Bango.net Limited

Financial statements

For the year ended 31 March 2004

Grant Thornton

Company No. 03854965

Company information

Company registration number	03854965
Registered office	5 Westbrook Centre Milton Road Cambridge CB4 1YG
Directors	R Anderson A Malhotra D Cleevely (non executive) G Seabrook (non executive) L Bury (non executive) M Rigby (non executive) M Boase (non executive)
Secretary	K L Oakley
Bankers	HSBC Bank Plc Brentwood DSC Unit B Redwing Court Ashton Road Harold Hall ROMFORD RM3 8UD
Solicitors	Mills & Reeve Francis House 11 Hills Road CAMBRIDGE CB1 1PH
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Byron House Cambridge Business Park Cowley Road CAMBRIDGE CB4 0WZ

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2004.

Principal activities and business review

The principal activity if the company during the year was the development, marketing and sale of technology to allow mobile phone users to easily choose and purchase services, images, videos, music and ring-tones on their mobile phones.

Bango enables content providers to quickly and easily gain access to a rapidly expanding market of millions of internet connected mobile phone users in more than one hundred countries. Bango technology and services have been delivered to many leading brands, including Carphone Warehouse, The Sun, Monstermob, Sony, EMAP, FT and Phonebox.

During the year, Bango won a strategic contract with Vodafone to support the evolution of the award winning "Vodafone Live!" service.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend a dividend.

Post balance sheet events

For events since the balance sheet date see note 17.

Research and development

During the year, Bango continued to invest in research and development to enhance its unique technology that enables an open market for Mobile Content.

Bango introduced its "fingerprint service" to identify mobile users and enable improved customer service and marketing by content providers; deployed its award winning "Adult Barring" technology to help protect children from inappropriate content on their mobile phones; and introduced a facility for users to "tell a friend" about mobile sites through enhanced text messaging.

The directors and their interests in shares of the company

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

	Class of share	At 31 March 2004	At 1 April 2003
R Anderson	'B' Ordinary shares of 1p each	**285,912**	285,912
A Malhotra	'B' Ordinary shares of 1p each	**200,250**	200,250
D Cleevely (non executive)	'B' Ordinary shares of 1p each	**2,500**	2,500
G Seabrook (non executive)	'B' Ordinary shares of 1p each	**2,000**	2,000
L Bury (non executive)	'B' Ordinary shares of 1p each	**28,696**	28,696
M Rigby (non executive)	'B' Ordinary shares of 1p each	**–**	–
M Boase (non executive)	'B' Ordinary shares of 1p each	**–**	–

M Rigby has a beneficial interest in 28,447 'A' Ordinary shares and 15,600 'B' Ordinary shares as a result of his interest in QTP (General Partner) Limited and 1,721 'B' Ordinary shares as a result of his interest in ET Capital Limited.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Imray & Co resigned as auditors of the company during the year and Grant Thornton were appointed.

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26 (5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

K L Oakley
Secretary
18 October 2004

Grant Thornton

Report of the independent auditors to the members of Bango.net Limited

We have audited the financial statements of Bango.net Limited for the year ended 31 March 2004 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Cambridge
3 December 2004

Principal accounting policies

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Revenue recognition

Revenue raised through premium line sales is recognised on the basis of premium line usage. Any user account that is inactive for a period of 180 days is deactivated and the remaining balance is credited to the profit and loss account. Income on the sale of licences and maintenance contracts is recognised in the financial statements over the term of the contract.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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

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

Operating lease agreements

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

Pension costs

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

Deferred taxation

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

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

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

Foreign currencies

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

Profit and loss account

	Note	2004 £	2003 £
Turnover	1	**2,029,133**	312,454
Cost of sales		**1,488,177**	37,035
Gross profit		**540,956**	275,419
Other operating charges	2	**1,417,149**	1,152,189
Operating loss	3	**(876,193)**	(876,770)
Interest receivable		**11,172**	12,567
Loss on ordinary activities before taxation		**(865,021)**	(864,203)
Tax on loss on ordinary activities	6	**(5,555)**	(43,014)
Loss for the financial year		**(859,466)**	(821,189)
Balance brought forward		**(3,400,505)**	(2,579,316)
Balance carried forward		**(4,259,971)**	(3,400,505)

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

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

Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	7	**69,110**	49,400
Current assets			
Debtors	8	**859,709**	283,441
Cash at bank		**144,654**	348,385
		1,004,363	631,826
Creditors: amounts falling due within one year	9	**851,832**	198,400
Net current assets		**152,531**	433,426
Total assets less current liabilities		**221,641**	482,826
Capital and reserves			
Called-up equity share capital	13	**9,520**	8,480
Share premium account	15	**4,472,092**	3,874,851
Profit and loss account		**(4,259,971)**	(3,400,505)
Shareholders' funds	16	**221,641**	482,826

These financial statements were approved by the directors on 18 October 2004 and are signed on their behalf by:

…......................…
R Anderson

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2004	2003
	£	£
United Kingdom	**2,029,133**	312,454

2 Other operating charges

	2004	2003
	£	£
Administrative expenses	**1,417,149**	1,152,189

3 Operating loss

Operating loss is stated after charging/(crediting):

	2004	2003
	£	£
Depreciation of owned fixed assets	**34,440**	44,099
Auditors' remuneration:		
Audit fees	**5,000**	5,650
Operating lease costs:		
Plant and equipment	**98,994**	97,088
Net loss on foreign currency translation	**2,717**	455

4 Directors and employees

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

	2004 No	2003 No
Number of administrative staff	**2**	1
Number of marketing staff	**3**	2
Number of sales staff	**2**	1
Number of technical staff	**5**	3
Number of support staff	**2**	1
Number of executive directors	**2**	2
	16	10

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	**683,829**	527,909
Social security costs	**74,108**	55,929
Other pension costs	**7,774**	13,950
	765,711	597,788

5 Directors

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments receivable	**160,864**	123,900

In addition to the above £20,000 was paid to third parties in respect of director's remuneration.

During the year no directors (2003: nil) participated in money purchase pension schemes.

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
UK Corporation tax based on the results for the year at 19% (2003 - 19%)	**–**	(22,957)
Over provision in prior year	**(5,555)**	(20,057)
Total current tax	**(5,555)**	(43,014)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2003 - 19%).

	2004	2003
	£	£
Loss on ordinary activities before taxation	**(865,021)**	(864,203)
Loss on ordinary activities by rate of tax	**(164,354)**	(164,199)
Expenses not deductible for tax purposes	**7,454**	1,227
Capital allowances for period in excess of depreciation	**(4,694)**	5,344
Unutilised tax losses	**161,594**	157,481
Other timing differences	**–**	147
Research and development tax credits	**–**	(22,957)
Adjustments to tax charge in respect of previous periods	**(5,555)**	(20,057)
Total current tax (note 6(a))	**(5,555)**	(43,014)

The company has approximately £4 million of trading losses available to offset against future taxable trading profits.

7 Tangible fixed assets

	Leasehold improvements	**Office equipment**	**Computer equipment**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 April 2003	27,168	24,734	107,347	159,249
Additions	2,278	2,752	49,120	54,150
At 31 March 2004	29,446	27,486	156,467	213,399
Depreciation				
At 1 April 2003	12,095	12,431	85,323	109,849
Charge for the year	5,623	5,066	23,751	34,440
At 31 March 2004	17,718	17,497	109,074	144,289
Net book value				
At 31 March 2004	**11,728**	**9,989**	**47,393**	**69,110**
At 31 March 2003	15,073	12,303	22,024	49,400

8 Debtors

	2004 £	2003 £
Trade debtors	**288,079**	77,359
Corporation tax repayable	**28,502**	–
Other debtors	**543,128**	206,082
	859,709	283,441

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	**290,012**	113,159
Other taxation and social security	**73,541**	25,284
Other creditors	**488,279**	59,957
	851,832	198,400

10 Pensions

The company contributes to the pension funds of various employees. The pension cost charge represents contributions payable by the company to these funds and amounted to £7,774 (2003: £13,950). Contributions totalling £1,601 (2003: £770) were owed at the balance sheet date and are included in creditors.

11 Leasing commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land & Buildings £	**Other Items £**	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	**–**	**60**	–	60
Within 2 to 5 years	**89,250**	**1,320**	–	1,320
After more than 5 years	**–**	**–**	89,250	–
	89,250	**1,380**	89,250	1,380

12 Related party transactions

During the year the company contracted for services from ET Capital Limited, a company in which M Rigby is also a director, totalling £10,000 (2003: 10,000). At 31 March 2004 £6,620 (2003: £8,930) was outstanding.

13 Share capital

Authorised share capital:

	2004 £	2003 £
28,447 'A' Ordinary shares of £0.01 each	**284**	284
797,509 'B' Ordinary shares of £0.01 each	**7,975**	7,975
87,022 'C' Ordinary shares of £0.01 each	**870**	870
173,979 'D' Ordinary shares of £0.01 each	**1,740**	870
	10,869	9,999

Allotted, called up and fully paid:

	2004 No	2004 £	2003 No	2003 £
'A' Ordinary shares of £0.01 each	**28,447**	**284**	28,447	284
'B' Ordinary shares of £0.01 each	**662,575**	**6,626**	645,483	6,456
'C' Ordinary shares of £0.01 each	**87,022**	**870**	87,022	870
'D' Ordinary shares of £0.01 each	**173,979**	**1,740**	87,022	870
	952,023	**9,520**	847,974	8,480

The company made an allotment of 17,092 'B' Ordinary £0.01 shares and 86,957 'D' Ordinary £0.01 shares at £5.75 per share. The difference between the total consideration of £598,281 and the total nominal value of £1,040 has been credited to the share premium account.

Share Rights

As regards income all the classes of Ordinary shares shall be entitled to receive dividends pari passu amongst all holders of the shares, as though one class of share. On a sale of all the issued share capital, change of control, return of assets, winding up or reduction of capital, the consideration shall be applied as follows:

(1) In the event of a liquidation, winding up or a qualifying sale (as defined in the Articles) the amount per share shall be the aggregate of the subscription price and premium, plus arrears of unpaid dividends and related accrued interest, and shall be applied as follows:

For a qualifying sale:
First to the 'C' and 'D' Ordinary shareholders, pari passu as though one class of share. Second to the 'A' and 'B' Ordinary shareholders, on the same basis.

For a liquidation:
First to the 'D' Ordinary shareholders, and second to the 'A', 'B' and 'C' Ordinary shareholders, pari passu, as though one class of share. Any balance after a qualifying sale or liquidation shall be distributed as follows: First to the 'A' Ordinary shareholders, and second to the 'B', 'C' and 'D' Ordinary shareholders as though one class of share, according to the amount paid up thereon, but disregarding any premium paid.

(2) In the event of all the other circumstances referred to above, the consideration paid for the issued shares or surplus assets of the company, remaining after payment of its liabilities shall be applied in making payments to the holders of the 'A', 'B', 'C' and 'D' Ordinary shares pari passu as though one class of share.

As regards voting, every shareholder who is present at a meeting shall have one vote for every share of which he is the holder, save that if any 'Event of Default' occurs the holders of the 'C' and 'D' Ordinary shares shall be entitled to 20 votes in respect of each 'C' and 'D' Ordinary share of which they are the holder. An 'Event of Default' shall exist if, in general terms, the company becomes insolvent, fails to observe any covenants contained in the Investor Agreement, and if any warranties or representations made in connection with the Investment Agreement were known to be false or misleading.

Conversion rights
The holders of the 'A', 'C' and 'D' Ordinary shares shall be entitled to convert the 'A', 'C' or 'D' Ordinary share held by them into 'B' ordinary shares on the basis that each 'A', 'C' or 'D' Ordinary Share shall convert into one 'B' Ordinary share.

14 Share Options

At 31 March 2004 the following options to purchase ordinary shares had been granted:

Number of options	**Price of Execise £**	**Dates exercisable**
125	**0.01**	**31 January 2002 to 31 January 2012**
4,000	**1.00**	**19 August 2000 to 19 August 2010**
5,950	**6.20**	**24 July 2002 to 24 July 2012**
11,050	**6.20**	**2 August 2002 to 2 August 2012**
7,400	**6.20**	**25 November 2002 to 25 November 2012**
6,100	**6.20**	**24 May 2003 to 24 May 2013**
6,000	**10.00**	**28 July 2000 to 28 July 2010**
3,000	**10.00**	**2 August 2000 to 2 August 2010**
1,300	**17.68**	**25 November 2000 to 25 November 2010**
2,000	**20.00**	**14 May 2001 to 14 May 2011**

15 Share premium account

	2004 £	2003 £
Balance brought forward	**3,874,851**	3,451,605
Premium on shares issued in the year	**597,241**	442,830
Share issue expenses	**–**	(19,584)
Balance carried forward	**4,472,092**	3,874,851

16 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Loss for the financial year	**(859,466)**	(821,189)
New equity share capital subscribed	**1,040**	952
Net premium on new share capital subscribed	**597,241**	423,246
Net reduction to funds	**(261,185)**	(396,991)
Opening shareholders' equity funds	**482,826**	879,817
Closing shareholders' equity funds	**221,641**	482,826

17 Post balance sheet events

On 3 April 2004 the company made an allotment of 94,702 'B' Ordinary £0.01 shares at £10.00 per share resulting in proceeds of £947,020. The directors believe that as a result of the share issue the company will have sufficient funding to meet its financial obligations for the foreseeable future.