**12 June 2007**

# BANGO PLC
## (“Bango” or the “Company”)
Preliminary Results for year ended 31st March 2007

Bango (AIM: BGO), the mobile internet platform provider, today announces Preliminary Results for the year ended 31st March 2007.

**Financial Highlights (under IFRS, comparative data for FYE 31 March ’06)**

- Revenues grew 38% to £10.43m (£7.53m).
- Gross profit grew 12% to £2.47m (£2.19m).
- Operating expenses (excluding share based payments) increased by 48% to £5.53m (£3.75m) due to expansion into new territories, product development and increased marketing spend.
- Loss before tax £3.32m, £2.92m before share based payments (£1.53m, £1.36m before share based payments).
- Cash balance of £1.93m as at 31 March 07. (£4.86m in 2006).
- Monthly cash consumption reduced to around £100k / month at year exit.

**Operational Highlights**

- Customer wins include MTV, Capcom, Daily Telegraph, FT.com, Agent Provocateur, Jamba, Betfred, Yamaha Music, EA, Cellcity, Paramount Pictures, Ministry of sound.
- Average daily end user spend increased by 48% from March 2006 to March 2007.
- New Agreements signed with 3, Swisscom, Orange, O2, Optimus, Telefonica, Proximus Yahoo! and Cingular.
- Introduction of new Advantage, Vision and Starter products for large customers, advertisers and individuals.
- Ability to add charges on bill for more than 40 mobile operators as at March 07 vs. 21 in March 06.

**Ray Anderson, Chief Executive Officer of Bango, commented:** “The year was one of significant progress in the development of the Company. Bango has established a scalable business with a unique industry position, and as we enter a new financial year we are starting to see the benefits of our technology and partnerships. Our business is growing and the market, although at an early stage, continues to develop in the way we anticipated although fast growth has taken longer to start than we expected. Working with mobile operators, content providers and brands, other commercial partners and investors, we look forward to continuing success in the coming years”.

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| Ray Anderson, CEO | Tom Moriarty | Aubrey Powell |
| Peter Saxton, CFO | Caroline Evans-Jones | Stuart Gledhill |

**About Bango**

Bango (AIM: BGO) has developed and operates the technology that enables content providers to quickly and easily market, sell and deliver their products and services directly to mobile phone users on all mobile networks using the mobile web. This "direct-to-mobile" approach operates alongside the mobile operator's mobile portal.

Businesses of all sizes, from individuals to global brands are now using Bango's services to engage with their existing and potential mobile customers directly – irrespective of mobile operator. For further information visit www.bango.com.

**Chairman's Statement**

The Board is pleased to report good progress in all areas of the business. Although the performance of the business was not consistent throughout the year, the overall picture is one of continued growth in revenue, generated by growing numbers of Bango customers supplying increasing amounts of content to an expanding pool of end users as well as expansion into new territories.

While Bango's technology and the mobile web have global reach, we have focussed our sales and marketing efforts where we see the most activity by content providers: USA, UK and Spain. There have been numerous customer wins in these territories as a result, including MTV, Capcom, Daily Telegraph, FT.com, Agent Provocateur, Jamba, Flycell, Betfred, Yamaha Music, EA mobile, Rascal Flatts, Mediaplazza, Cellcity, Handsonmobile, Carmunity, MOMO, Paramount Pictures and Ministry of Sound. We also see significant potential in the gathering momentum among smaller content providers with hundreds of small and individual customers signing up since early 2007 when we launched our free sign-up Starter package. Our product range expanded to address high end customers with our Advantage product.

Compared to the previous financial year, we are pleased to report revenue growth of 38% to £10.43m. Our decision to reduce our charges for collecting payments for larger customers resulted in a slower gross margin increase of 12% to £2.47m. Our established UK business remains the biggest contributor to our growth, measured both by content providers paying for Bango services and end users connecting through Bango to reach or pay for content. Although we saw a slow down in end user spending in the UK during the first half of the financial year, which appears to have been due to problems with systems at one mobile operator and less activity during two summer months, growth resumed in the second half of the year and remains solid.

Outside the UK, growth has been faster than in the UK but from a smaller base. This has been driven by content providers in the UK using Bango to export globally and customers using Bango's global reach to access international content.

Based on the large number of content provider sign-ups over the last two years, we now have a considerable body of operating history from which to observe the relationship between content provider sign-up and subsequent promotion of their content. Smaller content providers appear to exploit the mobile web much more rapidly than larger ones. They use the tools and services of the mobile internet - including search, mobile advertising and communities - to a much greater extent than existing brands, which appear to be slower to move from older style "text message" campaigns. Our management is increasingly focussed on improving Bango's ability to sell quickly and cost effectively to smaller content providers, while ensuring that the larger customers are provided with the tools and information to grow when they are ready.

The US market is showing tremendous potential, with increasing numbers of customers, of all sizes, using the Bango service. They see Bango not only as a route to US based end users, but also as a quick and easy route to consumers world-wide through the global reach of Bango's technology and services. However, the board believes that initial US growth in end user spend on content may be slower than that experienced in European markets as US mobile operators are slower to open up their billing services to a wide range of content than we saw in Europe.

This view is endorsed by the increasing number of US content providers investing in Bango products in preparation for marketing content to mobile end users, and to gain additional revenues outside the USA.

During January 2007, the Company restructured its sales and marketing operations to improve sales productivity, as well as giving our strategic partners more support and centralising some previously regional sales activity. This has led to a significant reduction in monthly operating costs and cash burn, and has enabled the Company to start the financial year ending March 2008 with a net monthly cash burn of less than £100,000. The executive team remains focussed on sales and marketing efficiency so that in circumstances of rapid sales growth the business can sustain accelerating customer acquisition rates while containing costs.

The Company is well-positioned to exploit its market position. The product line is strong and there are several innovations coming to market that, the board believes, will enhance the business's competitive stance, seed faster growth and reduce sales cost. During 2007 we will be introducing further low end products to facilitate the move by content providers from PC web to mobile web. The sales team continues to raise its productivity, selling more packages per sales person, and has increased the number of partners reselling the Bango Service.

I pleased that Bango is gaining partners among not only mobile internet businesses and mobile operators, but increasingly among the leading internet media companies who, in our experience, are starting to recognize the mobile internet opportunity and develop strategies for addressing it.

Bango is a well positioned business that enjoys increasing opportunities for growth in revenue in this rapidly expanding market. We look forward to providing a further progress update at the half year.

**Lindsay Bury**
**Chairman**

## CEO's Statement

During the year ended March 2007, I am pleased to report that we have made significant progress towards developing a Company that is positioned to take full advantage of the growth in the mobile web. It has been a year of honing our products and our organization to become more efficient and more focused on where market demand is growing fastest.

Specific activities include investment in our sales and marketing presence in the USA and Spain; development of our products and technology to make them easier to use and to expand their capability and efficiency; and the establishment of relationships with companies such as Yahoo that we believe will be key to our success as the mobile web becomes mainstream.

Bango's product strength together with our sales and marketing activity won us more than 250 new Pro level customers including big brands such as Paramount Pictures, MTV and Gameloft and many smaller content providers. These customers signed up to one of our mobile web focussed products which generate recurring revenues for the business.

In addition many of these new customers have been successful in gaining business on the mobile web, resulting in a significant increase in transaction volumes over the year. Comparing March 2007 with March 2006, average daily user spending was up 48%.

We revised our revenue growth expectations downwards during the year as a result of three factors: a 2 month pause in growth in the UK in mid 2006, a slowness by larger companies in deploying their Bango powered solutions and a higher attrition rate among smaller US customers than we had experienced in other countries. I am pleased to report that revenue growth resumed at the end of 2006 and that we are seeing lower attrition among customers as we refine our products and the market starts to expand.

In January 2007 we initiated a drive to increase efficiency and effectiveness where we are seeing most growth and on reducing other activities. An example of this approach has been to exploit key partner relationships established in 2006 to implement operating cost reductions while increasing sales volumes. A reduced monthly cash burn of under £100,000 at financial year end show progress towards positive cash flow and profitability. Our year end cash balance of almost £2 million is considered sufficient to do this. We have adopted a more conservative approach to forecasting and remain focused on achieving the transition to profitability in the coming year.

The market continues to develop broadly in the way we envisaged, to favour the use of the mobile web as a way to sell and market content to users. UK and Spanish mobile operators announced "flat rate" and low cost mobile internet tariffs. Operators also started to open up their portals by including search engines. Major internet companies such as Google, Yahoo, eBay and MySpace are beginning to push their PC users to mobiles. Our sales pipeline is expanding and customer sign-up rates are increasing. Our unique technology and product offering, together with the benefits of our expanding network of customers give us competitive advantage. We therefore enter the new financial year with confidence and enthusiasm.

### Sales and marketing

We continued to develop our regional sales teams, modelled after our successful UK operations. The USA team based out of New York is making good progress. We expect many successful mobile websites will originate there and that many of the global leaders in mobile web will be most active in that market. We have a smaller presence in Spain, where we see many companies developing mobile sites with global appeal.

Our sales operations focussed in Germany did not show the traction we expected. Larger German content providers seem focussed on their local market, so the power of Bango's global reach is not as valuable. In addition those German companies with a global perspective prefer to engage with the UK based teams. We therefore scaled down our German-specific activities and re-allocated resources to a “pan European” team. As outlined previously, this is also in line with our aim to increase operational efficiency.

We believe that the US mobile content market is currently about 12 months behind the UK market but growing fast. Complexities of text messaging may mean that the US transitions more quickly from the SMS messaging phase that we saw in the UK to an internet model. The advertising led culture in the US is stimulating growth in the mobile web in a way not seen so far outside Japan. The launch of the Apple iPhone is raising the awareness of web access through mobiles.

**Bango Partner Program**

During 2006 we invested considerable time and resource in building a base of “development partners” who build mobile sites for content providers. With more than 30 partners active participating in this program vs 14 a year earlier, we have shifted our focus towards making these partners successful and transferred the responsibilities of our global partner program into our regional sales, marketing and support teams.

Bango salespeople now engage partners faster in the selling cycle, shortening lead times and accelerating sales. Partners get direct access to Bango’s customer service teams to enable them to better support opportunities. We have a special offering for new development partners, enabling them to learn about and integrate Bango technology without having to find an initial customer. The result of this has been an increased efficiency in dealing with partners, lowering costs and with the expectation of increased sales productivity in the coming years.

In the expectation of a rapid acceleration in demand for small, low cost mobile web sites, we continue to work closely with a handful of companies we believe will be important providers of such services to “embed” Bango technology into their products.

**Product development**

Our unique technology and the service it enables is key to our competitive differentiation. The development team continued to add significant new features and functions to the Bango platform to enable content providers to offer a better user experience and to reduce the costs of doing business in the mobile internet. For example, our Billrank technology finds the lowest cost biller for any payment transaction.

We also added features to the Bango platform that increased the number of visitors to content providers’ sites by providing better integration with mobile search engines such as Yahoo!, Jumptap and Google. We believe that promotion of content through mobile search engines will become an important driver of end user activity in the coming years, and it is an area where we see good opportunities to leverage our independent industry position.

System availability exceeded 99.995% during the year. With transaction volumes constantly increasing, scalability at low cost and without service outage is vital. Our R&D team has steadily increased the capacity of the Bango system to stay ahead of demand at low cost. We established a third hosting facility and acquired new hardware and software for our data-centres from Zeus (cacheing and cross-server load balancing) and NetApp (reliable highly scalable storage). We also succeeded in achieving Level 2 PCI Data Security Standard certification.

We reinforced our IPR position by applying for further patents relating to our Billrank technology. We were also first to demonstrate the new UK “payforit” user experience which is now automatically available to all our content providers. Payforit, a cross network mobile internet billing scheme, will become a mandatory requirement for mobile commerce in the UK later in calendar year 2007, and will accelerate the move away from SMS based payment systems.

Work to streamline and simplify our “self-service” proposition continued and we introduced a zero cost of entry “starter package” in preparation for marketing activity with key partners later in 2007. If the market develops as we anticipate we need to be able to service hundreds of thousands of content provider customers rather than the thousands we handle today.  This work is ongoing.

**Financial performance**

Revenues grew 38% to £10.43m (£7.53m) and gross profit grew 12% to £2.47m (£2.19m FY06).

After slower growth in content access fees in the first half of the year, more substantial growth returned in the second half of the year, with revenue for the year up by 37% on the previous year.  In line with Bango’s decision to increase payouts to larger content provider customers, the gross margin percentage on content access fees reduced to 13% (2006 : 20%).  In absolute terms the gross margin earned on content access fees held broadly level at £1.17m (2006 : £1.31m).

Content provider revenues grew to £1.54m (2006 : £1.00m), up by 53% compared with the previous year, with margin also increasing by a similar percentage to £1.26m (2006 : £0.82m). Revenue and margin from services to Mobile Network Operators decreased to £0.03m (2006 : £0.06m) as the Company continues to move away from one-off sources of income.

Operating expenses (excluding share based payments) increased by 48% to £5.53m (£3.75m) due to our expansion into new territories, product development and increased marketing spend. They reduced from around £550,000 per month in October 2006 to below £400,000 per month in March 2007.

The period to December 2006 was marked by investment in marketing, sales and partner recruitment to gain presence in Germany, USA and Spain. In January 2007 the changes in our partner program and sales focus enabled us to reduce our cost base by around 30% over a 3-month period while still increasing monthly revenues and gross margin.

Our expectation is that we can continue to grow revenues and margins considerably with current operating cost levels, as a result of the high leverage we gain from our systems and partners.

A key focus on entering the current financial year is reducing customer acquisition cost to ensure we are in a good position to capitalize on our position when the market accelerates.

The loss before tax was £3.32m, £2.92m before share based payments. (£1.53m, £1.36m before share based payments).   The loss was mostly due to investments in international roll-out, primarily in sales and marketing activity.

The cash outflow from operations was broadly in line with the trading results for the period, reflecting the small change in working capital requirements despite the substantial increase in revenue and the purchase of new hardware to support future increases in demand as expected as existing and new customers increase their transaction volumes.

We experienced an increase in attrition rates during the year. Some early customers in the USA proved over-optimistic in their revenue forecasts and postponed their entry into the mobile web. Some of these have since returned now that there are ways to market more efficiently.  Bango wishes to supply all potential customers without necessarily being able to predict which of those customers will succeed in monetising their content. Therefore our business model and technologies concentrate on reducing costs and barriers to becoming a Bango customer and ensuring the running costs in the early stages of developing a mobile business are low.

Entering FY2007/8 the net monthly cash burn was around £100,000. Further sign-ups of customers and increasing transaction volumes are generating increasing gross margin. With costs stable we believe our existing resources and further business growth will take us to positive cash flow and profitability.

**Outlook and Strategy for FY2007/8**

We have established an effective and scalable business in an early stage market. Growth is continuing and current performance indicators are favourable.

With largely predictable and stable operational costs, our focus for the year to March 2008 is to continue to drive down customer acquisition costs and to strengthen the product proposition. This will enable us to increase our growth rates while maintaining stable operating expenditure.

Our goal is to reach profitability and to be cashflow positive with a significantly reduced cost of customer acquisition this year – and before the market enters a fast growth phase. This will enable us to capitalize on market growth from a position of strength.

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

**Ray Anderson**
**Chief Executive Officer**

**BANGO PLC**

**Unaudited results for the 12 months ending 31 March 2007**

**Consolidated income statement**

| | Note | **2007** | 2006 |
|---|---|---|---|
| | | **£** | **£** |
| **Revenue** | 2 | **10,428,312** | 7,532,877 |
| Cost of sales | | **7,962,403** | 5,341,577 |
| Gross profit | | **2,465,909** | 2,191,300 |
| Administrative expenses | | **5,528,659** | 3,746,209 |
| Share based payments | | **401,640** | 166,362 |
| **Operating loss** | | **(3,464,390)** | (1,721,271) |
| Investment income | | **147,284** | 195,069 |
| **Loss before taxation** | | **(3,317,106)** | (1,526,202) |
| Income tax expense | | **–** | – |
| **Loss for the financial year** | | **(3,317,106)** | (1,526,202) |
| Basic and diluted loss per share (pence) | 3 | **(12.40)** | (6.09) |

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

**BANGO PLC**

**Unaudited results for the 12 months ending 31 March 2007**

**Consolidated summarised Balance Sheet**
**As at 31 March 2007**

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **506,450** | 319,013 |
| Intangible assets | **15,311** | 24,083 |
| Non-current assets | **521,761** | 343,096 |
| **Current assets** | | |
| Trade and other receivables | **2,423,266** | 2,267,458 |
| Cash and cash equivalents | **1,931,094** | 4,863,004 |
| | **4,354,360** | 7,130,462 |
| **Total assets** | **4,876,121** | 7,473,558 |
| **EQUITY** | | |
| **Capital and reserves** | | |
| Share capital | **5,369,548** | 5,306,864 |
| Share premium account | **5,310,885** | 5,255,136 |
| Merger reserve | **1,236,225** | 1,236,225 |
| Other reserve | **595,835** | 194,195 |
| Accumulated losses | **(10,072,270)** | (6,755,164) |
| **Total equity** | **2,440,223** | 5,237,256 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Bank overdraft | **-** | 10,772 |
| Trade and other payables | **2,435,898** | 2,225,530 |
| **Total liabilities** | **2,435,898** | 2,236,302 |
| **Total equity and liabilities** | **4,876,121** | 7,473,558 |

**BANGO PLC**

**Unaudited results for the 12 months ending 31 March 2007**

**Consolidated summarised cash flow statement**

| | Note | **2007** | 2006 |
|---|---|---|---|
| | | **£** | £ |
| **Net cash used by operating activities** | 4 | **(2,821,343)** | (1,665,667) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(352,525)** | (333,679) |
| Purchase of intangible assets | | **(15,971)** | - |
| Disposal of property, plant and equipment | | **2,984** | 2,689 |
| Interest received | | **147,284** | 195,069 |
| **Net cash used by investing activities** | | **(218,228)** | (135,921) |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from initial public offering net of share issue expenses | | **-** | 6,172,379 |
| Proceeds from other issuance of Ordinary Shares | | **118,433** | 161,221 |
| **Net cash generated from financing activities** | | **118,433** | 6,333,600 |
| | | | |
| **Net (decrease)/increase in cash, cash equivalents and overdrafts** | | **(2,921,138)** | 4,532,012 |
| | | | |
| **Cash, cash equivalents and overdrafts at beginning of year** | | **4,852,232** | 320,220 |
| | | | |
| **Cash and cash equivalents at end of year** | | **1,931,094** | 4,852,232 |

**BANGO PLC**

**Unaudited results for the 12 months ending 31 March 2007**

**Consolidated statement of changes in equity**

| Group | Share capital £ | Share premium account £ | Merger reserve £ | Other reserve £ | Accumulated losses £ | Total £ |
|---|---|---|---|---|---|---|
| **At 1 April 2005** | **4,186,900** | **-** | **1,236,225** | **27,833** | **(5,228,962)** | **221,996** |
| Loss for the financial year | - | - | - | - | (1,526,202) | (1,526,202) |
| **Total income/(expense) recognized for 2006** | **-** | **-** | **-** | **-** | **(1,526,202)** | **(1,526,202)** |
| Shares issued on IPO | 1,044,776 | 5,955,224 | - | - | - | 7,000,000 |
| Share issue costs deducted from equity | - | (786,121) | - | - | - | (786,121) |
| Exercise of share options | 75,188 | 86,033 | - | - | - | 161,221 |
| Share based payment charge | - | - | - | 166,362 | - | 166,362 |
| | 1,119,964 | 5,255,136 | - | 166,362 | (1,526,202) | 5,015,260 |
| **At 31 March 2006** | **5,306,864** | **5,255,136** | **1,236,225** | **194,195** | **(6,755,164)** | **5,237,256** |
| Loss for the financial year | - | - | - | - | (3,317,106) | (3,317,106) |
| **Total income/(expense) recognized for 2007** | **-** | **-** | **-** | **-** | **(3,317,106)** | **(3,317,106)** |
| Exercise of share options | 62,684 | 55,749 | - | - | - | 118,433 |
| Share-based payment charge | - | - | - | 401,640 | - | 401,640 |
| | 62,684 | 55,749 | - | 401,640 | (3,317,106) | (2,797,033) |
| **At 31 March 2007** | 5,369,548 | 5,310,885 | 1,236,225 | 595,835 | (10,072,270) | 2,440,223 |

**BANGO PLC**

**Unaudited results for the 12 months ending 31 March 2007**

## Notes

### 1. Accounting policies and basis of preparation

Whilst not yet a requirement for AIM companies, the Group has chosen to prepare its Annual Report in accordance with International Financial Reporting Standards ("IFRSs") as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 1985.

The first time adoption of International Financial Reporting Standards in preparing the financial statements for the year-ended 31 March 2007 has had no material effect upon the results and financial position of the Group.

Interim results for the period to 30 September 2006, released on 18 October 2006, were prepared under UK GAAP. Had those results been prepared under International Financial Reporting Standards there would have been no material difference in results and financial position presented for that period.

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

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

<u>1.1 Property, plant and equipment</u>
Property, plant and equipment is stated at historical cost less accumulated depreciation. 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 |

<u>1.2 Intangible assets</u>
Acquired intangible assets are measured initially at historical cost and are amortized on a straight-line basis over the expected useful economic lives:

| | |
|---|---|
| Domain names | 33.3% straight line |

<u>1.3 Impairment of property, plant and equipment and intangible assets</u>
At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets for any indication that those assets have suffered an impairment loss. 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.

<u>1.4 Trade receivables</u>
Trade receivables are recognized initially at fair value and are measured subsequent to initial recognition at amortized cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognized in the income statement.

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

1.5 Trade payables

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

1.6 Revenue recognition

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

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

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

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

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

1.7 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 as they fall due.

1.8 Share-based payment transactions

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

Fair value is measured by an external valuer using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

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

Share-based payment transactions are shown separately in the Consolidated Income Statement.

1.9 Segment reporting

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

1.10 Financial instruments/ liabilities

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

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

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

1.11 Share capital and reserves

**Share Capital**

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

**Share premium**

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

**Merger reserve**

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

**Other reserve**

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

1.12 Internally-generated intangible assets - research and development expenditure

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

- an asset is created that can be identified (such as software and new processes)
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset 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.

**2. Revenues**

Turnover is split between the following activities:

| | **2007** | 2006 |
|---|---|---|
| | **£** | £ |
| Content access fees | **8,859,633** | 6,470,383 |
| Content provider fees | **1,536,564** | 1,002,619 |
| Services to Mobile Network Operators | **32,115** | 59,875 |
| | **10,428,312** | 7,532,877 |

A geographical split of the turnover is given below:

| | **2007** | 2006 |
|---|---|---|
| | **£** | £ |
| United Kingdom | **8,472,721** | 6,755,158 |
| EU | **741,241** | 324,270 |
| US and Canada | **934,623** | 311,454 |
| Rest of the World | **279,727** | 141,995 |
| | **10,428,312** | 7,532,877 |

**3. Loss per share**

| | **2007** | 2006 |
|---|---|---|
| Loss for the period | **£3,317,106** | £1,526,202 |
| Weighted average number of shares in issue | **26,746,721** | 25,041,299 |
| Basic and diluted loss per share | **12.40p** | 6.09p |

Share options outstanding at 31 March 2007 and 31 March 2006 are considered to be non-dilutive.

## 4. Notes to the statement of cash flows

### Cash used by operations

| | **2007** | 2006 |
|---|---|---|
| | **£** | £ |
| Operating loss | **(3,317,106)** | (1,526,202) |
| Depreciation and amortisation | **186,847** | 76,427 |
| Investment income | **(147,284)** | (195,069) |
| Share-based payment expense | **401,640** | 166,362 |
| Shares issued in payment for services | **-** | 41,500 |
| Increase in receivables | **(155,808)** | (1,219,408) |
| Increase in payables | **210,368** | 990,723 |
| Net cash used by operations | **(2,821,343)** | (1,665,667) |

## 5. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and associated notes for the year-ended 31 March 2007 have been extracted from the group's unaudited financial statements. These financial statements have not yet been delivered to the Registrar.