item by item tax variation and diverse chargeback models.

#### **Platform capacity**

Bango systems are regularly load tested to verify that they can comfortably process well in excess of the transaction volumes envisaged for the coming year. During 2016 a number of changes were made in the underlying systems to streamline some of the critical processes, and to move away from SQL-based technology in areas that could become constraints as Bango scales to more than 10 times current transaction levels.

Load testing at the end of 2016 and during February 2017 provided comfort that these changes now support at

least \$2Bn/£1.6Bn EUS per year using the current datacenters, hardware and software. During 2017, Bango is therefore in an excellent position to handle eight times current EUS reliably, safely and securely with little or no incremental operating cost.

As EUS levels climb into the billions of dollars, the datacenters will require additional computing power and storage, but these are provided by the addition of commodity hardware at very low cost, so the gross margin generated on transactional revenues should stay well over 90%.

### Three factors affecting revenue growth

#### **Users increase their spending on digital entertainment and services**

Growth of revenues from the existing user base is driven by the continued appeal of app store content, continued marketing and promotion by app stores

and app developers, and the acceleration in EUS that is delivered through the effective use of Bango Boost.

#### **Fast growth in new users**

Only a small percentage of customers have used DCB so far. Even in established DCB markets, less than 10% of users have made their first purchase, and in early stage markets this may be less than 0.1%. Promotions by local MNOs, the app stores and the app developers themselves encourage users to buy something using DCB. There is huge growth potential from the addition of first time users.

#### **New forms of content and services**

The availability of more content is driving increasing EUS on the Bango Platform. Such new types of service include YouTube Red – a newly launched ad-free YouTube service; Pokémon GO, an alternate reality game which quickly became a top selling app, and the

#### Product development

### **Bango is leading US Direct Carrier Billing provider**

Bango acquired the BilltoMobile carrier billing service from Danal Inc. Bango is now the only processor of carrier billing transactions across all four major US Mobile Network Operators (MNOs), representing more than 300 million connected devices. The acquisition positioned Bango as the leader in carrier billing in the US market, consolidating its position as the world's leading provider of carrier billing for app stores.

**IMAGE  
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opportunity introduced by Microsoft to allow DCB for Xbox games and services.

### Partner developments

A key business success factor is the relationship Bango has with its strategic partners, who are mostly the world's leading stores. In 2016 Bango both strengthened some of its existing relationships as well as developed new exciting opportunities.

#### Expanded key strategic partnerships

In 2016 Bango expanded its agreement with Microsoft to allow DCB to be used as a payment method across all Microsoft Windows 10 devices including smartphone, tablet, desktop and Xbox One. New services were launched in Sweden, Finland, Norway and Hungary.

Bango has also continued to develop its relationships with the other major stores that choose to use the Bango Platform, and the first fruits of these activities will become more apparent in 2017.

#### Developed new partnerships

BilltoMobile powered DCB for several large businesses, such as PayPal in the USA. Bango is migrating these customers to the Bango Platform to provide improved reach and capabilities and expects these new relationships to blossom during 2017.

Bango signed a memorandum of understanding with Korean mobile commerce company Danal Co., Ltd

(064260.KQ) aimed at strengthening its global payments footprint and for mutual technical and business benefit.

### Growing within the DCB market

The Bango Platform is the leader in DCB and is used by almost all the major app stores.

The primary competition for DCB remains the option for payment providers to implement a traditional integration with each app store directly rather than leveraging an independent platform.

As Bango has started to prove, revenues grow faster using the Bango Platform, and as app stores have started to mandate the Bango Platform to avoid the burden and shortcomings of a direct connection, the competitive position of Bango has strengthened.

Management now believes that during 2016 leadership has been established in Bango winning over direct integrations, and that this will further drive the power of the platform approach going forward, leading to more wins and many more migrations.

### Outlook

Bango remains focused on growing EUS, both in markets where it already operates and in new markets that it can enter through integrating with new payment providers, offering new forms of digital content and by activating stores for the first time. The activation pipeline for new routes has 220 opportunities across all

stores connected to Bango. Bango also expects to see migrations in 2017 of integrations that were previously direct between stores and MNOs to the Bango Platform which typically adds more EUS in the first year then a completely new integration, as the customer base have already adopted DCB.

Each new billing route is revenue and gross profit enhancing for Bango due to the high operational scalability of the business model. Therefore, with continued EUS growth and corresponding growth in revenues at low and steady costs of transaction processing, Bango is on track for a move to profitability within current cash resources. Revenue from End User Spend in FY2016 at £2.4m exceeded the costs of operating the Bango Platform. While Bango is now at operational break-even, we continue to invest in sales, marketing and product development to expand the use of Bango technology by our leading customers and continue to grow our market share. This ongoing investment supports our goals of becoming EBITDA positive in the near future and continuing our leadership position.

Bango will continue to invest in developing technologies that enhance the power and value of the Bango Platform.

**Ray Anderson**  
CEO

# CFO's statement

## End User Spend

Bango achieved 196% growth in End User Spend (EUS) to £132.2m, up from £44.7m. Bango also drove a 191% growth in the December 2016 EUS exit run rate compared to December 2015. The December 2016 exit run rate was £195m. This growth in EUS was driven by organic growth across the existing routes from prior years and new routes added in the year, including major activations with US MNOs following the BilltoMobile acquisition.

Bango is confident that it will sustain further rapid growth in EUS in FY2017 and this growth will be achieved from existing and new activations scheduled for launch in the year. As announced in the FY2016 interim results, unique Bango technology such as Bango Boost helped generate additional growth of EUS on activated routes by between 20%-40%.

EUS is the total of sales processed through the Bango Platform excluding sales taxes. EUS shows the growth of business through the Bango Platform. EUS is the most significant Key Performance Indicator that management uses to measure the development of the business and the success of Bango partners.

## Revenue

Bango has changed its accounting policy and updated its reporting model since publishing the FY2015 accounts. Previously, Bango reported turnover, which was calculated as a mixture of agency and principal models:

- Principal model – where Bango is the merchant of record, buying and reselling the content to end users. 100% of EUS is recorded as turnover
- Agency model – where Bango is not the merchant of record. Only the Bango transaction fee is recorded as turnover

The proportion of business that is principal model is now immaterial in comparison to the agency model business. Therefore, Bango now reports on revenue which is the fee from every transaction through the platform, regardless of commercial model.

The prior year figures are reported to aid comparison of the current year's performance.

The revenue model for platform fees has not changed. It relates to all revenue not generated from EUS, such as one off integration fees or monthly recurring

revenues related to additional services such as support. Revenue related to specific projects is recognized when certain contractual milestones are reached. Most platform fee revenue relates to payments for integration to the Bango Platform.

The revenue from EUS grew by more than 150% to £2.41m in FY2016 compared to £0.84m in FY2015 due to the significant growth of EUS between the two periods.

## Revenue expressed as a percentage of EUS

Revenue expressed as a percentage of EUS was 1.8% (FY2015: 1.8%) and is consistent with management's short-term expectations for this metric.

Bango has a range of contractual models and pricing that link to total EUS in different markets and with different stores. Fees generally reduce with higher EUS due to a tiered pricing model, so revenue expressed as a percent of EUS will typically be lower. Higher fees may result when services such as Bango Boost or analytical support are provided.

## Acquisition of BilltoMobile Inc.

On 6 May 2016 Bango purchased

**IMAGE  
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BilltoMobile Inc from Danal Inc for \$3m and \$0.4m of Bango shares. The cash consideration for the acquisition in sterling was £2.15m which was paid just before the UK voted to leave the EU (Brexit) and the subsequent depreciation in sterling. The total number of shares issued to Danal Inc was 586,095, equivalent to £0.34m shares. The acquisition has resulted in £0.4m of non-recurring costs linked to direct costs relating to the transaction and subsequent fees paid to Danal Inc for the hosting of the service until it is fully migrated to the Bango Platform.

### Administrative expenses

Administrative expenses were in line with the budget and expectations for FY2016 at £5.1m compared to £4.4m in FY2015. This reflects planned spending internally to increase the Bango sales and business development presence to capitalize on the momentum of commercial activity with leading customers. Bango also continues to invest in its development team to enhance the Bango Platform.

Amortization of intangible assets in the year was £1.1m (FY2015: £1.0m) as further R&D projects capitalized in prior years were deployed. Amortization of the BilltoMobile Inc investment was £0.2m.

Depreciation for the year totaled £0.3m (FY2015: £0.5m) reflecting the small number of fixed asset additions in the year, and that much on the equipment is now fully depreciated.

Share based payment costs of £0.4m in FY2016 (FY2015: £0.4m), are part of the compensation package that Bango uses to attract, motivate and retain employees in a competitive market, all employees other than Non-executive Directors are eligible to take part in the Bango share option scheme.

### Balance sheet

Net assets of Bango were £12.3m at 31 December 2016 (at 31 December 2015: £15.9m).

Cash balance decreased to £5.7m at 31 December 2016 (at 31 December 2015: £12.1m), this was driven by the purchase of BilltoMobile Inc in the year for £2.2m and cash used by operating activities £2.6m (FY2015: £3.2m). With a stable cost base, and a future of growing revenues at a high gross margin, Bango will move closer to cash generation in FY2017. The Board believe Bango has sufficient funds in place to take the Group through to profitability and cash generation.

Intangible assets which includes acquired assets and goodwill as well as internally developed capitalized R&D in FY2016. Intangible assets relating to capitalized R&D remained consistent at £3.6m (at 31 December 2015: £3.4m) as a result of on-going internal development work being capitalized, compensating for the amortization charges in the year. There was £1.2m trade and assets relating to BilltoMobile Inc and £1.2m of goodwill at the year end.

Total borrowings are £0.1m (at 31 December 2015: £0.4m) and consist of finance lease liabilities, most of which are current liabilities for the next year.

### Cash consumption

As Bango continues to grow its EUS and revenue in 2017 it expects to see cash consumption decrease as the revenue is expected to grow and costs are planned to be stable. With cash at the year-end of £5.7m there is sufficient cash in place to see the business through to cash breakeven in the near term and profitability in the medium term.

**Rachel Elias-Jones**  
CFO

**IMAGE  
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## Key Performance Indicators (KPIs)

### End User Spend (EUS)

The total value of all payment transactions through the Bango Platform net of VAT or other sales taxes. By monitoring the EUS growth, Bango is able to monitor the increase in the number of transactions through the platform, leading to increasing revenue and the capacity of the platform to handle additional transactions.

### Net profit

With a consistent cost base and capacity to scale to handle increased transaction volumes, growing EUS will lead to break-even faster. It is important to note that increasing EUS will not require increasing costs to process, so increasing revenue will lead to profit.

### Cash balances

The Bango Board reviews a two year cash forecast on a monthly basis to ensure that Bango has appropriate resources. As Bango is not currently cash generating it is important for our major stakeholders, particularly our customers, to have comfort that Bango has sufficient resources to keep trading.

### Non-financial KPIs

The non-financial KPIs are relationships with mobile operators and leading app stores. Growing and developing these relationships will ensure that Bango has the contracts in place to grow its market share and EUS.

### Revenue

Bango makes a small profit from every single transaction through the platform which is recognized as revenue. Increases in EUS will lead to additional profit being recognized on each transaction and this results in increased revenue.

**IMAGE  
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### Partner development

#### Expanded Windows 10 agreement

Bango expanded the availability of carrier billing for the Microsoft Windows Store to major mobile markets across Europe, including Finland, Norway and Hungary. Users can now make purchases from any Windows 10 device, including their PC, tablet, smartphone and Xbox One, using their mobile phone account.

Bango has seen a significant uptake in the use of carrier billing to purchase Xbox One content, which became available as a payment method in September 2016, enabling users to make purchases through carrier billing directly from the console. This highlights the success of the exceptionally smooth purchase experience provided by carrier billing for increasing customer engagement.

**IMAGE  
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*"Bango offers our operator partners a sophisticated platform for launching, managing and growing carrier billing business in the Windows Store."*

**Todd Brix,  
Windows Store general manager**

# Strategy for growth

The goal of Bango is to enable online payments for everyone. To achieve this goal, the strategy is based on providing a common platform for payments, the Bango Platform, that is used by the leading app stores and merchants who need to serve a global audience.

These Bango customers increasingly concentrate their business through the Bango Platform to boost their content revenues by optimizing billing performance and expanding customer reach. Bango Grid makes it easy for these global players to activate new billing routes, sell new products through their stores and to improve marketing effectiveness.

All of these activities increase End User Spend processed through the Bango Platform. In a virtuous circle, the stores attract new users who make payments through the Bango Platform. More paying customers makes the store more appealing to merchants, who introduce

new products and services. When new merchants activate payments through the platform they automatically benefit from all of the billing intelligence Bango holds, and the additional activity they bring increases the value of the platform.

This strategically valuable positioning puts Bango at the center of the growth in online payments. The key factors driving growth are:

- Bango technology gives stores and merchants information to boost End User Spend from existing payment routes
- New payment routes and new payment methods added to the Bango Platform are automatically enabled for these customers
- Stores and merchants introduce new products and services that users can immediately buy using Bango technology

- New merchants and stores adopt the Bango Platform to further boost End User Spend

Uniquely, Bango provides information that merchants use to analyze their sales by comparing with industry benchmarks. The Bango Platform continuously updates these benchmarks by sampling multiple billing routes, products and stores across a global footprint.

The Bango Platform APIs are open, making it easy to activate online payments. This platform is used for directly charging a customer's phone account or mobile wallet, and is used to manage payments that are collected through a reseller channel. The APIs enable Bango customers to present payments to their end users through any connected device. This enables all users to be reached on every device, including TVs, connected homes, entertainment consoles and every kind of smart mobile device.

## Market development

### Media content drives carrier billing growth

Music and video subscription services such as Google Play music and YouTube Red were high revenue generating content types for carrier billing. The ad-free YouTube service, YouTube Red became a regular in the highest revenue earners within weeks of launch. Google Play music remained a constant presence in the top earners throughout the year.

The huge consumption demands of the digital audience have led to subscription based content becoming increasingly popular. Carrier billing offers the perfect payment method to ensure continued access to content with a safe, frictionless experience.

**IMAGE  
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# Principal risks and uncertainties

## Financial risk management objectives and policies

Bango monitors the following financial and operational risks to which it is exposed through its business activities. The Bango Board and key management personnel regularly review these risks and assess the controls that have been put in place to mitigate them.

### Liquidity risk

Bango ensures sufficient liquidity is available to meet foreseeable needs and invests in cash assets safely and profitably. See note 20 for further information. Due to the nature of the business there is not a significant credit risk from our payment partners and this does not impact our liquidity risk.

### Personal data risk

The Group processes personal data (some of which may be sensitive) as part of its business. There is a risk that such data could become public if there were a security breach in respect of such data. The extensive testing of Bango by its major partners as part of ongoing supplier audits, and the unique way Bango technology is used, gives assurance that this risk is appropriately mitigated.

### Technology risk

The Group's revenue is dependent on its technology keeping pace with developments in mobile phone technology. 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.

### Employee retention

Bango depends on its ability to recruit and retain people with the right experience and skills. Bango puts significant effort into providing an excellent working environment and benefits, including a share option scheme available to all employees (notes 7 and 12).

### Stores

If one store dominated all of the other stores, but Bango did not have a close business relationship with them or they chose a single source provider other than Bango, then this could be a limit to Bango's ability to grow into a significant market leader. To date Bango has secured deals with leading stores and invests time and resources in developing products that serve our partners.

### Currency risk

Overseas currency sales are largely offset by costs in the same currency, therefore exposure to currency risk is considered to be relatively small. See note 21 for further information. No forward exchange or other such financial instruments have been used in the year.

## Gender of Directors and senior managers

Bango has six Directors, three identify as male, two as non-binary and one as female. There are eight other key management personnel of which five identify as male and three as female.

The strategic report which incorporates pages 3 to 13 was approved by the Board of Directors, and signed on its behalf by:

**Ray Anderson**  
CEO

Partner development

## Bango launches Direct Carrier Billing in India with Google Play and Idea Cellular

Bango and Idea Cellular partnered to launch Direct Carrier Billing in Google Play, a first for the Indian Sub-Continent.

India is the world's third largest smartphone market (GSMA, 2015), and Android devices are extremely popular. Credit card penetration in India is less

than 3%, limiting customers' ability to purchase mobile content and services. Alternative payment methods provide Indian consumers with a vital payment method to fully enjoy the app store experience.

**IMAGE  
REMOVED**

**IMAGE  
REMOVED**

Product development

## Bango Alternative Payments Nexus

In October 2016, Bango gathered leading players in the mobile payments industry in London, UK, to discuss enabling payments for the next 5 billion consumers.

The Bango Alternative Payments Nexus heard Microsoft, POP Recarga, MMIT and Bango speak about the need for a unified platform to provide alternative payments, ensuring everyone, anywhere can easily pay.

The Bango Platform allows any payment system to be quickly plugged-in and activated through unique modular architecture and fifth generation payments API.

Market development

## New entertainment content drives adoption of carrier billing

Pokémon GO rocketed into the mobile ecosystem in 2016. Billed as the world's first "real world gaming" platform, Pokémon GO combines smartphone capabilities and Augmented Reality (AR) to create a gaming platform where players explore the game, along with the real world.

Many first time carrier billing users used Bango to purchase Pokémon GO content.

Bango Dashboard revealed that spend on Pokémon GO in-app content was additional spend, with no sign of attrition from other games and content.

**IMAGE  
REMOVED**

**IMAGE  
REMOVED**

Partner development

## Bango and Danal strengthen mobile payments partnership

Bango entered into a memorandum of understanding with South Korean mobile commerce company Danal Korea, Inc., aimed at strengthening its global payments footprint and developing a mutually beneficial exchange of information in regards to technical expertise and markets.

Danal payment methods integrated into the Bango Platform will enable Bango's global partners to increase their payment reach and make more sales. Danal merchant partners will gain access to the payment providers integrated into the Bango Platform.

# Directors

**IMAGE  
REMOVED**

## Anil Malhotra, CMO

Anil is responsible for Bango's marketing activities and app store partnerships, including device makers, app store providers and global network operators. Anil has extensive experience of creating successful partnerships between technology innovators and major market players in online technologies and OEMs. Before co-founding Bango, Anil developed the major partnerships for Cyberlife Technology, one of Europe's leading computer games technology developers, which resulted in the licensing of the company's 'artificial life' technology by the world's leading games publishers including Warner and Hasbro. Before that he worked with Bango CEO Ray Anderson to establish a technology called X.desktop, which became the global standard for the user interface software on networked computers.

## Martin Rigby, Non-executive Director

Martin Rigby is co-founder and CEO of Psonar, the internet music service. He is also founder and a managing director of ET Capital, an early investor in Bango. He has been investing in innovative technology businesses for over 25 years, principally in network services, software and hardware. He is Non-executive Chairman of FSE Fund Managers and an advisory board member of the Bettany Centre for Entrepreneurship at Cranfield University.

## David Sear, Chairman, Non-executive Director

David has been an entrepreneur and investor in FinTech companies for the last two decades. He is currently Chairman of Semafone, a payments technology business which protects consumer privacy. Previously David was Group Chief Executive of Skrill. He went to Skrill from Weve, the joint venture between EE, Telefonica UK (O2) and Vodafone UK, where he was Chief Executive. In 1999 he was a founder of WorldPay at the genesis of today's FTSE 100 global payments powerhouse. Prior to that at Travelex, the world's largest non-bank payments provider, he spearheaded the global roll out of the CASH PASSPORT travel card business and Travelex Global Business Payments.

# Directors

**IMAGE  
REMOVED**

## Rachel Elias-Jones, CFO

Rachel is responsible for overall financial management of Bango, for corporate financial functions and Bango's financial relationships with partners. The global reach of Bango requires a wide range of financial and taxation models, Rachel ensures the smooth running of the team delivering this commercial flexibility. Rachel has responsibility for innovation and management in critical finance functions, and is closely involved in product development to ensure the Bango Platform can scale and handle complex requirements. An experienced finance leader and Chartered Accountant, Rachel spent 5 years in practice at 'top 5' audit firms, specializing in the technology and listed sectors, prior to joining Bango.

## Ray Anderson, CEO

Ray has over 30 years experience in starting, growing and selling businesses. He was named 'Business Person of the Year' in 2012. 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. Prior to Bango 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.

## Gianluca D'Agostino, Non-Executive Director

Gianluca is an Angel investor and pioneer in the mobile industry. He has 25 years' experience of founding, growing and investing in international mobile content and payment businesses. In 2007 he founded Neomobile SPA. As CEO, he grew the business organically and via M&A to become a leading mobile monetization enabler across Europe and Latam. Gianluca has a Non-Executive role on the Neomobile SPA board. Before Neomobile, he held senior management roles at KPMG, Freever, TIM and Telecom Italia. He was named in the 'Top 50 Mobile Execs' 2009, 2010 and 2011 and 'Media Momentum Man of the Year' in 2011.

# Company information

<b>Company registration number</b>	05386079
<b>Registered office</b>	5 Westbrook Centre Cambridge CB4 1YG Tel: +44 3330 770 247
<b>Directors</b>	D Sear - Non-executive Chairman  R Anderson - CEO  A Malhotra - CMO  R Elias-Jones - CFO  M Rigby - Non-executive Director  G D'Agostino - Non-executive Director
<b>Company Secretary</b>	H Goldstein
<b>Bankers</b>	HSBC Bank PLC Vitrum St Johns' Innovation Park Cambridge CB4 0DS
<b>Solicitors</b>	Mills & Reeve LLP Botanic House, 100 Hills Road Cambridge CB2 1PH
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
<b>Nominated adviser and broker</b>	Cenkos Securities Ltd 6.7.8 Tokenhouse Yard London EC2R 7AS
<b>Public relations advisor</b>	FTI Consulting 200 Aldersgate Aldersgate Street London EC1A 4HD
<b>US office</b>	C/O Danal Inc 2833 Junction Avenue #202 San Jose California 95134 USA  www.bango.com investors@bango.com

# Directors' report

The Directors present the Annual Report and audited financial statements of Bango PLC for the year ended 31 December 2016. The Directors' report should also be read in conjunction with the Bango Strategic report which sets out the principal risks, uncertainties and growth opportunities for Bango.

## The Directors and their interests

The Directors who served Bango during the year, together with their beneficial interests in the shares of Bango were as follows:

	Ordinary shares of 20p each 31 Dec 2016	Ordinary shares of 20p each 31 Dec 2015
D Sear	-	-
R Anderson	6,628,949	6,624,036
A Malhotra	3,986,815	4,006,815
M Rigby	176,630	14,067
G Tucker	17,045	11,933
R Burger	-	-
R Elias-Jones	4,100	-
G D'Agostino	37,500	-

The Directors' biographies and experiences are shown on page 15-16.

Rachel Elias-Jones was appointed as a Director on 14 March 2016.

On 18 November 2016 Gerry Tucker and Rudy Burger resigned as Executive and Non-executive directors respectively. On 18 November 2016, Gianluca D'Agostino was appointed a non-executive Director.

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

Options to buy ordinary shares of 20p each			
Date of grant	Option price	31 Dec 2016	31 Dec 2015
<b>G Tucker</b>			
21 September 2016	£0.890	20,000	-
16 March 2016	£0.430	32,500	-
18 September 2015	£0.885	32,500	32,500
16 March 2015	£1.060	32,500	32,500
22 October 2014	£1.010	32,500	32,500
01 April 2014	£1.360	32,500	32,500
4 October 2013	£1.260	32,500	32,500
26 March 2013	£2.325	132,500	132,500
<b>Total</b>		<b>347,500</b>	<b>295,000</b>
<b>D Sear</b>			
7 February 2011	£1.530	100,000	100,000
<b>R Anderson</b>			
21 September 2016	£0.890	50,000	-
16 March 2016	£0.430	50,000	-
18 September 2015	£0.885	32,500	32,500
<b>Total</b>		<b>132,500</b>	<b>32,500</b>
<b>A Malhotra</b>			
21 September 2016	£0.890	50,000	-
16 March 2016	£0.430	50,000	-
18 September 2015	£0.885	32,500	32,500
<b>Total</b>		<b>132,500</b>	<b>32,500</b>
<b>R Elias-Jones</b>			
21 September 2016	£0.890	50,000	-

16 March 2016	£0.430	100,000	-
18 September 2015	£0.885	20,000	20,000
16 March 2015	£1.060	20,000	20,000
22 October 2014	£1.010	20,000	20,000
01 April 2014	£1.360	20,000	20,000
4 October 2013	£1.260	12,000	12,000
26 March 2013	£2.325	8,000	8,000
20 September 2012	£1.665	7,500	7,500
<b>Total</b>		<b>257,500</b>	<b>107,500</b>

The share options were granted to executive directors under the Bango employee share option scheme. All share options are granted with the same conditions. Share options are granted only at market price on the date of the grant and vest over a three year period in twelve equal quarterly installments. Vested options will lapse unless exercised within ten years of the date of grant or within 90 days of an employee leaving the business unless they are dismissed in which case they lapse immediately.

Martin Rigby and Gianluca D'Agostino both hold Bango shares but due to the size of their holdings, this is deemed to not affect their independence as directors. See post balance sheet event section below for comment about David Sear's share options.

## Share capital

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

## Dividends

The Directors have not recommended a dividend (31 December 2015: £nil).

## Post balance sheet events

David Sear, the Chairman of Bango PLC surrendered his share options on 8 March 2017 that had been awarded on his appointment as chairman in 2011. This was in order to remove any questions of independence that reviewers of the accounts or key stakeholders may raise.

## Research and development

The Group has continued to invest in research and development in the year, details of internal development work that has been capitalized in the year is in Note 5.2.

## Directors' indemnity arrangements

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

## 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.

The Group supports the training needs of its staff and actively works to provide on the job and external training to continue the development of all staff. In recent years this has included the development of a large apprentice program and graduate schemes. It is important to the Group to maintain an exciting

# Directors' report

and interesting working environment to fully engage its staff. We operate in a global business environment with rapidly changing needs. The Bango values are Success, Personable, Individual, Reliable, Innovation and Transparency. The Bango annual goals are aligned to these values and reviewed on a company wide basis at monthly all hands meetings. By following the Bango SPIRIT values we expect to serve both our employees and customers' needs.

## 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 regulatory and other applicable requirements.

## Going concern

After making enquiries, at the time of approving the financial statements, the Directors have a reasonable expectation that Bango have adequate resources to continue in operational existence for the foreseeable future. The Directors expect the current level of investing activities to continue which are supported by the funding secured by the FY2015 placement. At 31 December 2016 the group had cash reserves of £5.7m (£5.6m net of debt) and based on detailed cash flows provided to the Board within the FY2017 budget, there is sufficient cash to see the group through to profitability. Gross profit is expected to increase in FY2017 as it did in FY2016 as a result of the existing business activity and known new business activity included in the FY2017 forecasts. 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.

## Substantial shareholdings

At 31 December 2016 Bango PLC had been informed of the following interests in addition to the interests of R Anderson and A Malhotra, amounting to 3% or more in the issued ordinary share capital of the company:

	Number	%
Liontrust Asset Management	11,155,924	17.12
Herald Investment Management	9,281,267	14.24
Odey Asset Management LLP	7,088,000	10.88
Hargreave Hale	3,519,000	5.40
Inflection Point Investments LLP	3,095,139	4.75
Mr Richard Sneller	3,025,000	4.64
Cavendish Asset Management	2,517,033	3.86

## Directors' responsibility

The following statement, which should be read in conjunction with both reports of the auditor set out on page 22, is made in order to distinguish for shareholders the respective responsibilities of the Directors and of the auditor 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 to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the parent company financial statements in accordance with IFRS. 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 judgements and accounting estimates that are reasonable and prudent.
- State whether applicable IFRSs 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 Bango will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of Bango and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- In so far as each Director is aware there is no relevant audit information of which Bango's auditors are unaware
- The Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

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

## Auditor

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  
H Goldstein

# Corporate governance report

## The Board

The Board is responsible for the overall management of the Group, its strategy and long-term objectives. The Board provides leadership to the Group, based on the best interests of shareholders. The Board has a formal list of matters specifically reserved for its decisions and delegates authority to its various committees as required.

## UK Corporate Governance Code

We do not comply with the UK Corporate Governance Code. Instead we have reported on our Corporate Governance arrangements, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Group and best practice.

## Board composition

The Board of Bango PLC is made up of the independent Non-Executive Chairman, CEO, CFO, CMO, and two other Non-executive Directors. Details of the Board's experience and interests are shown on pages 15-16 which demonstrate the range of skills and insight that they bring to the Board. It is important that the Non-executive directors bring a wide range of skills to the Bango Board in order to provide robust challenges to the executive directors and to ensure that shareholders' interests are represented.

The three Non-executive Directors are all deemed to be independent. All Directors are subject to election by the shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter every three years. After nine years the Non-executive Directors are subject to election on an annual basis.

## Board meetings

The Board meets formally 11 times per year to discuss the strategy, direction and financial performance of the company. Other additional Board meetings occur as required. The Board reviews a detailed management pack each month which enables them to fulfill all of their duties of stewardship. This management pack contains detailed financial information as well as wider resources on the KPIs for Bango. The Non-executive Directors attend all of the meetings.

	Board	Audit Committee	Remuneration Committee
David Sear	17 (18)	2 (2)	2 (2)
Ray Anderson	18 (18)	2*	2*
Rachel Elias-Jones	15 (15)	2*	2*
Anil Malhotra	17 (18)	2*	2*
Martin Rigby	15 (18)	2 (2)	2 (2)
Gianluca D'Agostino	2 (2)	0	1 (1)
Gerry Tucker	16 (16)	2	1*
Rudy Burger	13 (16)	2 (2)	1 (1)

\*By invitation of the committee.

(x) Number of meetings held.

## 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.

All statutory financial reports, as well as accompanying presentations and additional independent analysts are published on [www.bangoinvestor.com](http://www.bangoinvestor.com) and are made available on a timely basis.

## Additional Board committees

In line with best practice Bango also has a number of sub committees to ensure good corporate governance. Separate Remuneration and Audit Committees have held regular meetings and are each chaired by a different non-executive director with the independent chairman in attendance. The members of these committees are deemed to have the appropriate knowledge and skills to complete their tasks. They make seek advice and guidance from external parties as required.

## David Sear

Non-executive Chairman

# Audit committee report

## Composition

The Audit Committee comprises the Chairman and all other Non-executive Directors. The Audit Committee as in prior years is chaired by Martin Rigby.

## Responsibilities

The Audit Committee meets at least twice a year to review the independent audit report of Bango's auditors and the wider responsibilities set out below:

- Monitor the integrity of the financial statements of Bango.
- Review Bango's internal financial controls and risk management systems.
- 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.

## External Audit

In relation to Bango's external auditors the key responsibilities are:

- 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.

After reviewing the above factors and aware that the auditors have been appointed since 2005 the committee have satisfied themselves, that the auditors provide the appropriate levels of challenge and skepticism.

## Internal Audit

Bango does not currently have an internal audit function, which the Board considers appropriate for a Group of Bango's size. 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 Bango'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 Bango'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 checks and authorize payments. Dual authority is required wherever possible for all bank payments. Payments are not permitted without an approved invoice signed in accordance with the Bango Delegation of Authority document.
- Reconciliations of key balance sheet accounts are performed and independently reviewed by the finance team. Wherever possible segregation of duties are implemented to provide additional comfort and support on all finance processes.
- All employees must go through initial and periodic security screening in line with requirements from Bango's key customers.
- Appropriate physical security and virtual checks are in place at all Bango locations to protect the assets (fixed and intangible) of the group.
- Appropriate whistleblowing and escalation points are established and communicated to staff to provide a safe and secure forum for employees to escalate matters.
- A disaster recovery plan and back-up system is documented and in place.

The Board in conjunction with the Audit Committee keeps under review Bango's internal control system on a periodic basis. An internal cross functional Infosec team also meets periodically to review the controls and processes in place for the group.

**Martin Rigby**  
Audit Committee Chairman

# Remuneration committee report

## Composition

The Remuneration Committee comprises all of the Non-executive directors and is chaired by Gianluca D'Agostino (previously Rudy Burger). The committee meets at least twice a year, and may meet more frequently due to the needs of the business.

## Responsibilities

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.
- To monitor and approve the grants of all share option schemes to employees.

The Committee may invite the CEO and CFO to attend meetings of the Remuneration Committee. The CEO is consulted on proposals relating to the remuneration of the CFO and of other senior executives of the Group. The CEO is not involved in setting their 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. In 2016 no independent consultants were consulted, as the Committee were deemed to have sufficient skills to determine the appropriate levels of remuneration.

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

Bango'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 Bango's overall performance appropriately, while avoiding paying more than is necessary for this purpose. In addition, the Committee takes into account remuneration packages of comparable companies when making recommendations to the Board. Bango only offers a base salary, performance related bonuses, share options and a workplace pension.

## Annual salary

Salaries are set at a level appropriate for the role and the individual in relation to the performance of the business and the current market rates.

## Bonus scheme

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. The awarding of a bonus is based upon a series of success factors including financial and non-financial criteria. These success factors are linked to the long term development of Bango.

The board reserves the right to enforce claw back terms related to the bonus if it is discovered that any of the terms under which the bonus was granted change.

## Share options

Bango considers that active participation in a share option plan is an effective means of incentivizing and retaining high quality people. The Bango share option scheme has been successfully operated since 2005 and is a key benefit for all staff. Executive directors and employees are eligible to participate in the scheme on completion of an agreed probationary period. The number of options awarded to all staff is directly related to their contribution to the future growth of Bango.

Share options are granted following a review of staff performance by the wider leadership team, who then make recommendations to the Committee. Share options may only be granted after approval by the Committee and in line with the restrictions set out under the companies share option plan. All options are granted at the market rate at the date of grant and vest over a three year period.

Further details of the option plan and outstanding options as at 31 December 2015 are given in note 7 to the financial statements.

Details of options and shares held by directors in Bango are shown in the Directors' report on page 18.

## Pensions

Executive directors may participate in the Bango defined contribution pension scheme or chose to pay into their own private pension scheme. In line with requirements for all employees, 1% of salary is added to a pension scheme if the employee also pays in 1% under auto-enrollment rules. There have been no changes to the Bango pension policy in the year and there are no unfunded pension contributions in the year.

Non-executive directors are not able to participate in the Bango pension scheme.

## Service agreements

The Executive Directors have service agreements with Bango.net Ltd. 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 Bango 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 Bango.

# Remuneration committee report

## Directors' emoluments

Details of remuneration in respect of the Directors is as follows:

<b>31 December 2016</b>	Wages and salaries	Variable pay	Pension and other benefits	Total
	£	£	£	£
R Anderson	150,000	48,000	1,650	199,650
A Malhotra	140,000	40,000	1,860	181,860
R Elias-Jones (appointed 14 March 2016)	90,526	-	1,567	92,093
G Tucker (resigned 18 November 2016)	118,983	-	5,725	124,709
M Rigby	19,125	-	-	19,125
R Burger (resigned 18 November 2016)	17,250	-	-	17,250
G D'Agostino (appointed 18 November 2016)	3,750	-	-	3,750
D Sear	42,000	-	-	42,000
	<u>581,634</u>	<u>88,000</u>	<u>10,801</u>	<u>680,435</u>
<b>31 December 2015</b>	Wages and salaries	Variable pay	Pension and other benefits	Total
	£	£	£	£
R Anderson	149,700	30,000	713	180,413
A Malhotra	138,520	25,000	1,985	165,505
G Tucker	127,440	-	3,575	131,015
M Rigby	15,750	-	-	15,750
R Burger	15,750	-	-	15,750
D Sear	42,000	-	-	42,000
	<u>489,160</u>	<u>55,000</u>	<u>6,273</u>	<u>550,433</u>

**Gianluca D'Agostino**  
Remuneration Committee Chairman

# Independent auditor's report to the members of Bango PLC

We have audited the financial statements of Bango PLC for the year ended 31 December 2016 which comprise the group and parent company balance sheets, the group statement of comprehensive income, the group cash flow statement, the group and parent company statements 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 18 and 19 the directors are responsible for the preparation of the 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 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's result for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

## Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

## 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.



Paul Naylor  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Cambridge

Date: 13 March 2017

# Consolidated statement of financial position

	Note	31 Dec 2016 £	31 Dec 2015 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	294,565	507,295
Intangible assets	5	6,017,061	3,446,612
		<b>6,311,626</b>	<b>3,953,907</b>
<b>Current assets</b>			
Trade and other receivables	6	1,821,796	1,128,897
Research and Development tax credits	6	318,857	225,974
Cash and cash equivalents		5,696,517	12,135,326
		<b>7,837,170</b>	<b>13,490,197</b>
<b>Total assets</b>		<b>14,148,796</b>	<b>17,444,104</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the parent company</b>			
Share capital	7	13,029,124	12,886,350
Share premium account		30,323,341	30,101,510
Merger reserve		1,236,225	1,236,225
Other reserve		2,211,136	1,896,842
Foreign exchange revaluation reserve		135,187	-
Accumulated losses		(34,579,125)	(30,211,087)
<b>Total equity</b>		<b>12,355,888</b>	<b>15,909,840</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	1,697,354	1,170,244
Finance lease liabilities	9	82,149	268,476
		<b>1,779,503</b>	<b>1,438,720</b>
<b>Non-current liabilities</b>			
Finance lease liabilities	9	13,405	95,544
		<b>13,405</b>	<b>95,544</b>
<b>Total liabilities</b>		<b>1,792,908</b>	<b>1,534,264</b>
<b>Total equity and liabilities</b>		<b>14,148,796</b>	<b>17,444,104</b>

These financial statements were approved by the Directors on 13 March 2017 and are signed on their behalf by:

R Anderson  
Director

R Elias-Jones  
Director

Company registration number 05386079

The notes on pages 29 to 49 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

	Note	31 Dec 2016 £	31 Dec 2015 (restated) £
Alternative performance measure (Non-IFRS)			
<b>End User Spend</b>	4	<b>132,290,981</b>	44,684,300
<b>Revenue</b>	4	<b>2,624,187</b>	1,300,130
Cost of sales	4	(7,054)	(33,054)
<b>Gross profit</b>		<b>2,617,133</b>	1,267,076
Other administrative expenses	10	(5,039,873)	(4,411,328)
Non-recurring items	11	(376,013)	-
Share based payments	10	(359,373)	(433,434)
Depreciation	5	(319,284)	(484,871)
Amortization	5	(1,150,822)	(969,013)
Total administrative expenses		(7,245,365)	(6,298,646)
<b>Operating loss</b>		<b>(4,628,232)</b>	(5,031,570)
Interest payable	11	(53,661)	(20,865)
Investment income	14	30,363	24,327
<b>Loss before taxation</b>		<b>(4,651,530)</b>	(5,028,108)
Income tax	15	238,413	215,317
<b>Loss for the financial year</b>		<b>(4,413,117)</b>	(4,812,791)
<b>Other comprehensive income</b>		<b>135,187</b>	-
Foreign exchange on consolidation			
<b>Loss and total comprehensive loss for the financial year</b>		<b>(4,277,930)</b>	(4,812,791)
<b>Loss per share attributable to the equity holders of the parent</b>			
Basic loss per share	16	(6.81)p	(9.05)p
Diluted loss per share	16	(6.81)p	(9.05)p

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

The notes on pages 29 to 49 are an integral part of these consolidated financial statements

# Consolidated cash flow statement

	Note	31 Dec 2016 £	31 Dec 2015 £
<b>Net cash used by operating activities</b>	17	<b>(2,646,857)</b>	(3,234,118)
<b>Cash flows used by investing activities</b>			
Purchases of property, plant and equipment		<b>(106,554)</b>	(129,705)
Addition to intangible assets		<b>(3,425,134)</b>	(924,373)
Interest received		<b>30,363</b>	24,327
<b>Net cash used by investing activities</b>		<b>(3,501,325)</b>	(1,029,751)
<b>Cash flows generated from financing activities</b>			
Proceeds from issuance of ordinary shares		<b>85,948</b>	11,107,518
Costs associated with issuance of ordinary shares		<b>(2,668)</b>	(617,723)
Interest payable		<b>(53,661)</b>	(20,865)
Capital payable on finance lease obligations		<b>(268,466)</b>	(311,329)
<b>Net cash (used)/generated from financing activities</b>		<b>(238,847)</b>	10,157,601
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,387,029)</b>	5,893,732
<b>Cash and cash equivalents at beginning of year</b>		<b>12,135,326</b>	6,253,487
Exchange differences on cash and cash equivalents		<b>(51,780)</b>	(11,893)
<b>Cash and cash equivalents at end of year</b>		<b>12,083,546</b>	6,241,594
<b>Cash and cash equivalents at end of year</b>		<b>5,696,517</b>	12,135,326

The notes on pages 29 to 49 are an integral part of these consolidated financial statements

# Consolidated statement of changes in equity

	Share capital	Share premium account	Merger reserve	Other reserve	FER reserve	Retained earnings	Total
	£	£	£	£	£	£	£
<b>Balance at 1 January 2015</b>	<b>10,399,463</b>	<b>22,098,603</b>	<b>1,236,225</b>	<b>1,526,650</b>	-	<b>(25,461,538)</b>	<b>9,799,403</b>
Share based payments	-	-	-	433,434	-	-	433,434
Share based payments transfer for exercised share options	-	-	-	(63,242)	-	63,242	-
Exercise of share options	42,443	65,075	-	-	-	-	107,518
Issue of new shares	2,444,444	8,555,556	-	-	-	-	11,000,000
Expense of share issue	-	(617,724)	-	-	-	-	(617,724)
<b>Transactions with owners</b>	<b>2,486,887</b>	<b>8,002,907</b>	-	<b>370,192</b>	-	<b>63,242</b>	<b>10,923,228</b>
Loss for the year	-	-	-	-	-	(4,812,791)	(4,812,791)
Total comprehensive income for the year	-	-	-	-	-	(4,812,791)	(4,812,791)
<b>Balance at 31 December 2015</b>	<b>12,886,350</b>	<b>30,101,510</b>	<b>1,236,225</b>	<b>1,896,842</b>	-	<b>(30,211,087)</b>	<b>15,909,840</b>
	Share capital	Share premium account	Merger reserve	Other reserve	FER reserve	Retained earnings	Total
	£	£	£	£	£	£	£
<b>Balance at 1 January 2016</b>	<b>12,886,350</b>	<b>30,101,510</b>	<b>1,236,225</b>	<b>1,896,842</b>	-	<b>(30,211,087)</b>	<b>15,909,840</b>
Share based payments	-	-	-	359,373	-	-	359,373
Share based payments transfer for exercised share options	-	-	-	(45,079)	-	45,079	-
Exercise of share options	25,555	60,393	-	-	-	-	85,948
Issue of new shares	117,219	164,106	-	-	-	-	281,325
Expense of share issue	-	(2,668)	-	-	-	-	(2,668)
<b>Transactions with owners</b>	<b>142,774</b>	<b>221,831</b>	-	<b>314,294</b>	-	<b>45,079</b>	<b>723,978</b>
Profit/(Loss) for the year	-	-	-	-	-	(4,413,117)	(4,413,117)
<b>Other comprehensive income</b>							
Foreign exchange on consolidation	-	-	-	-	135,187	-	135,187
Total comprehensive income for the year	-	-	-	-	135,187	(4,413,117)	(4,277,930)
<b>Balance at 31 December 2016</b>	<b>13,029,124</b>	<b>30,323,341</b>	<b>1,236,225</b>	<b>2,211,136</b>	<b>135,187</b>	<b>(34,579,125)</b>	<b>12,355,888</b>

The notes on pages 29 to 49 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. Bango PLC 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 17. Bango PLC's shares are listed on the Alternative Investment Market of the London Stock Exchange ("AIM").

The principal activity of Bango during the year was the development, marketing and sale of technology to enable mobile phone users to easily make payments for content and media on connected devices.

The financial statements for the year ended 31 December 2016 (including the comparatives for the year ended 31 December 2015) were approved by the Board of Directors on 13 March 2017.

## 2 Basis of preparation

The Group financial statements, which consolidate those of Bango PLC and all of its subsidiaries, have been prepared under the historical cost convention and under the basis of going concern.

Bango has prepared its Report and accounts for the year ended 31 December 2016, 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 and Company'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 3.19.

These financial statements are presented in pounds sterling (GBP) because that is the presentation currency of Bango. Every entity within the group has its own functional currency. The Brazilian, Japanese, Spanish, Nigerian and US subsidiaries, perform sales and support functions in country for services provided by Bango.net Limited to customers. The local ledgers and accounts are prepared in accordance with local accounting standards. The majority of the groups costs are incurred in sterling, and cash is mostly held in sterling. Foreign operations are included in accordance with the policies set out in notes 3.15.

### 2.1 Going concern

The Group had cash of £5.7m at 31 December 2016 (31 December 2015: £12.1m) and financing debt of £0.1m (31 December 2015: £0.4m). The cash flow forecasts of Bango anticipate increased cash generation in the future, from current trading operations as a result of our deals with app stores. For this reason, the going concern basis has continued to be adopted in the preparation of the financial statements.

## 3 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

### 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 Bango PLC 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 are stated at historical cost less accumulated depreciation. Residual values and useful economic lives are assessed annually. Depreciation is provided to write off the cost of all property, plant and equipment to its residual value on a straight-line basis over its expected useful economic lives, which are as follows:

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

Property plant and equipment also include computer equipment held under finance leases.

### 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

#### 3.3.1 Goodwill

Goodwill is the difference between the amount by which the fair value of the cost of a business combination exceeds the fair value of net assets acquired. Goodwill is not amortized and is stated at cost less any accumulated impairment losses. The goodwill is tested for impairment annually or when events would indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognized immediately in profit or loss. For the purpose of impairment testing, goodwill is allocated to the trade and assets acquired. An impairment loss recognized for goodwill is not reversed in a subsequent period.

#### 3.3.2 Acquisition related intangible assets

Net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition related intangible assets, in addition to other assets and contingent liabilities purchased. These are amortized over their useful lives which are individually assessed. The estimated useful economic life for customer contracts and relationships is 10 years.

### 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 Bango's development activities is recognized only if all of the following conditions are met:

# Notes to the financial statements

- Completion of the intangible asset is technically feasible so that it will be available for use or sale.
- Bango intends to complete the intangible asset and use or sell it.
- Bango has the ability to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits.
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

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

The cost of an internally generated intangible asset comprises all directly 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, as well as a proportion of attributable overhead costs. 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. Amortization commences upon completion of the asset, and is shown within administrative expenses in the statement of comprehensive income.

### 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 individual intangible assets for any indication that those assets have suffered an impairment loss. 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. Until completion of the development project, when amortization can be charged on the intangible asset, the assets are subject to an annual impairment test.

### 3.6 Loans and receivables

#### a) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits available on demand, together with other short term highly liquid investments.

#### b) Trade and other receivables

Trade and other receivables are recognized initially at fair value and are measured subsequent to initial recognition net of any 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 the estimated receivable.

### 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 recognized outside profit or loss. Tax relating to items recognized in other comprehensive income is recognized in other comprehensive income, and tax relating to items recognized directly in equity is recognized 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 recognized in other comprehensive income. Deferred tax relating to items recognized directly in equity is recognized directly in equity.

### 3.9 Operating lease agreements

Rentals applicable to operating leases where the risks and rewards of 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. When IFRS 16 is adopted the operating leases of Bango, disclosed in note 11, will become recognized on the statement of financial position.

### 3.10 Finance lease agreements

Assets held by the group under leases which transfer to the

# Notes to the financial statements

Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments.

Minimum lease payments made under finance leases are apportioned between the financial expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3.11 End User Spend

End User Spend (EUS) is the total of sales processed through the Bango Payment Platform net of tax. EUS shows the growth of business through the Bango Payment Platform, and is the most significant Key Performance Indicator that management uses to measure the development of the business and the success of Bango partners.

This is reported on the consolidated statement of comprehensive income as a non IFRS KPI and in Note 4 on revenue as EUS is directly linked to Bango's revenue.

### 3.12 Revenue recognition

Revenue is measured by reference to the fair value of consideration receivable by Bango for services provided, excluding VAT. There are two separable revenue streams in Bango.

#### 3.12.1 Revenue linked to End user activity

Bango has changed its accounting policy and updated its reporting model since publishing the FY2015 accounts. Previously Bango reported turnover, which was calculated as a mixture of agency and principal models:

- Principal model – where Bango is the merchant of record, buying and reselling the content to end users. 100% of EUS is recorded as turnover.
- Agent model – where Bango is not the merchant of record. Only the Bango margin is recorded as turnover.

The proportion of business that is principal model, is now immaterial in comparison to the agency model business. Therefore, Bango now reports only on its margin from every transaction through the platform, regardless of commercial model, which is Bango's revenue. The prior year figures are reported to aid comparison of the current year's performance

Bango revenue is the profit from each transaction through the Bango platform. It does not reflect the different commercial models. As EUS spend grows, Bango's revenue grows as Bango receives a fee for every transaction through the Bango platform.

#### 3.12.2 Other fees

Revenue from other fees has not changed. It relates to all revenue not generated from EUS, such as one off connection fees or monthly recurring support fees:

- Connection fees – where Bango charges the payment provider or the stores for connecting to the Bango platform. Revenue is recognized when certain stages of completion are reached, including signing of commercials, delivery of technical design and activation of routes. This can include some specialist development services linked to integrations.
- Support fees – where Bango provides monthly services which are recognised at point of invoice. This can include consumer support services, sales support or platform monitoring.

Other fees are additive to the Bango revenue, but the internal forecasts of the business are based on their being sufficient EUS revenue to cover the operating costs of the business.

### 3.13 Employee benefits

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

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

### 3.14 Share-based payment transactions

Bango 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 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 behavioral considerations. No adjustment is made for performance conditions as these do not form a condition of the option agreement.

If the terms of an equity-settled transaction were to be modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense would be 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. To date Bango has not modified any equity-settled transactions.

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. Once exercised, the share based payment expense previously recognized is transferred from Other reserves to Retained earnings. Share-based payment transactions are shown separately in the statement of comprehensive income. Additional information is provided in note 7.

### 3.15 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.

### 3.16 Segment reporting

In identifying Bango operating segments the chief operating decision maker reviews two service lines. These are the provision of a mobile payment platform allowing end users to

# Notes to the financial statements

purchase content, and the provision of services to digital merchants and other organizations. The turnover and margin generated from each of these segments is separately reported but where costs and assets are managed and utilized on a group basis, these are not allocated to a segment.

### 3.17 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 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.

### 3.18 Share capital and reserves

#### Share capital

Ordinary shares are classified as equity. Equity instruments issued by Bango PLC 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 Bango PLC's cost of investment and a subsidiary's share capital and share premium where a group reorganization qualifies as a common control transaction.

#### Other reserve

The other reserve represents equity-settled share-based employee remuneration recognized over the vesting period.

#### Foreign exchange reserve

The foreign exchange reserve represents translation differences arising from the translation of the Bango subsidiaries financial statements which are held in local currency into the consolidated Bango accounts which is reported in GBP. This reserve only arises at consolidation.

#### Retained earnings

Retained earnings include all current and prior period retained profits.

### 3.19 Significant accounting estimates and judgements

#### Revenue recognition

As discussed in policy note 3.11 there are a number of key judgements taken by management in determining the most

appropriate presentation of revenues generated from services to end users.

#### Deferred tax

A deferred tax asset is recognized where Bango 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 recognized due to the unpredictability of future taxable trading profits from which these differences may be deducted (note 15).

#### Finance leases

Judgement is applied when considering the substance of a lease agreement and whether it should be recognized as either a finance lease or an operating lease. Management use the following criteria in reviewing the contract to determine the classification; rights to the asset at the end of the lease term, the present value of the minimum lease payments in relation to the asset's fair value, length of the lease term in relation to the useful economic life of the asset and the obligations to insure and maintain the asset. During previous years the group has entered into a number of computer equipment leases that it has deemed to be a finance lease based on the assessment of the key criteria. The carrying value of finance leases at 31 December 2016 is £95,544 (2015: £364,020).

#### 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 and therefore impairment reviews are completed by project each balance sheet date. The carrying value of capitalized development costs is £3,638,080 (2015: £3,446,612).

No impairment is recognized based on current estimates of future revenue streams expected to be derived from the development work that has been capitalized.

#### Acquisition accounting

Acquired assets are accounted for in accordance with IFRS3 Business Combinations following a detailed review of the fair value of the assets by an independent third party. The business separates out the underlying assets which include software, customer relationships and trade names based on the attributable values that can be apportioned directly to them, and the remaining difference in the value is shown as goodwill. The acquired assets are amortized over a five-year period, goodwill is not amortized. All acquired assets are tested annually for impairment.

No impairment is recognized based on current estimates of future revenue streams expected to be derived from acquired assets.

### 3.20 Non-recurring items

Non-recurring items are those significant items which are disclosed by virtue of their size of incidence to enable a full understanding of the financial performance (note 11b).

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

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and

# Notes to the financial statements

interpretations that are effective for accounting periods beginning on or after 1 January 2016. There was no impact on the presentation of financial statements of Bango PLC other than in disclosure. No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2016, or later periods, have been adopted early.

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

IFRS 9 Financial Instruments (IASB effective date 1 January 2018).

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) is not currently expected to have a significant impact on Bango's reported revenue based on current contracts in place. This will be reviewed however until the standard comes into effect and comparative numbers will be produced as applicable.

IFRS 16 Leases (IASB effective date 1 January 2019) will bring all operating leases onto the balance sheet in line with the

accounting treatment for finance leases. This will affect Bango's balance sheet, though it is not expected to affect the combined income statement.

The above standards and interpretations are not expected to have any significant impact on the financial statements when applied, except for additional disclosures when the relevant standard comes into effect.

## **3.22 Related party transactions**

Bango's related parties include its Directors and key management personnel. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are settled in cash.

The only transactions with Directors are noted in the Directors remuneration note in the accounts, see note 13. There was minimal trading in the year with Psonar Ltd and Fusion Ltd whose Boards includes some of the Directors of Bango PLC.

# Notes to the financial statements

## 4 Segment reporting

### (a) End User Spend

As a non IFRS alternative performance measure, Bango has identified EUS as its key performance indicator on which all management decisions surrounding investment in the platform and development of intangible assets are based. Key business decisions are based on the total value and volume of transactions that Bango has processed in each month through its payment platform. Therefore, to give additional information to key stakeholders of our accounts and to assist users of our financial statements, we include this additional reporting.

	31 December 2016	31 December 2015
	£	£
End User Spend	<b>132,290,981</b>	44,684,300

### (b) Revenue and gross profit

Bango, based on the information reviewed by the chief operating decision maker, 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 Bango's headquarters and its research and development activity are considered group operations and are not allocated to any operating segment. Segment information can be analyzed as follows for the reporting periods under review.

#### 12 months to 31 December 2016

	End user activity	Other fees	Group	Total
	£	£	£	£
Segment revenue	2,410,871	213,316	-	2,624,187
Cost of sales – payment providers	(7,054)	-	-	(7,054)
<b>Segment gross profit</b>	<b>2,403,817</b>	<b>213,316</b>	<b>-</b>	<b>2,617,133</b>
Administrative expenses	-	-	(5,039,873)	(5,039,873)
Non-recurring items	-	-	(376,013)	(376,013)
Share based payments charge	-	-	(359,373)	(359,373)
Depreciation	-	-	(319,284)	(319,284)
Amortization	-	-	(1,150,822)	(1,150,822)
Interest payable	-	-	(53,661)	(53,661)
Interest income	-	-	30,363	30,363
<b>Segment net profit/ (loss)</b>	<b>2,403,817</b>	<b>213,316</b>	<b>(7,268,663)</b>	<b>(4,651,530)</b>
Segment assets	434,365	125,859	13,588,572	14,148,796
Segment liabilities	(357,920)	-	(1,434,988)	(1,792,908)
<b>Net assets</b>	<b>76,445</b>	<b>125,859</b>	<b>12,153,584</b>	<b>12,355,888</b>

Bango has two revenue streams, which it reports separately. Firstly, revenue from transaction fees due to EUS, secondly, revenue from other fees paid by stores for new payment integrations and other services.

#### Change in accounting policy

Bango now reports on the Bango margin from transactions as revenue, instead of reporting a turnover figure which reflects the different commercial models. Turnover used to reflect 100% of a transaction where Bango was principal, and the Bango margin only for agency contracts. The proportion of the Bango business that is principal is now immaterial in comparison to the agency business. Reporting no longer reflects the different commercial agreements with the stores, simplifying the relationship between EUS, revenue and gross profit. The prior year revenue figures are reported to aid comparison of the current year's performance. As a result, the FY2015 figures have been restated using the new presentation. Revenue for FY2015 is now £0.89m, compared to £3.19m of turnover. The difference is the principal business that was accounted for gross is now shown net. If this change in accounting policy had not been made, then turnover for FY2016 would have been £3,317,354 instead of £2,624,187. The costs of sales relating to digital merchants or payment providers would have been £700,221 but the segment gross profit would have been the same at £2,617,133.

# Notes to the financial statements

## 12 months to 31 December 2015 (restated)

	End user Activity	Platform fees	Group	Total
	£	£	£	£
Segment revenue	841,949	458,181	-	1,300,130
Cost of sales – payment providers	(33,054)	-	-	(33,054)
<b>Segment gross profit</b>	<b>808,895</b>	<b>458,181</b>	<b>-</b>	<b>1,267,076</b>
Administrative expenses	-	-	(4,411,328)	(4,411,328)
Share based payments charge	-	-	(433,434)	(433,434)
Depreciation	-	-	(484,871)	(484,871)
Amortization	-	-	(969,013)	(969,013)
Interest payable	-	-	(20,865)	(20,865)
Interest income	-	-	24,327	24,327
<b>Segment net profit/ (loss)</b>	<b>808,895</b>	<b>458,181</b>	<b>(6,295,184)</b>	<b>(5,028,108)</b>
Segment assets	500,789	192,524	16,750,791	17,444,104
Segment liabilities	(379,890)	(7,235)	(1,147,139)	(1,534,264)
<b>Net assets</b>	<b>120,899</b>	<b>185,289</b>	<b>15,603,652</b>	<b>15,909,840</b>

## 12 months to 31 December 2015

	End user Activity	Platform fees	Group	Total
	£	£	£	£
Segment turnover	2,741,385	458,181	-	3,199,566
Attributable to digital merchants	(1,024,793)	-	-	(1,024,793)
Cost of sales – payment providers	(907,697)	-	-	(907,697)
<b>Segment gross profit</b>	<b>808,895</b>	<b>458,181</b>	<b>-</b>	<b>1,267,076</b>
Administrative expenses	-	-	(4,411,328)	(4,411,328)
Share based payments charge	-	-	(433,434)	(433,434)
Depreciation	-	-	(484,871)	(484,871)
Amortization	-	-	(969,013)	(969,013)
Interest payable	-	-	(20,865)	(20,865)
Interest income	-	-	24,327	24,327
<b>Segment net profit/ (loss)</b>	<b>808,895</b>	<b>458,181</b>	<b>(6,295,184)</b>	<b>(5,028,108)</b>
Segment assets	500,789	192,524	16,750,791	17,444,104
Segment liabilities	(379,890)	(7,235)	(1,147,139)	(1,534,264)
<b>Net assets</b>	<b>120,899</b>	<b>185,289</b>	<b>15,603,652</b>	<b>15,909,840</b>

Included within other fees there was £0.12m (31 December 2015: £0.22m) relating to one strategic partner.

End user activity is the fees paid by end users for purchasing content. Gross profit for this segment is after both digital merchant 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 digital merchants for provision of content sold by Bango to end users.

# Notes to the financial statements

Other fees are the amounts paid to Bango by digital merchants and others for package fees and other services including operator connections. Assets for this segment are amounts due for service fees and other integration fees. Liabilities for this segment represent deferred income for longer term services. Group assets include non-current assets and cash and cash equivalents. Group liabilities relate to administrative expenses.

Non-current assets are all based in the UK.

## (c) Geographical analysis

Bango's revenue from external customers is divided into the following geographical areas.

	<b>31 Dec 2016</b>	31 Dec 2015
	<b>£</b>	£
United Kingdom (country of domicile)	<b>12,653</b>	70,816
EU	<b>47,857</b>	149,265
USA and Canada	<b>1,745,150</b>	486,046
Indonesia	<b>563,585</b>	207,365
Rest of World	<b>254,942</b>	386,637
	<b>2,624,187</b>	1,300,130

Segment revenue is based on the location of the partners, of which in other fees £0.12m (31 December 2015: £0.22m USA and Canada) came from a strategic partner based in the UAE. All turnover from end users is spread over many territories, of which £1m comes from a partner in the USA and £0.3m from a partner in Australia (2015: £0.2m Australia).

# Notes to the financial statements

## 5 Non-current assets

### 5.1 Property, plant and equipment

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2015	236,988	148,082	1,663,827	2,048,897
Additions	117,798	6,999	90,115	214,912
Disposals in the year	-	-	-	-
<b>At 31 December 2015</b>	<b>354,786</b>	<b>155,081</b>	<b>1,753,942</b>	<b>2,263,809</b>
<b>Depreciation</b>				
At 1 January 2015	195,944	110,477	965,222	1,271,643
Charge for the year	23,605	14,059	447,207	484,871
Disposals in the year	-	-	-	-
<b>At 31 December 2015</b>	<b>219,549</b>	<b>124,536</b>	<b>1,412,429</b>	<b>1,756,514</b>
<b>Net book value At 31 December 2015</b>	<b>135,237</b>	<b>30,545</b>	<b>341,513</b>	<b>507,295</b>
	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2016	354,786	155,081	1,753,942	2,263,809
Additions	1,390	2,299	102,865	106,554
Disposals in the year	-	-	-	-
<b>At 31 December 2016</b>	<b>356,176</b>	<b>157,380</b>	<b>1,856,807</b>	<b>2,370,363</b>
<b>Depreciation</b>				
At 1 January 2016	219,549	124,536	1,412,429	1,756,514
Charge for the year	33,051	14,408	271,825	319,284
Disposals in the year	-	-	-	-
<b>At 31 December 2016</b>	<b>252,600</b>	<b>138,944</b>	<b>1,684,254</b>	<b>2,075,798</b>
<b>Net book value At 31 December 2016</b>	<b>103,576</b>	<b>18,436</b>	<b>172,553</b>	<b>294,565</b>

Included at year end within leasehold improvements were assets with net book value of £59,645 and computer equipment with net book value of £27,862 held under finance leases (31 December 2015: leasehold improvements £76,686 computer equipment £197,034). Depreciation is shown within administrative expenses in the income statement. Financial lease liabilities are secured on the assets to which they relate.

Bango PLC has no property, plant and equipment.

# Notes to the financial statements

## 5.2 Intangible assets

	Domain Names £	Internal Development £	Acquired Intangibles £	Goodwill £	Total £
Cost					
At 1 January 2015	32,887	5,322,936	-	-	5,355,823
Additions	-	924,373	-	-	924,373
At 31 December 2015	32,887	6,247,309	-	-	6,280,196
Amortization					
At 1 January 2015	32,887	1,831,684	-	-	1,864,571
Charge for period	-	969,013	-	-	969,013
At 31 December 2015	32,887	2,800,697	-	-	2,833,584
<b>Net book value at 31 December 2015</b>	-	<b>3,446,612</b>	-	-	<b>3,446,612</b>

	Domain Names £	Internal Development £	Acquired Intangibles £	Goodwill £	Total £
Cost					
At 1 January 2016	32,887	6,247,309	-	-	6,280,196
Additions	-	1,159,052	1,263,194	1,125,000	3,547,246
Foreign exchange revaluation	-	-	84,213	75,000	159,213
At 31 December 2016	32,887	7,406,361	1,347,407	1,200,000	9,986,655
Amortization					
At 1 January 2016	32,887	2,800,697	-	-	2,833,584
Charge for period	-	967,584	168,426	-	1,136,010
At 31 December 2016	32,887	3,768,281	168,426	-	3,969,594
<b>Net book value at 31 December 2016</b>	-	<b>3,638,080</b>	<b>1,178,981</b>	<b>1,200,000</b>	<b>6,017,061</b>

Amortization is shown within administrative expenses in the income statement. Bango regularly reviews its intangible assets to ensure that they are not impaired through periodic impairment testing in line with IAS 36. Assets are reviewed separately in relation to the revenue that will be generated from them as a discreet product. They are therefore separately assessed for signs of impairment using a discounted cash flow with a 20% discount rate (20% in prior year) and using the latest available financial forecasts. At the end of the year there were no indications of impairment on any of the internally generated research and development projects.

Goodwill is reviewed annually for signs of impairment. Goodwill relates solely to the acquisition of BilltoMobile Inc in May 2016. The recoverable amount of the related commercial agreements are determined from the value in use. The key assumptions are the discount rates (20% used consistent with review of intangibles and deemed prudent to the Bango WACC), growth rates (conservative assumptions have been used in comparison to the growth rate since acquisition) and net margin. The Directors have reviewed the acquired goodwill and do not consider there are any indicators of impairment.

The goodwill has been allocated to the EUS activity business segment which is a separate cash generating unit to the Platform Fees segment. Cash flows for a period of 10 years have been reviewed in assessing the goodwill and there are no indicators of impairment following sensitivity analysis of the key assumptions.

# Notes to the financial statements

## 5.3 Acquisition

On 6 May 2016 Bango acquired the trade and assets of BilltoMobile Inc. from Danal Inc. BilltoMobile was the trading name of Danal Inc. which provided direct carrier billing services to the major US mobile operators. Bango acquired the trade (contracts with the mobile operators and merchants) and assets (brand names, software and other assets), but did not acquire any staff or fixed assets. These connections are being fully incorporated onto the Bango platform and are not managed as a separate unit and therefore all revenues are included within the existing Bango EUS revenue stream.

The acquisition was for cash (\$3.0 million) and shares (\$0.4m worth of shares) in Bango PLC. This resulted in the issuing of 586,095 ordinary shares of 20 pence each in Bango PLC to Danal Inc, with £117,219 being recognised as share capital and £164,106 as share premium. The deferred consideration of £23,536 related to a single line of business and is to be settled in full in 2017.

The net assets acquired were as follows:

	Fair value \$	Fair value £
Intangible assets	1,818,000	1,263,194
Goodwill	1,621,000	1,125,000
	<u>3,439,000</u>	<u>2,388,194</u>
Consideration and cost of investment	<u>3,439,000</u>	<u>2,388,194</u>

Satisfied by:

	\$	£
Cash	3,000,000	2,083,333
Share consideration	406,000	281,325
Deferred consideration	33,000	23,536
	<u>3,439,000</u>	<u>2,388,194</u>
Total consideration	<u>3,439,000</u>	<u>2,388,194</u>

Following a detailed review of the fair value of the assets acquired by an independent third party, in accordance with IFRS3 Business Combinations, Bango has recognized two intangible assets totaling £2,388,194. These are acquired intangibles, which include software, customer relationships and trade names, totaling £1,263,194 and goodwill totaling £1,125,000.

Goodwill of £1,125,000 represents the excess of the purchase price over the fair value of the assets acquired. The goodwill arising on the acquisition is largely attributable to the value within the contracts with the mobile operators and the additional value in the software. See note 5.2 for the note on the intangible assets and the review of the carrying value of the goodwill.

Costs relating to the acquisition of the intangible assets were expenses as non-recurring costs and have been shown separately on the consolidated income statement.

# Notes to the financial statements

## 6 Trade and other receivables

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Trade receivables	<b>404,839</b>	485,294
Other receivables	<b>111,406</b>	109,853
Prepayments and accrued income	<b>1,310,551</b>	538,750
	<b>1,826,796</b>	1,133,897
Impairment of trade receivables	<b>(5,000)</b>	(5,000)
	<b>1,821,796</b>	1,128,897
Research and development tax credits	<b>318,857</b>	225,974
Total	<b>2,140,653</b>	1,354,871

At 31 December 2016, some of the unimpaired trade receivables are past their due date. The age of financial assets past due but not impaired is as follows:

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Not more than one month	<b>78,110</b>	79,381
One to two months	<b>23,036</b>	20,193
Three to twelve months	<b>13,225</b>	44,668
More than twelve months	-	-
	<b>114,371</b>	144,242

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 digital merchants 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.

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:

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Brought forward provision	<b>5,000</b>	26,133
Debts written off in the year	<b>(3,755)</b>	(21,883)
Increase in provision	<b>3,755</b>	750
Carry forward provision	<b>5,000</b>	5,000

# Notes to the financial statements

## 7 Share capital and employee share options

### Allotted, called up and fully paid:

Ordinary shares of 20p each in Bango PLC	No	£
<b>As at 31 December 2014</b>	<b>51,997,316</b>	<b>10,399,463</b>
Issue of new shares	12,222,222	2,444,444
Exercise of share options	212,213	42,443
<b>As at 31 December 2015</b>	<b>64,431,751</b>	<b>12,886,350</b>
Issue of new shares	586,095	117,219
Exercise of share options	127,772	25,555
<b>As at 31 December 2016</b>	<b>65,145,618</b>	<b>13,029,124</b>

During the year 127,772 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 £0.09m of which £0.03m was recognized as share capital and £0.06m as share premium.

On 6 May 2016, 586,095 new shares were issued to Danal Inc., forming part of the consideration for BilltoMobile.

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. The options lapse if share options remain unexercised after a period of ten years from the date of grant or if the employee leaves the Group.

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

	31 Dec 2016		31 Dec 2015	
	Average exercise price per share	Options	Average exercise price per share	Options
	p		p	No
Outstanding at 1 January 2016	122	3,729,196	130	3,438,784
Granted	66	1,448,000	95	1,014,500
Lapsed	145	(554,375)	149	(511,875)
Exercised	67	(127,772)	54	(212,213)
Outstanding at 31 December 2016	103	4,495,049	122	3,729,196
Exercisable at 31 December 2016	109	3,596,875	132	2,340,707

The weighted average share price at date of exercise of options exercised during the year was 89.72 pence (2015: 97.52 pence).

The fair value of options granted during the year, determined using the Black-Scholes valuation model, were between 19 - 45 pence. Significant inputs into the model include a weighted average share price of 65.66 pence (31 December 2015: 98.7 pence) at the grant date, the exercise prices, volatility of 49.3-60.0%% (31 December 2015: 47.2-48.4%), dividend yield of nil (31 December 2015: nil), an expected option life of five years (31 December 2015: five years) and an annual risk-free interest rate of 0.28-0.90% (31 December 2015: 1.17-1.24%).

For the most recent share awards there was sufficient share price data for Bango PLC to calculate the company's volatility, which is based on five years historical, compounded daily share price variances.

# Notes to the financial statements

At 31 December 2016, Bango PLC had the following outstanding options and exercise prices:

Expiry date	Average exercise price per share	Options	31 Dec 2016	Average exercise price per share	Options	31 Dec 2015
			Remaining Contractual Life			Remaining Contractual Life
	Pence	Number	Months	Pence	Number	Months
1 March 2016	-	-	-	177.50	27,000	2
25 May 2016	-	-	-	140.00	158,250	5
9 October 2016	-	-	-	106.50	24,250	9
23 March 2017	50.50	96,000	3	50.50	96,000	15
19 September 2017	41.00	100,500	9	41.00	100,500	21
31 January 2018	23.00	48,417	13	23.00	48,417	27
15 October 2018	53.50	15,125	22	53.50	46,375	34
19 February 2019	44.00	38,916	26	44.00	46,375	38
1 October 2019	44.50	46,520	33	44.50	46,520	46
17 March 2020	59.50	48,297	39	59.50	73,297	51
24 September 2020	167.00	49,935	45	167.00	72,560	57
7 February 2021	153.00	100,000	50	153.00	100,000	62
17 March 2021	82.50	47,740	51	82.50	47,740	63
9 September 2021	82.00	56,050	57	82.00	66,767	69
27 September 2021	76.50	20,000	57	76.50	20,000	69
8 December 2021	-	-	-	68.50	20,000	72
23 March 2022	142.50	66,822	63	142.50	95,322	75
13 August 2022	-	-	-	187.50	-	80
20 September 2022	166.50	96,323	69	166.50	140,323	81
06 November 2022	218.00	100,000	71	218.00	100,000	83
26 March 2023	232.50	298,000	75	232.50	355,000	87
02 April 2023	218.50	10,000	75	218.50	10,000	88
27 June 2023	180.00	50,000	78	180.00	50,000	90
04 October 2023	126.00	243,000	82	126.00	300,000	94
01 April 2024	136.00	281,000	88	136.00	339,000	100
22 October 2024	101.00	326,500	94	101.00	374,500	106
16 March 2025	106.00	336,000	99	106.00	362,000	111
18 September 2025	88.50	587,164	105	0.885	609,000	117
16 March 2026	43.00	699,240	111	-	-	-
21 September 2026	89.00	683,500	117	-	-	-
14 December 2026	70.50	50,000	120	-	-	-
At 31 December		<b>4,495,049</b>	<b>89</b>		<b>3,729,196</b>	<b>82</b>

## 8 Trade and other payables

	31 Dec 2016	31 Dec 2015
	£	£
Trade payables	846,212	851,901
Social security and other taxes	109,416	95,429
Accruals and deferred income	741,726	222,914
	<b>1,697,354</b>	<b>1,170,244</b>

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

Bango leases two offices and some small office equipment under non-cancellable operating leases for which the future aggregate minimum lease payments are as follows:

	31 Dec 2016 £	31 Dec 2015 £
No later than 1 year	153,869	153,869
Later than 1 but no later than 5 years	588,832	600,251
More than 5 years	267,094	421,414
	<u>1,009,795</u>	<u>1,175,534</u>

The UK lease on 17 November 2023, with a break clause in 2018 and the US office lease expired on 30 September 2016.

Bango has finance leases for technical computer equipment and leasehold equipment. The leases will terminate between February 2017 and May 2018. The lease agreement includes fixed non-cancellable lease payments, and does not contain any further restrictions. Finance lease liabilities are secured by the related assets held under finance lease.

	31 Dec 2016 £	31 Dec 2015 £
<b>Gross lease liabilities</b>		
Within one year	86,227	281,042
Between two and five years	13,709	99,926
	<u>99,936</u>	<u>380,968</u>
Future interest	(4,382)	(16,948)
	<u>95,554</u>	<u>364,020</u>

	31 Dec 2016 £	31 Dec 2015 £
<b>The present value of finance lease liabilities is repayable as follows:</b>		
Within one year	82,149	268,476
Between two and five years	13,405	95,544
	<u>95,554</u>	<u>364,020</u>

The company has no lease agreements.

## 10 Expenses by nature

	31 Dec 2016 £	31 Dec 2015 £
Employee benefit expense	3,965,077	3,050,974
Depreciation & amortization	1,470,106	1,453,884
Other expenses	1,810,182	1,793,788
	<u>7,245,365</u>	<u>6,298,646</u>
<i>Analyzed as:</i>		
Administrative expenses	5,415,886	4,411,328
Share based payments	359,373	433,434
Depreciation	319,284	484,871
Amortization	1,150,822	969,013
	<u>7,245,365</u>	<u>6,298,646</u>

# Notes to the financial statements

## 11a Profit or loss before taxation

Profit or loss before taxation is stated after charging:

	31 Dec 2016 £	31 Dec 2015 £
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	4,000	3,800
Fees payable to the Group's auditors for other services: audit of Group's subsidiaries	42,500	37,000
Other services relating to other assurance services	13,700	9,000
Other services relating to taxation compliance services	9,900	6,220
Other services relating to taxation advisory services	53,300	6,300
Operating lease expenses:		
Land and buildings	211,149	160,811
Finance lease charges in year	53,661	20,865
Exchange rate variances	(70,916)	(52,885)
Depreciation on property, plant and equipment – lease assets	186,213	295,002
Depreciation on property, plant and equipment – owned assets	133,071	189,869
Amortization of intangible assets	1,150,822	969,013
Research and development costs	93,798	68,864

## 11.b Non-recurring items

These costs all relate to the acquisition of BilltoMobile as they will not be recurring in 2017, with £0.09m relating to legal and professional fees and £0.28m relating to business transition costs.

## 12 Employee benefit expense

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

	31 Dec 2016 No	31 Dec 2015 No
Administrative staff	6	8
Marketing staff	5	6
Sales staff	7	3
Technical staff	22	19
Executive Directors	4	3
Support staff	28	25
	<u>72</u>	<u>64</u>

The aggregate payroll costs of the above were:

	31 Dec 2016 £	31 Dec 2015 £
Wages and salaries	3,456,747	2,958,122
Social security costs	386,483	351,146
Other pension costs	148,958	99,622
Share based remuneration	359,373	433,434
	<u>4,351,561</u>	<u>3,842,324</u>

Included in the above payroll costs is £995,493 (31 December 2015: £791,350) capitalized within internal development (note 5.2).

# Notes to the financial statements

The Directors have identified eleven (31 December 2015: eleven) key management personnel, including Directors. Compensation to key management is set out below:

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Short term employee benefits	<b>1,086,653</b>	1,006,256
Employers national insurance	<b>138,861</b>	127,523
Post-employment benefits	<b>46,725</b>	40,747
Share based compensation	<b>116,281</b>	163,840
	<b><u>1,388,520</u></b>	<u>1,338,366</u>

## 13 Directors

Remuneration in respect of Directors was as follows:

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Emoluments	<b><u>680,435</u></b>	<u>550,433</u>

Further details can be found in the Remuneration Committee Report). The highest paid Director received total salary of £198,000 (31 December 2015: £179,700), pension contributions of £1,650 (31 December 2015: £713), and share based compensation of £11,122 (31 December 2015: £3,259).

The number of Directors who accrued benefits under pension schemes was four (31 December 2015: three).

The total share based compensation for Directors was £58,236 (31 December 2015: £37,573).

For details of Directors options please see the Directors and their interest section of the Directors' report.

## 14 Investment income

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Bank interest receivable	<b><u>30,363</u></b>	<u>24,327</u>

# Notes to the financial statements

## 15 Taxation

Income tax	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
R&D tax credits receivable	<b>(318,857)</b>	(225,371)
Over/(Under) provision of prior year credit	<b>(9,806)</b>	10,054
Tax paid overseas	<b>90,250</b>	-
	<b>(238,413)</b>	(215,317)

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

Loss on ordinary activities before taxation	<b>(4,777,915)</b>	(5,028,108)
Loss on ordinary activities multiplied by standard rate of tax of 20.00% (31 December 2015: 20.25%)	<b>(955,583)</b>	(1,018,192)
Effect of:		
Expenses not deductible for tax purposes	<b>89,264</b>	101,288
Deferred tax not recognized	<b>1,946</b>	-
Unutilized tax losses	<b>779,826</b>	800,246
Additional deductions for R&D expenditure	<b>(248,584)</b>	(177,705)
Surrender of tax losses for R&D	<b>120,946</b>	89,557
Other permanent differences	<b>(106,672)</b>	(20,565)
Tax paid overseas	<b>90,250</b>	-
Adjustments in relation to prior years	<b>(9,806)</b>	10,054
<b>Total tax</b>	<b>(238,413)</b>	(215,317)

At 31 December 2016, the unutilized tax losses carried forward amounted to £32.1 million (at 31 December 2015: £27.9 million).

### Deferred tax assets/ (liabilities):

	<b>Provided</b>	Provided	<b>Unprovided</b>	Unprovided
	<b>31 Dec 2016</b>	31 Dec 2015	<b>31 Dec 2016</b>	31 Dec 2015
	£	£	£	£
Share option deduction		-	<b>133,820</b>	59,940
Tax losses	<b>418,102</b>	395,452	<b>3,794,139</b>	4,958,906
Other temporary differences	<b>(1,230)</b>	1,620	-	-
Accelerated capital allowances and capitalized development costs	<b>(416,872)</b>	(397,072)	-	-
	<b>-</b>	-	<b>3,927,959</b>	5,018,846

All unrecognized deferred tax balances relate to the UK and are expected to offset. 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 Loss per share

### (a) Basic

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

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Loss attributable to equity holders of Bango PLC	<b>(4,413,117)</b>	(4,812,791)
Weighted average number of ordinary shares in issue	<b>65,026,008</b>	53,185,680
Earnings (basic) per share	<b>(6.81) p</b>	(9.05) p

# Notes to the financial statements

## (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.

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Loss attributable to equity holders of Bango PLC	<b>(4,413,117)</b>	(4,812,791)
Weighted average number of ordinary shares	<b>65,026,008</b>	53,185,680
Earnings (diluted) per share	<b>(6.81) p</b>	(9.05) p

At 31 December 2016 options over 4,495,049 (31 December 2015: 3,729,196) ordinary shares were outstanding. Given the loss for the year, these options are considered to be anti-dilutive. Such options could potentially dilute basic loss per share in the future.

## 17 Cash used by operations

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Loss for the financial year	<b>(4,413,117)</b>	(4,812,791)
Depreciation and amortization	<b>1,455,293</b>	1,453,884
Taxation in income statement	<b>(238,413)</b>	(215,317)
Investment income	<b>(30,363)</b>	(24,327)
Interest payable	<b>53,661</b>	20,865
Foreign exchange movement on cash balances	<b>51,780</b>	11,893
Share-based payment expense	<b>359,373</b>	433,434
(Increase)/decrease in receivables	<b>(595,427)</b>	(19,082)
Decrease in payables	<b>442,220</b>	(308,048)
Realized currency translation	<b>29,723</b>	-
	<b>(2,885,270)</b>	(3,459,489)
Corporation tax rebate	<b>238,413</b>	225,371
Net cash used by operations	<b>(2,646,857)</b>	(3,234,118)

## 18 Financial assets and liabilities

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

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Loans and receivables	<b>6,096,356</b>	12,615,620
Total financial assets	<b>6,096,356</b>	12,615,620

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

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
<b>Current assets</b>		
Trade and other receivables	<b>399,839</b>	480,294
Cash and cash equivalents	<b>5,696,517</b>	12,135,326
Total financial assets	<b>6,096,356</b>	12,615,620

# Notes to the financial statements

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

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Financial liabilities measured at amortized cost	<b>1,587,938</b>	1,074,815
Total financial liabilities	<b>1,587,938</b>	1,074,815

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

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
<b>Current liabilities</b>		
Trade payables	<b>846,212</b>	851,901
Accruals	<b>741,726</b>	222,914
Total financial liabilities	<b>1,587,938</b>	1,074,815

## 19 Credit risk analysis

Bango'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.

Bango continuously monitors defaults of partners 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. Bango's policy is to deal only with creditworthy counterparties.

Bango'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 trade receivables that are past due. The only other financial asset that is not cash are tax credits due from HMRC.

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

In respect of trade and other receivables, Bango is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Bango completes regular credit checks on those payment providers accounting for significant individual balances. In addition, the terms and conditions of trade with some digital merchants allow the group to withhold payment of the relevant part of the digital merchant 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.

## 20 Liquidity risk analysis and capital management

Bango 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 December 2016 Bango's financial liabilities had contractual maturities which are summarized below:

	<b>31 Dec 2016</b>	31 Dec 2015
	£	£
Trade and other payables within 6 months	<b>1,587,938</b>	1,074,815
Finance lease obligations within 6 months	<b>57,170</b>	165,088
Finance lease obligations 6 to 12 months	<b>24,969</b>	103,388
Finance lease obligations 1 year to 5 years	<b>13,405</b>	95,544
Financial liabilities	<b>1,683,482</b>	1,438,835

Bango's capital management objectives are to ensure Bango'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.

The Directors consider that the capital management objectives have been satisfied through the adequate management of liquidity, as sufficient cash is available to meet all liabilities falling due in the next year.

At 31 December 2016 Bango only had hire purchase borrowings.

# Notes to the financial statements

Capital for the reporting year under review is summarized as follows:

	Overall financing		Capital	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	£	£	£	£
Total equity	12,355,888	15,909,840	12,355,888	15,909,840
Less cash and cash equivalents	-	-	(5,696,517)	(12,135,326)
Plus borrowings	95,544	364,020	-	-
	<u>12,451,432</u>	<u>16,273,860</u>	<u>6,659,371</u>	<u>3,774,514</u>

The capital to overall financing ratio is 53.5% (2015: 23.2%).

## 21 Market risk analysis

### 21.1 Interest risk sensitivity

Bango 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 Bango'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.

Nominal amounts	31 Dec 2016			31 Dec 2015		
	£ Financial assets	£ Financial liabilities	£ Net assets/ (liabilities)	£ Financial assets	£ Financial liabilities	£ Net assets/ (liabilities)
US \$	2,168,532	815,309	1,353,223	427,780	342,652	85,128
USD						
Euro	73,957	15,182	58,775	84,096	5,455	78,641
EUR						
Australian \$	63,159	-	63,159	39,168	-	39,168
AUD						
Canadian \$	106,093	-	106,093	83,817	-	83,817
CAD						
Indonesia Rp						
IDR	41,896	-	41,896	164,977	-	164,977
Qatari Riyal						
QAR	1,296	-	1,296	2,876	-	2,876
South African Rand	ZAR 12,812	782	12,030	11,595	-	11,595
Saudi Arabian Riyal	SAR 31,887	-	31,887	46,310	-	46,310
Japanese Yen	JPY 119,186	5,156	114,030	-	-	-
Other	39,130	485	38,645	51,203	2,498	48,705
<b>Short term exposure</b>	<u>2,657,948</u>	<u>836,914</u>	<u>1,821,035</u>	<u>911,824</u>	<u>350,605</u>	<u>561,219</u>

Sensitivity analysis has been performed on the financial assets and liabilities to assess the exposure of the group to foreign exchange movements. If exchange rates moved so that the sterling weakened by 5% then the effect on the balance sheet would be a loss of £83,886 and if it moved by 10% then there would be a total loss of £160,146.

# Statement of financial position of Bango PLC

	Note	31 Dec 2016 £	31 Dec 2015 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary	4	29,005,642	28,617,365
Trade and other receivables due after one year	5	16,144,791	15,876,320
		<u>45,150,433</u>	<u>44,493,685</u>
<b>Current assets</b>			
Trade and other receivables due within one year	5	9,510	27,798
		<u>9,510</u>	<u>27,798</u>
<b>Total assets</b>		<u><u>45,159,943</u></u>	<u><u>44,521,483</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	8	13,029,124	12,886,350
Share premium account	9	30,323,341	30,101,510
Retained earnings	9	1,787,896	1,464,196
<b>Total equity</b>		<u><u>45,140,361</u></u>	<u><u>44,452,056</u></u>
<b>LIABILITIES</b>			
Trade and other falling due within one year	6	19,582	69,427
<b>Total liabilities</b>		<u>19,582</u>	<u>69,427</u>
<b>Total equity and liabilities</b>		<u><u>45,159,943</u></u>	<u><u>44,521,483</u></u>

These financial statements were approved by the Directors on 13 March 2017 and are signed on their behalf by:

R Anderson  
Director

R Elias-Jones  
Director

Company registration number 05386079

The company has taken the exemption under section 408 of the Companies Act 2006 to present a full income statement, but the loss for the year for the company was £35,673 (2015: £159,157).

The notes on pages 53 to 57 are an integral part of these consolidated financial statements

# Statement of changes in equity of Bango PLC

	Share capital £	Share premium £	Retained earnings £	Total £
<b>Balance at 1 January 2015</b>	<b>10,399,463</b>	<b>22,098,603</b>	<b>1,189,919</b>	<b>33,687,985</b>
Share based payments	-	-	433,434	433,434
Exercise of share options	42,443	65,075	-	107,518
Issue of shares	2,444,444	8,555,556	-	11,000,000
Expenses of share issue	-	(617,724)	-	(617,724)
Transactions with owners	2,486,887	8,002,907	433,434	10,923,228
Loss for the year	-	-	(159,157)	(159,157)
Total comprehensive income for the year	-	-	(159,157)	(159,157)
<b>Balance at 31 December 2015</b>	<b>12,886,350</b>	<b>30,101,510</b>	<b>1,464,196</b>	<b>44,452,056</b>
<b>Balance at 1 January 2016</b>	<b>12,886,350</b>	<b>30,101,510</b>	<b>1,464,196</b>	<b>44,452,056</b>
Share based payments	-	-	359,373	359,373
Exercise of share options	25,555	60,393	-	85,948
Issue of shares	117,219	164,106	-	281,325
Expenses of share issue	-	(2,668)	-	(2,668)
Transactions with owners	142,774	221,831	359,373	723,978
Loss for the year	-	-	(35,673)	(35,673)
Total comprehensive income for the year	-	-	(35,673)	(35,673)
<b>Balance at 31 December 2016</b>	<b>13,029,124</b>	<b>30,323,341</b>	<b>1,787,896</b>	<b>45,140,361</b>

The notes on pages 53 to 57 are an integral part of these consolidated financial statements

# Cash flow statement of Bango PLC

	31 Dec 2016 £	31 Dec 2015 £
<b>Loss for year</b>	<b>(35,673)</b>	(159,157)
<b>Cash flows from operating activities</b>		
Interest received	<b>(202,286)</b>	(60,150)
(Increase)/decrease in receivables	<b>18,288</b>	(24,938)
Increase/(decrease) in payables	<b>(49,845)</b>	51,590
<b>Net cash used by operating activities</b>	<b>(233,843)</b>	(192,655)
<b>Cash flows generated from investing activities</b>		
Loan to group undertaking	<b>(268,471)</b>	(10,337,790)
Investment in subsidiaries	<b>(28,904)</b>	(19,500)
<b>Net cash used by investing activities</b>	<b>(297,375)</b>	(10,357,290)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	<b>85,948</b>	11,107,518
Costs associated with issuance of ordinary shares	<b>(2,668)</b>	(617,723)
Interest receivable	<b>202,286</b>	60,150
Non-cash issue of shares	<b>281,325</b>	-
<b>Net cash generated from financing activities</b>	<b>566,891</b>	10,549,945
<b>Net increase in cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents at beginning of year</b>	-	-
<b>Cash and cash equivalents at end of year</b>	-	-

The notes on pages 53 to 57 are an integral part of these consolidated financial statements

# Notes to the financial statements

## 1 Accounting policies

### Basis of accounting

The separate financial statements of Bango PLC are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and under the basis of going concern.

Bango has prepared its Report and accounts for the year ended 31 December 2016, 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 accounting policies.

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

### Investments

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

### Share based payments

Bango PLC issues equity settled share-based compensation to certain employees (including Directors) of its trading subsidiaries. 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 Bango PLC's investment in subsidiaries, based upon the 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.

### Loans and receivables

#### a) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits available on demand, together with other short term highly liquid investments.

#### b) Trade and other receivables

Trade and other receivables are recognized initially at fair value and are measured subsequent to initial recognition net of any 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 the estimated receivable.

### 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.

### Share capital

Ordinary shares are classified as equity. Equity instruments issued by Bango PLC 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.

### Retained earnings

Retained earnings include all current and prior period retained profits.

# Notes to the financial statements

## **Related party transactions**

There were no significant related party transactions in the year, see the Directors report for the Group for further details. Intercompany loans existed between the entity and other members of the group, please see Note 5 for further details.

## **2 Directors, employees and key management personnel**

Details of Directors' interests in the shares and options of Bango PLC are provided in the Directors' report on pages 18 and 19.

There are no employees employed directly by Bango PLC.

Details of Directors' remuneration and key management personnel are disclosed in notes 12 and 13 of the Group accounts. A charge of £82,485 (31 December 2015: £73,230) has been recognized within the parent company's own figures relating to wages and salaries.

## **3 Auditor's remuneration**

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

# Notes to the financial statements

## 4 Investments

	£
<b>Cost</b>	
Shares in subsidiary undertakings at 31 December 2015	28,617,365
Share based payments	359,373
Investment in Bango KK	28,897
Investment in Bango Holdings Inc	7
	<hr/>
Shares in subsidiary undertakings at 31 December 2016	29,005,642
	<hr/> <hr/>
<b>Net book amount</b>	
<b>At 31 December 2016</b>	<b>29,005,642</b>
	<hr/> <hr/>
At 31 December 2015	28,617,365
	<hr/> <hr/>

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

Details of subsidiary undertakings at 31 December 2016 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 Movil	Spain	Ordinary	100%	Support for Bango.net Limited
Bango SP Ltd	England & Wales	Ordinary	100%	Non-trading
Bango Employee Benefits Ltd	England & Wales	Ordinary	100%	Non-trading
Bango do Brasil Cessão de Licenças de Programas de Computador Ltda *	Brazil	Ordinary	100%	Non-trading
Bango Mobile Limited **	Nigeria	Ordinary	99%	Trading entity in Nigeria
Bango Kabushiki Kaisha	Japan	Ordinary	100%	Sales and support office for Bango.net Limited
Bango Holdings Inc	USA	Common	100%	Holding company
BilltoMobile Inc	USA	Common	100%	Trading entity in USA

\*99% owned via Bango Movil and 1% owned by Bango Plc

\*\*49% owned via Bango PLC, 50% owned by Bango.net Ltd (100% owned subsidiary of Bango PLC) and 1% by local representative in Nigeria.

## 5 Receivables

	31 Dec 2016 £	31 Dec 2015 £
Amounts due from Group undertakings (due after one year)	16,144,791	15,876,320
Other receivables (due within one year)	9,510	27,798
	<hr/>	<hr/>
	16,154,301	15,904,118
	<hr/> <hr/>	<hr/> <hr/>

Interest on intercompany loans from the parent company to the subsidiary undertakings are charged at a reasonable market rate of interest, calculated monthly on the balance outstanding.

# Notes to the financial statements

## 6 Payables

	31 Dec 2016 £	31 Dec 2015
Trade payables	9,884	63,177
Accruals and deferred income	9,698	6,250
	<u>19,582</u>	<u>69,427</u>

## 7 Financial assets and liabilities

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

	31 Dec 2016 £	31 Dec 2015 £
Loans and receivables	16,153,671	15,904,118
Total financial assets	<u>16,153,671</u>	<u>15,904,118</u>

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

	31 Dec 2016 £	31 Dec 2015 £
<b>Current assets</b>		
Other receivables	-	-
<b>Non-current assets</b>		
Amounts due from Group undertakings	16,144,791	15,876,320
Total financial assets	<u>16,144,791</u>	<u>15,876,320</u>

	31 Dec 2016 £	31 Dec 2015 £
Financial liabilities measured at amortized cost	19,582	69,427
Total financial liabilities	<u>19,582</u>	<u>69,427</u>

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

	31 Dec 2016 £	31 Dec 2015 £
<b>Current liabilities</b>		
Trade payables	9,884	63,177
Accruals	9,698	6,250
Total financial liabilities	<u>19,582</u>	<u>69,427</u>

## 8 Share capital

Allotted, called up and fully paid:

	No	£
Ordinary shares of 20p each in Bango PLC		
<b>As at 31 December 2014</b>	<b>51,997,316</b>	<b>10,399,463</b>
Issue of new shares	12,222,222	2,444,444
Exercise of share options	212,213	42,443
<b>As at 31 December 2015</b>	<b>64,431,751</b>	<b>12,886,350</b>

# Notes to the financial statements

Issue of new shares	586,095	117,219
Exercise of share options	127,772	25,555
<b>As at 31 December 2016</b>	<b>65,145,618</b>	<b>13,029,124</b>

During the year 127,772 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 £0.09m of which £0.03m was recognized as share capital and £0.06m as share premium.

On 6 May 2016, 586,095 new shares were issued to Danal Inc., forming part of the consideration for BilltoMobile.

During the year 1,448,000 options were granted to employees. Details of number of options granted to Directors is given in the Directors report of the Group accounts.

At the year-end 4,495,049 options were outstanding. Further details relating to employee share options are provided in note 7 in the Bango financial statements.

## 9 Reserves

	Share Premium Account £	Retained earnings £
At 1 January 2016	30,101,510	1,464,196
Issue of new shares	164,106	-
Expense of share issue	(2,668)	-
Exercise of share options	60,393	-
Share based payments	-	359,373
Loss for the year	-	(35,673)
<b>At 31 December 2016</b>	<b>30,323,341</b>	<b>1,787,896</b>

An adjustment has been made out of the share based payment reserve for share options exercised.

## 10 Reconciliation of movements in shareholder's funds

	31 Dec 2016 £	31 Dec 2015 £
Period opening balance	44,452,056	33,687,985
Exercise of share options	85,948	107,518
Share based payments	359,373	433,434
Issue of new shares	281,325	11,000,000
Expense of share issue	(2,668)	(617,724)
Loss for the period	(35,673)	(159,157)
	<b>45,140,361</b>	<b>44,452,056</b>

## 11 Retained earnings

Included within the retained earnings of £1,787,896 are adjustments relating to share based payments. The distributable reserves as at 31 December 2016 from Bango PLC are £842,281.