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monitise

Monitise plc Annual Report 2016

FY 2016 summary

Financial metrics

Revenue (£'m)

Headcount

Operating costs (£'m)

Overview

- FINKit® our new business unit which enables retail banks to transform their digital services launched during the year generating initial revenues in the second half of FY 2016, and a positive response from current and potential clients and partners
- Full year revenue of £67 6m declined 24 7% compared to the prior year as anticipated but stable half-on-half and in line with previous guidance
- Monitise reported half-year EBITDA profitability of £0 6m in the second half of the year in line with previous guidance
- Cash flow stabilised with positive cash from operations in the second half, and cash usage down 84% compared to the same period in FY 2015
- Improved transparency with disclosure of revenue and EBITDA of six business units including the new FINKit® business

Read more in the operations and financial review **page 4**

Find out more about Monitise's business model **page 7**

Stay up to date online **www monitise.com**

Forward-looking statements
This report includes forward-looking statements Whilst these forward-looking statements are made in good faith they are based upon the information available to Monitise at the date of this report and upon current expectations projections market conditions and assumptions about future events These forward-looking statements are subject to risks uncertainties and assumptions about the Group and should be treated with an appropriate degree of caution

Chairman's statement

Peter Aylıffe

"

The past year has seen an unprecedented amount of change throughout both the busıness and the Board However, I am pleased to report that the outcome ıs a busıness whıch ıs much better managed, and much more approprıately structured for successful longer-term profıtable growth based on ıts busıness unıt focus, FINKıt® platform and assocıated capabılıtıes

Within this Report you will find full detaıls of the radıcal restructuring of the busıness, ıncludıng the ımpaırment of £176 9m of assets, undertaken by our new Chıef Executive, Lee Cameron, sınce he took office in September 2015 Lee's deep knowledge of both the market and Monıtıse enabled thıs change of leadership to be implemented smoothly, and my Board colleagues and I have been impressed by the way ın whıch Lee and his new senior team tackled the task of turning Monıtıse into an EBITDA profitable company in the second half of FY 2016

In November 2015 Brad Petzer resıgned from the Board and hıs role as Chıef Fınancıal Officer Brad had been wıth Monıtıse for two years and on behalf of the Board, I would lıke to thank hım for hıs contrıbutıon to the Company

In March 2016, we were pleased to announce the appoıntment of Gavın James as Chıef Operatıng Officer (COO) followıng hıs work as an advısor to the group ın the precedıng fıve months Gavın ıs a Chartered Accountant who has sıgnıfıcant previous Board experıence havıng held CFO, COO and CEO posıtıons at both lısted and prıvate companıes ıncludıng Vertex Group ıSoft plc, Morse plc and Menvıer Swaın Group plc As COO, Gavın assumed responsıbılıty for the Fınance functıon and the role of CFO Gavın became an Executıve Dırector of the company, effectıve from 1 July 2016 We were delıghted to welcome Gavın to the Board hıs wealth of experıence and success ın managıng companıes ın transıtıon ıs hıghly benefıcıal to Monıtıse Lee and Gavın have formed an excellent partnershıp and are extremely focused on delıverıng our busıness unıt strategy

Durıng the year we also saw the departure of three other Dırectors Stephen Shurrock who was the nomınated Non-Executıve Dırector for Santander and Telefonıca, resıgned followıng hıs departure from hıs role at Telefonıca Due to the streamlınıng of the busıness the Dırectors agreed that a smaller Board was more approprıate for thıs stage ın Monıtıse s development As a result, Non-Executıve Dırectors Colın Tucker and Paulette Garafalo, stepped down from the Board I would lıke to thank Stephen, Paulette and Colın for theır commıtment and excellent support and advıce durıng theır tenure on the Board In Colın s case hıs tenure was over an eıght-year perıod durıng whıch he also served on all our Board commıttees

Durıng the year we entered ınto dıscussıons wıth a party ınterested ın acquırıng Monıtıse Content tradıng as myvouchercodes co uk one of the UK s largest and most successful brands ın that space Havıng ınıtıated a process to determıne whether the approach would generate approprıate value for thıs busıness, we decıded that the prıce beıng offered dıd not achıeve thıs when compared to the strong growth and profıtable performance of the busıness We concluded that Monıtıse Content was of more value to our shareholders by beıng retaıned wıthın the Group

Creatıng a stable more transparent busıness was essentıal to enable Monıtıse to achıeve ıts objectıve of longer-term profıtable growth The current year wıll of course brıng ıts own fresh challenges as a corporate reposıtıonıng and recovery of thıs scale cannot be ımplemented overnıght But my fellow Dırectors and I belıeve that we have the rıght corporate strategy and leadershıp to complete the task

Fınally the Board would once agaın lıke to thank our customers, partners, staff and shareholders for theır contınued support over the past year

Annual General Meeting

The Annual General Meetıng of the Company wıll be held on 19 October 2016 at 10 00 a m UK tıme at the offıces of Canaccord Genuıty, 88 Wood Street London EC2V 7QR

Peter Aylıffe
Chaırman
7 September 2016

Chief Executive Officer's review

Lee Cameron

"

In my first year as CEO we have made substantial progress in making Monitise a more stable and simpler business which is well positioned to achieve profitability At the EBITDA level we recorded a small profit in the second half of the year Our restructuring has halved operating costs in the second half of the year and reduced headcount by 41 per cent compared to a year ago while maintaining our high client service levels and launching our FINKit® digital banking product

Upon my appointment as Chief Executive a year ago, I set the company three key objectives first, stabilise the business, second, simplify the organisation and third, accelerate our transition from a group of companies whose revenues have historically depended on product licences, to one where prosperity will be driven from sustainable income across all lines of business and, in particular, from clients using FINKit®, our new platform, which enables banks and financial services organisations to transform their digital services Twelve months on, I am pleased to report that we have made substantial progress in delivering the first two, and I am very encouraged by the positive reaction of our current and prospective clients and partners with regard to the third

We undertook a substantial corporate restructuring during the year to simplify the business which enabled us to reduce operating costs in the second half of the year by 45 per cent when compared to the first half Our number of employees has decreased by 41 per cent during the period while we have continued to maintain high levels of service to clients and successfully launched FINKit® It has been a significant period of change, especially for our employees The professionalism and dedication demonstrated by both our current staff and those who are no longer with the Group has been exemplary

A simpler organisation enables greater transparency for all stakeholders It also allows us to identify each business unit and empower their respective management teams to have responsibility and accountability for their approved business plans It is important to me that our external financial reporting reflects the clarity we have established internally to allow all stakeholders to track each business' performance You will find detail on the financial performance of each business unit in the Operations and Financial Review on page 4

Most importantly for the future prospects of Monitise, the final objective was to accelerate the transition of our business model and make a success of FINKit® This is not wholly in our control and is dependent on clients and partners working with us Whilst it is taking longer than we had anticipated to conclude long-term FINKit® contracts we have recorded our first FINKit® revenues from clients in the second half of the year and I remain confident, due to the positive engagement we have had with clients that we will be able to report our first contracts in the near future

The market need for the services offered by FINKit® continues to grow driven by the requirement of our clients to find ways of delivering their customers digital needs quickly, cost effectively and securely Regulatory changes also exert pressure on our clients to adopt new ways of serving their customers as they comply with new standards We are in daily dialogue with banks who have expressed a need for capability that can be delivered by FINKit® I am also encouraged by the support and level of validation we have received from our strategic partner IBM in helping us bring FINKit® to the market

FINKit® builds upon the expertise and reputation that Monitise has established over the last decade by offering components of capability infrastructure and the environment that allow banks to work with Monitise and our FinTech partners to create their own customer propositions The Business Overview section of this report describes FINKit® and its benefits in more detail

We have achieved a great deal over the past 12 months and have a clear vision of what still needs to be done but we remain a business in transition

Outlook

We expect FINKit® revenue to grow strongly albeit from a low base As previously stated overall Group revenue is expected to decline, driven by the full year revenue impact of the completion of professional services contracts during FY 2016 FY 2017 will benefit from the full year effect of cost savings made during FY 2016 At 31 August 2016 headcount had further fallen to 469

FINKit® represents a significant opportunity for Monitise to establish long-term sustainable growth and we will continue to invest in developing that part of our business throughout the current financial year Overall capital expenditure requirement is expected to be lower than in FY 2016 and we will continue to evaluate all the Group's assets to make sure that they remain relevant to our strategy and add to our value

Lee Cameron
Chief Executive Officer
7 September 2016

Operations and Financial review

Gavin James

Summary Financial Results

	FY 2015 Total £m	FY 2016 H1 £'m	FY 2016 H2 £'m	FY 2016 Total £'m
Revenue	89 7	**33.4**	**34.2**	**67.6**
EBITDA[1]	(41 8)	**(20.2)**	**0 6**	**(19 6)**
Loss before tax	(227 4)	**(210.5)**	**(32.6)**	**(243.1)**
Capex	(45 0)	**(7 5)**	**(1.6)**	**(9.1)**
Cash from operations	(50 3)	**(22 3)**	**0.4**	**(21 9)**
Cash usage[2]	(106 2)	**(36.4)**	**(11.9)**	**(48 3)**
Cash balance	88 8	**53.4**	**42.1**	**42 1**
Headcount (period end)	850	**627**	**500**	**500**

[1] EBITDA is defined as operating loss before exceptional items depreciation amortisation impairments and share-based payments charge

[2] Cash usage does not include the impact of foreign exchange movements

Overview

The year ended 30 June 2016 has seen a significant restructuring of the organisation, including headcount property requirements and the Group being managed as six separate businesses each working under a plan to achieve or improve profitability This business structure was put in place in the second half of the fiscal year and Monitise now reports revenue and EBITDA for each business segment FY 2015 estimate comparative figures are provided

	Revenue		EBITDA	
	FY 2015 £m	FY 2016 £'m	FY 2015 £m	FY 2016 £'m
Americas	25 9	**19.1**	(5 2)	**(3.1)**
Europe	45 8	**30.3**	(18 3)	**(4 9)**
FINKit	-	**0 5**	(2 3)	**(3 8)**
Create	14 5	**5 7**	1 8	**(1.2)**
MEA	7 3	**8 1**	1 1	**1.1**
Content	6 9	**9 9**	1 0	**2 7**
Central/unallocated	(10 7)	**(6 0)**	(19 9)	**(10 4)**
Total	89 7	**67.6**	(41 8)	**(19.6)**

The restructuring has been undertaken in a phased approach starting with identification of the optimal organisation structure This was followed by the structuring of each of the business units identified in a planned approach to attain profitability in a reasonable timescale whilst structuring the businesses in a manner that provides flexibility in their cost bases to take account of future changes in activity

This restructuring is in its final stages with activity continuing to ensure variability of cost in our core Europe and Americas delivery organisations

The results of the first two phases of the plan have been realised in the second half of the financial year reflecting a £20 0m reduction in costs by comparison to the first half, and resulted in EBITDA of £0 6m for the second half compared to a loss of £20 2m in the first half

Prospectively we anticipate the business unit structure to evolve as the operational management of the Group changes to reflect the development of FINKit®

Business Segments

Americas

The Americas business has seen a reduction in revenues and EBITDA loss as a result of our decision to cease selling perpetual licences to customers, the loss of some customer contracts taken in-house and reduced revenue from fixed price contracts signed in the prior year primarily in relation to software version upgrades Action is being taken to ensure that our cost base is adaptable to activity levels which will enable an improvement in the profitability of this business despite the full year negative impact on FY 2017 revenue

Europe

The European business has seen a reduction in revenues year-on-year due in part to the decision to change our business model leading as expected to a reduction in licence revenue from £9 9m in FY 2015 to £1 1m in the current year and due to the completion of some large loss-making development projects Despite this decreased revenue base the EBITDA losses of the business have declined reflecting the restructuring that has taken place the ending of a number of the large FY 2015 loss making development projects and reduced resource activity in the second half of the year in relation to a fixed revenue partner relationship In FY 2017 the action to ensure our cost base is more variable with activity will offset the impact of revenue reduction as a result of the full year impact of the projects completed in FY 2016

FINKit
In FY 2016 we saw the FINKit* business record its first revenues as clients signed up to paid testing of the platform The costs in FY 2015 reflected the costs of a team managing the initial design and build of the offering and developing the proposition This team was extended throughout FY 2016 and further investment was made to continue the development of the platform and capabilities as the organisation prepares itself to take on operational clients

Monitise Create
The Create business is going through a transformation with a new management team and a relaunch planned for later this calendar year Revenues in FY 2015 benefited from £7 0m of Monitise originated work both supporting the Group and its clients largely through professional services projects, which reduced to £1 5m in FY 2016 A key driver of this reduction is the changing business model of Monitise In addition, external revenues in FY 2015 were £7 5m compared to £4 2m in FY 2016, driven in-part by fewer new business wins in FY 2015 impacting the flow through of business into FY 2016 and the management transition in the first half of FY 2016 As a result of the reduction in revenues the business has incurred EBITDA losses of £1 2m in the year to 30 June 2016 as opposed to EBITDA profits of £1 8m in FY 2015

Monitise MEA
The MEA business performed well in the year increasing revenues from £7 3m to £8 1m EBITDA in FY 2016 of £1 1m was consistent compared with FY 2015 of £1 1m Through the year the business has continued to broaden its customer base in the Gulf region and Turkish markets obtaining new clients MEA continues to provide technology and engineering support to other Group businesses

Monitise Content
The Content business saw strong progress with growth in revenues and profit in the year with a major contributing factor being the overall growth in visits (57% year-on-year) to the UK voucher business – myvouchercodes co uk

The business saw further success with a number of initiatives including a modification of its search engine marketing techniques resulting in a positive uplift of keyword rankings within search engines that consumers use to search for retailers' offers Additionally, positive investment in developing retailer relationships to secure rights to drive more traffic through investment in building a more engaged consumer base enabled the business to grow visits to myvouchercodes co uk through CRM initiatives

With positive growth in the UK the business invested in its international propositions and saw visit growth of 27% year-on-year in the French market through codespromotion fr and launched a number of new international propositions

Group
Central and unallocated revenue and costs
The unallocated revenues represent the elimination of intra group revenues The EBITDA reflects the level of central costs which have declined from £19 9m in FY 2015 to £10 4m in FY 2016 There was a material reduction in central EBITDA loss in H2 compared to H1 driven by the cost-reduction efforts described above

Revenues
Revenues in FY 2016 declined by £22 1m from £89 7m to £67 6m The drivers of the decline in revenue were the Europe Create and Americas businesses In Europe and Americas the decision to transition the business model led to an anticipated fall in licence revenues from £11 9m to £1 1m A declining market for our customised solutions led to a reduction in Development and Integration revenue from £44 7m to £33 6m Create was impacted by the change in management and the Americas business also saw a reduction in services revenues This was offset by an improvement in the Content revenue which was up from £6 9m to £9 9m

Gross margin
The calculation of gross margin has been revised in the year to include media costs in the Content business that are variable with activity within cost of sales These amount to £1 8m in FY 2016 and £1 1m in FY 2015 and were previously included in operating costs There was no impact on EBITDA as a result of this reclassification

Gross margin improved in the year from 50 6% to 57 5% The improvement in gross margin results from the increasing contribution from our Content business reduction in third party cost of sales and the completion of the large fixed price customised solution projects noted in last year s report

EBITDA and Operating costs
The EBITDA loss in the year was £19 6m as compared to £41 8m in FY 2015 with the company reaching EBITDA profitability of £0 6m in H2 FY 2016 The significant improvement in EBITDA results from the restructuring and cost reduction exercise initiated towards the end of the first half of FY 2016 The operating costs in FY 2016 were £58 5m, a reduction of £28 7m from £87 2m reported in FY 2015 The reduction in cost for the year was predominantly headcount related with people costs reducing by £24 5m from £69 2m to £44 7m Additional savings were made through a reduction in property costs as less space is required and a tightening of other costs generally

In the second half of the year benefiting from the restructuring exercise, operating costs reduced from £37 8m in H1 FY 2016 to £20 7m in H2 FY 2016 a reduction of £17 1m

Headcount as at 30 June 2016 was 500 by comparison to 850 as at 30 June 2015

In addition to the activity to reduce costs initiated in the first half of the year during the second half we have continued the restructuring programme with the objective of converting fixed or semi-fixed costs of supporting our core Europe and Americas delivery organisations into a more variable form This will enable the Group to further manage its cost base as existing long term contracts reach their natural end

Other costs
Depreciation and Amortisation
Depreciation was £2 8m in the year (FY 2015 £4 2m) Amortisation in the year of £25 5m (FY 2015 £20 7m) includes amortisation of acquired intangible assets of £21 2m capitalised development costs of £2 0m and purchased software licences of £2 3m The useful economic lives of acquired intangible assets were reviewed in conjunction with the impairment review resulting in reduced lives for some customer and technology assets and a consequent increase in amortisation in the period to £21 2m (FY 2015 £11 7m)

Impairments
Impairments of £176 9m have been recorded relating to property plant and equipment £3 3m goodwill £162 7m, customer contracts £7 5m and £2 5m of acquired technology and other assets and £0 9m of investment in joint ventures reflecting the fact that no further investment is currently planned for the Santander joint venture which is not operationally active £169 9m of these impairments were announced in the H1 FY 2016 results

Operations and Financial review

continued

These impairments all relate to assets that do not drive sufficient economic returns in the near term to support their carrying values The impairments reflect evolving market conditions growth prospects for certain platforms and changes in customers approach to technology provision

Share-based payments

The share-based payments charge of £16 5m (FY 2015 £28 0m) is largely comprised of earn-out share-based payments relating to the acquisitions of Grapple Pozitron and Markco Media as well as Group employee share option grants The fall in the charge when compared to FY 2015 is largely a result of options which lapsed as a result of people leaving the Group

Exceptional costs

A net charge of £3 5m for exceptional items has been taken in the year (FY 2015 £34 2m) The make-up of the net charge is summarised as follows

	FY 2015 £ m	FY 2016 £'m
Exceptional income	-	**(6.9)**
Onerous contracts	28 5	**(3 2)**
Surplus property costs	1 8	**4 4**
Contingent consideration adjustment	1 3	**-**
Restructuring costs	4 5	**8 7**
Other	(1 9)	**0 5**
Total	34 2	**3 5**

Exceptional income represents payments received following the restructuring of customer contracts which are not anticipated to recur The credit in relation to the onerous contracts reflects the settlement of some of the obligations recognised in prior periods at amounts less than those provided The surplus property provision relates to provision for excess property following the reduction in headcount in both the UK and US The restructuring costs are the costs relating to the reduction in headcount and the associated activities to improve the variability of our cost base

Loss before tax

The Group reported a loss before tax of £243 1m compared to a loss of £227 4m in FY 2015

Tax

A tax credit of £9 7m was recorded in the year (FY 2015 £3 9m) in both cases principally relating to non-cash movements on the unwinding of deferred tax recognised in relation to acquired intangible assets The Group has an unrecognised deferred tax asset of £79 0m which is available for offset against future tax expenses in the companies in which these losses arose

Statutory loss after tax

The statutory loss after tax for the year was £233 4m (FY 2015 £223 6m) The loss in the year is driven by an improved EBITDA resulting from cost reductions across the Group lower share based payment charges and lower exceptional costs offset by higher impairment charges

Loss per share

The basic and diluted loss per share was 10 5p (FY 2015 10 8p)

Cash flow and funds

The Group ended the year with gross cash balances of £42 1m compared to £88 8m at 30 June 2015 A summary of the cash flows are as follows

	FY 2015 H1 £ m	FY 2015 H2 £ m	FY 2015 Total £ m	FY 2016 H1 £'m	FY 2016 H2 £'m	FY 2016 Total £'m
Cash used in operations	(38 0)	(12 3)	(50 3)	**(22 3)**	**0 4**	**(21 9)**
Capex	(2 6)	(1 5)	(4 1)	**(0.6)**	**(0 2)**	**(0 8)**
Capitalisation of intangibles	(23 3)	(17 6)	(40 9)	**(6.9)**	**(1 3)**	**(8 2)**
Joint venture and other	0 3	(1 4)	(1 1)	**(0.3)**	**0.1**	**(0.2)**
Free cash flow	(63 6)	(32 8)	(96 4)	**(30.1)**	**(1.0)**	**(31.1)**
Exceptional items	(3 7)	(5 8)	(9 5)	**(5.9)**	**(10 1)**	**(16.0)**
Other	49 1	(1 5)	47 6	**(0.4)**	**(0 9)**	**(1.3)**
Total cash flow	(18 2)	(40 1)	(58 3)	**(36.4)**	**(12 0)**	**(48.4)**

Cash flow

The reduction in costs during the period has led to a significant reduction in cash usage in particular in the second half of the year reflecting the impact of the restructuring The capital expenditure and in particular the capitalisation of internal activity were much reduced in the year as the core build of the FINKit® platform nears completion In the future we plan to focus our development primarily towards specific customer requirements as opposed to generic builds and hence would expect future cash flow in this regard to be lower than prior periods The expenditure on exceptional items reflects both exit costs related to staff reductions of £5 3m payments in relation to onerous contracts of £13 0m, and lump sum payments in relation to settlement of onerous contracts of £4 1m, offset by exceptional income of £6 1m

Provisions

At 30 June 2016 the Group carries total provisions of £18 9m (FY 2015 £29 9m) These provisions comprise £16 7m for onerous contracts including provisions for surplus property and £2 2m in relation to the remaining cost base reduction Of these provisions the restructuring costs are anticipated to be expended in FY 2017, whilst the timing of the cash flows in relation to the onerous contracts are subject to the timing of subletting or assigning surplus property, and the results of our efforts to negotiate settlements in relation to onerous supply contracts

Gavin James
Chief Operating Officer
7 September 2016

Business model

Monitise Group - Business Overview

Monitise Group is a specialist in financial services technology, focused on accelerating the digital transformation of banks and financial institutions

Our portfolio of platforms products and services are designed to help our clients around the world design, build and run services to customers delivered over smartphone tablet PC and any other digital device safely and securely

The Group addresses industry requirements at both a global and local level having had over a decade of experience of building and operating digital services for some of the world's most trusted financial services brands

The combined group consist of 6 business units

How we create value

1 Investing for the long term
We invest over the long term in future capabilities like FINKit* to build a business that has long term sustainable success

2 Driving efficiency
We underpin everything that we do with a rigorous focus on operating efficiency By ensuring that we have an efficient and agile operating model we consistently drive down costs to allow us to invest more where clients gain greatest value

3 Investing in people
We invest in our people because we recognise that their talent and commitment are critical to our success We aim to foster a culture which encourages our people to fulfil their potential and to strive for continual improvement in all that they do enabling them to achieve great things together

Group Strengths

1 Market leading innovation
We create and harness new technology in order to give banks and financial service providers access to the very best capabilities to accelerate their digital transformation

2 Customer focus
We are intimate with and immersed in the local markets and sectors our clients operate within We have a proven ability to address their needs thanks to the strength of our technical capabilities and our experience in creating innovative propositions

3 Our expertise in service delivery
We have a proven ability to operate bank grade digital services for millions of customers on behalf of some of the world's most trusted financials services brands

Growth Opportunities

1 Collaboration
The concept of collaboration - or "co-innovation" - is becoming more important within the financial services and technology industries We will continue to focus on creating partnerships with established and emerging financial technology companies (FinTechs) to ensure we are the first choice for those seeking access to the widest range of capabilities

2 Transformation
We will focus on accelerating the digital transformation of established retail banks that increasingly need to move quicker to respond to rising customer expectations and competitive threats

3 Regulation
We will focus on supporting banks and financial services providers who need to comply with a package of measures being introduced by regulators to ensure that their customers benefit from technological advances

Business model

continued

Business Units at a Glance

Monitise FINKit®

FINKit® allows banks and other financial services companies to innovate far more rapidly and cost effectively

Monitise FINKit® combines 4 key capabilities that together empower banks to execute on innovation at speed safely and securely

These capabilities include our platform and toolkit providing a modern application development and operations environment built from the ground up for bank grade security compliance and performance a powerful agile engagement model underpinned by FINKit®s continuous delivery tool chain an industry leading partnership programme exclusively focussed on enabling collaboration between Banks and the FinTech community and a team chosen for their ability to tackle challenging problems and execute on innovation in the financial service sector with speed and agility

Whether it is augmenting legacy systems, a greenfield project or strategic digital transformation, FINKit® delivers innovation at speed safely and securely

Business Model

- Access fees
- Platform usage and transaction fees for the use of the FINKit® platform to build and run digital services
- Revenue share with partners who have capabilities accessed enhanced and facilitated by the FINKit® platform
- Professional service fees for a team of experts who help design build and project manage the deployment of services into a production sandbox or operational environment

Target Clients

We are focused on banks and providers of financial services initially in the UK and USA

"Banks' legacy systems make it difficult to access and consume the services that they know customers want the process of on-boarding proves both challenging and time consuming FINKit® provides the necessary blend of innovative and agile technology with its roots in security and compliance which is absolutely critical to resolving the challenge"

George Kelsey, Head of Technology and Innovation, Tesco Bank

Monitise Europe

Monitise Europe is the original business on which the Monitise Group was founded Monitise Europe provides bank-grade mobile banking and digital services based on the Monitise Enterprise platform (MEP)

Some of the UK s biggest financial services brands chose to leverage our MEP capabilities to build custom mobile banking propositions proven to drive high customer engagement in a scalable and secure way

We have integrated the Monitise Europe operation into the FINKit® business unit as we see significant synergies as our clients consider a transition path from MEP to FINKit®

Business Model

- Usage based fees for clients active use of the platform
- Professional service fees for a team of experts who help design build and project manage developments on the MEP platform
- Annual Support and Maintenance

Example Clients

RBS Co-operative Bank Clydesdale Bank and M&S Bank

"Our customers love our market leading mobile app and we are pleased that over four million benefit from banking on the move with us Monitise have provided the platform to support our app for over 6 years helping us to deliver a great service"

Martin Wise, Managing Director, Digital for NatWest and Royal Bank of Scotland

Monitise Americas

Monitise Americas is a specialist in Mobile Banking, Enterprise Alerting and SMS Banking products designed specifically to meet the needs of the banks credit unions and financial services providers in the Americas

Based on the secure and trusted Monitise Vantage Platform (MVP) combined with front end design, we provide a scalable and proven product that is highly configurable to address customer needs

Ideal for banks who want a ready-to-go product we provide a fully integrated mobile first solution with full-scale 24/7 support and a roadmap of new releases

Business Model

- Usage based fees for customer active use of the platform
- Product upgrade fees for new releases
- Professional service fees for a team of experts who help design build and project manage developments
- Annual Support and Maintenance

Example Clients

Bank of Montreal, BankFund Staff Federal Credit Union and Regions

"Mobile Banking powered by Monitise MVP has been the most easily accepted technology that we have launched The iPhone and Android Apps are intuitive and the adoption of the Mobile Check Deposit feature has exceeded our expectations becoming the top channel for check deposits just 8 months after the launch of Monitise Mobile Banking

Tim Elmore, Chief Information Officer, BankFund Staff Federal Credit Union

Monitise MEA

Monitise MEA is focused on powering digital innovation through intelligent design and crafted technology We bring together a digital design studio and software development house under one roof to build breakthrough products for our clients

An expert on transactional digital solutions we provide our clients with access to Software Developers, UX and UI Designers Quality Assurance Engineers, Business and System Analysts Project Managers and Scrum Masters in order to deliver turnkey products and premium services to power winning digital strategies We enhance these solutions with our add on products scaling from push messaging to multi factor authentication

Business Model
- Product licence fees & Usage based fees
- Professional service fees for a team of experts who help design build and project manage the delivery of winning propositions

Example Clients
Turkish Isbank, ING Bank Emirates National Bank of Dubai Turkish Airlines TEB BNP Paribas Pegasus Airlines Arab National Bank

"Monitise MEA has been our digital partner for almost a decade always providing top notch digital solutions for our customers with leading innovation for both mobile and internet banking Together, we have been shaping the future of digital banking for IsBank customers "
Yalçın Sezen, Executive Vice President, Turkish Is Bank

Monitise Create

Monitise Create is an award winning London based digital strategy design and engineering studio collaborating with ambitious businesses to create the future of digital in a broad range of sectors including financial services retail hospitality automotive and sports and entertainment

Our teams are passionate like-minded and collaborative and thrive in a culture based on imagination blended with purpose Driven by a desire to disrupt we thrive on diversity of challenges and pioneering innovation that impacts millions of people across the globe

Like Monitise MEA Monitise Create provides our clients with access to Strategists Experience Designers UX and UI Designers Software Developers and Architects Quality Assurance Engineers and Delivery Managers in order to create and evolve digital products with impact

Business Model
- Professional service fees for a team of experts who help design build and project manage the delivery of winning propositions
- Recurring revenue fees for product support maintenance and both data and customer based insights

Example Clients
Fiat Chrysler Automotive Whitbread (Premier Inn) and Provident Group (Satsuma Loans)

"Monitise Create is a strategic digital partner for FCA and provides guidance and direction on the critical role mobile plays across many of our brands"
Jacob Nyborg, Head of Brand Marketing Communications EMEA, Fiat Chrysler Automotive

Monitise Content

Operating digital distribution networks, Monitise Content connects thousands of money saving offers from the world's leading brands to millions of consumers through their digital platforms

The portfolio includes one of the UK s leading shopping destinations myvouchercodes co uk providing money saving offers across all shopping categories including holidays, fashion and restaurants The portfolio also extends to operations serving consumers in territories including the USA Germany Australia and France

Utilising proprietary technology Monitise Content also operates a number of digital ticketing transactional platforms serving business partners

Business Model
- Performance based

Example Clients
EE Nectar (Digital Ticketing Platform)

Business model
continued

Monitise FINKit® Business Unit – In more detail

Monitise FINKit® is a comprehensive cloud native business set-up specifically for banks who want to accelerate the delivery of their digital strategies by which we mean services to customers delivered via smartphone, tablet, PC, digital-TV smart-watch or any other digital medium

The Problem

Banks are under pressure to accelerate the delivery of their digital strategies and get innovation out of the labs and into consumers hands To be successful there are a series of problems they need to overcome

- *Rising consumer expectations* Banks need to move fast to exceed rising consumers expectations of digital services Much faster moving sectors are setting the bar high in terms of customer experience and the pace of iterating innovation
- *Regulatory pressure* Regulators are creating a landscape that compels banks to open up comply with new standards and in doing so embrace new technology and partnerships
- *Constraints of legacy systems and processes* Banks are hampered by legacy systems and processes and a culture that promotes a fear of failure
- *New competition* Banks face new and more agile competitors some competing head on and some attacking high margin lines of business Such competitors are free from the constraints of legacy systems and encouraged by changes in regulations
- *Too much innovation theatre* While banks have recognised the need to innovate so far innovation initiatives have largely been confined to labs and showcases with very little getting into the consumers' hands
- *Constrained budgets* While innovation is seen as central to future performance driving innovation at a time of fiscal constraint is problematic and drives the need for cost effective solutions

The Solution

The Monitise FINKit® Business Unit has been created specifically to address these problems and enable banks to deliver better banking getting more value for every pound they spend on innovation

The Monitise FINKit Business Unit has 4 key capabilities

Platform
At the heart of the FINKit® Business Unit s capabilities is our unique FINKit® platform and toolkit providing a modern application development and operations environment built from the ground up for bank grade security compliance and performance

The platform includes

- *A developer framework* providing an accessible and useful environment for developers to access pre-built micro services and quickly build and deploy complete products in a secure and compliant manner
- *Pre-built micro services* a service catalogue of prebuilt service components provided by Monitise and our partners that form the foundation of products and propositions defined by our customers and made available through any digital channel
- *A cloud based infrastructure* the underlying cloud infrastructure processing storage and security technology Based on multiple instances of IBM BlueMix to ensure bank grade performance scalability and security
- *A framework for security and compliance* a blend of process tech and tooling that enable product managers and engineers to confidently (and continuously) create, test and deploy APIs securely and without hindrance design-time data classifications with runtime protection controls

What other people say about the FINKit Platform

"The future for FS is the marriage of the best of FinTech firms and the legacy financial service companies Monitise's platform FINKit® hosted on IBM Bluemix enables both ends of the ecosystem to work together collaboratively through APIs FINKit® now boasts dual sites in Europe providing their Europe based banking customers with a faster, highly resilient service This is achieved through dynamic balancing of requests across the two sites providing enterprise level reliability It also adds capacity for further innovation and rapid delivery of new capabilities "

Likhit Wagle
Global Industry General Manager Banking and Financial Markets at IBM

Partners

Our pioneering partnership programme is exclusively focused on enabling banks to collaborate with established technology providers and the emergent high growth FinTech community

For banks, our Partnership Programme fast-forwards the due diligence required to work with partners provides a single point of integration to multiple partners and access to consumable and compliant APIs

For our Partners, we help them through the due diligence process reach the right decision makers and create an environment promoting interaction and collaboration between banks and partners

What our Partners say about the FINKit Platform

"iGeolise is proud to be working with Monitise bringing highly acclaimed time-based location services to financial institutions Ours is an unusual journey into FinTech having founded our success primarily in the real estate and transport markets Working with Monitise enables our products to be used in new ways for new purposes by a new market and that is a measure of innovative partnership Working alone with banks would be difficult for us to achieve but having an established technology partner of Monitise s gravitas enables us to deliver our solutions to people we were previously unable to reach FINKit® offers banks a single integration to a wide breadth of qualified services from carefully selected partners all delivered within a fully compliant environment "

Charlie Davies
Co-Founder iGeolise

"As a leading proponent of financial services innovation Yodlee is excited to be working with Monitise in bringing that innovation into banks by means of collaborative working Monitise is enabling its banking clients to work with a broader range of service providers through its industry platform FINKit® which gives banks a single point of integration to an API platform that contains a growing ecosystem of innovative partner services "

Jason O'Shaugnessy
Senior Vice President Envestnet | Yodlee

We're very excited to be working with Monitise making our CrossCore platform available to banks through FINKit® In a world where technology is converging and moving at a very rapid pace banks need to have an external platform for collaboration which is what Monitise and Experian provide Banks need to move forward but can only do so within a regulated and compliant environment something that both of our companies always have and always will deliver upon

Paul Gilmore
VP Partnerships and Alliances Experian

Process

For Monitise agile is more than development methodology We run agile project end-to-end from ideas to live operations We have created a powerful process and engagement model underpinned by a developer toolkit that automates as much of the process as possible Like the rest of the FINKit® proposition, the processes and methods we have created combine the best in agile practices to execute in a secure and compliant manner

Our agile processes and culture enable us to respond at speed to the changing needs of the market We work in integrated collaborative cross functional, self-organising teams in order to build test and release software faster and more frequently

People

With over a decade of experience we are experts in our space we provide guidance and knowledge from the outset Skilled at digital product innovation development and operations, we have a track record of developing winning digital strategies We are specialists in agile methodologies from conception to completion Our teams are always tasked to leave behind skills proof points and experience with our clients

Benefits to Banks

- Meet rising customer expectations
- Safely test and learn throughout
- Continuously deliver and improve

- Avoid costs of changing legacy systems
- Stop spend on innovation theatre
- Don t ever build from the ground up

- Improve time to market
- Deliver better propositions
- Engage customers more

- Leverage our proven expertise
- Leverage pre-built capabilities
- Augment what you already have

Risk management and principal risks

The Board has overall responsibility for managing risk Risks are formally identified and recorded in a risk register, which is reviewed by the Board at each meeting

The Audit & Risk Committee, comprising independent Non-Executive Directors, continually monitors and promotes the highest standards of integrity financial reporting risk management and internal control

The Executive Directors are closely involved in the day to day management of the business and oversee a wide range of controls including financial operational and compliance controls together with risk management They ensure that key messages around risk management are communicated throughout the business

The internal audit function provides an independent and objective assurance activity designed to add value and improve the Groups control systems and operations The internal audit function sets its plan with approval from the Committee so as to align with the business key risk areas The Group undergoes external assessments of its security arrangements

All significant sales opportunities are subject to technical and contractual review by senior members of our legal financial, commercial and technology teams There are strict internal controls applied to the development of our products and services

In order to assist with the management of risks the Group continues to recruit individuals who are expert in our markets technology and support disciplines The Group has a delegation of authorities that clearly sets out the approval required for key activities including those restricted to the Board and the Executive Directors

An overview of how risk and internal controls are managed across the business is set out below

Board	Oversight of risk and internal controls Sets strategic objectives Receives and reviews risk register Receives and reviews key outputs from Audit & Risk Committee
Audit & Risk Committee	Reviews the Group s financial controls and other internal control systems Reviews risk management processes Reviews the outputs and effectiveness of the internal audit function Reviews progress on implementing control improvements to manage risk
Assurance processes	Embedded assurance processes to ensure risk is managed Internal audit External audit Specialist external reviews

The operations of the Group and implementation of the Group s strategy involve a number of risks and uncertainties the principal ones of which are described in the table below The key risks for the Group continue to evolve as we refine and execute upon our strategy Controls to reduce risk are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss

Risk	Potential Impact	Mitigating Control
Strategic		
The risk that FINKit® does not generate sufficient revenue, either in total or within the required timescale	Continuing cash investment requirement and strain on the Group Inability to achieve breakeven in FY 2017	Our focus remains on delivering sales following successful trials and through live opportunities that are being actively pursued directly We have successfully developed the IBM alliance to support our engagements in an effective manner and to reduce potential perceived risk for clients We have established a partner network to provide accessible applications products and components for platform users
The risk that newly disaggregated businesses fail to meet their business plans	Individual business units fail to meet their business plans and cause the Group to miss its financial targets	Business units are closely monitored by the Group executive based upon monthly monitoring against budgets reforecasts on a frequent basis and a delegation of authority that requires new hires significant expenditure capital expenditure and non-standard contracts to be approved by Group executives Restructuring required to improve performance or bring businesses to profitability is implemented by local management and closely monitored by the Group executive
The risk that third parties develop products to compete through improved capability, time to market or commercial attractiveness The risk that customers choose to develop solutions in house	Failure to roll out platform and products in line with our business plan leading to a revenue and EBITDA shortfall and ongoing viability concerns	Regular reviews of competitor activity are undertaken to ensure that we are aware of and react to competitive threats Market proposition communication plans are in place with sales efforts focussed upon clients with known need for product and working in tandem with IBM to communicate market solution Continued development and communication of partner programme highlighting the tangibility of solutions
Operational and financial		
The risk that costs of key supply contracts and internal costs are too high or not flexible with activity as revenue contracts come to an end	Costs are unable to be reduced to a sustainable level including in relation to onerous contracts leading to failure to achieve financial targets	Restructuring activity is continuing with the majority of onerous supply contracts having been exited, Group headcount having been materially reduced and all London operations having been merged on one site early in FY 2017 Costs relating to supporting the Core MEP and MVP contracts are in the process of being outsourced to provide a flexible cost base as contract activity and revenues associated with these products decrease
The risk that key individuals are lost who are fundamental to market confidence or technical capability	Loss of market confidence Inability to drive through technical capability enhancements and loss of ability to maximise market opportunity	The Group offers competitive packages incentivises existing key talent through long term incentives and continues to recruit new talent when required We partner with external service providers who bring additional expertise and support in both our existing and target markets
The risk that security controls do not prevent the loss of customer data or company information from existing or new products	Reputational damage and loss of customer and investor confidence Financial penalties from customers and regulators	Security assurance is an integral part of FINKit® development as new functionalities and products are introduced into the platform For existing capabilities, a detailed assurance programme has reviewed and tested a large numbers of security controls A clear Security strategy has been developed alongside the decentralisation of the business
The risk that market changes adversely impact the volume of transactions delivered across Monitise platforms	Revenues will be adversely impacted and FY 2017 profitability may not be achieved	Internal expertise and external consultancy is utilised to monitor relevant changes in the market environment Transaction volumes are monitored
The risk that we may not have sufficient funds to finance future growth	Failure to achieve our growth plans or to continue to trade without additional funding Customers unwilling to do business due to a perceived stressed state of the business	Initial phases of restructuring are complete with business units restructured to be self-sustaining profit centres with a much smaller central cost base Further phases to ensure costs remain flexible with activity are underway The Group operates a robust system of cost control and cash forecasting covering both immediate and long-term needs Tight delegation of authority to commit both revenue and capital spend is in place Group assets remain subject to review to ensure they remain core to strategy and add to long-term value

Board of Directors

Peter Ayliffe (63)

Chairman and Non-Executive Director

Peter was President and Chief Executive Officer of Visa Europe from March 2006 to September 2013 where he was responsible for Visas European business in 37 countries accounting for some 30% of the worldwide expenditure on Visa cards Prior to Visa Europe Peter spent over 30 years in retail banking He was a main Board Director with responsibility for Retail Banking at Lloyds TSB one of the UKs leading banks During this time Peter was a Director on the Visa Europe Board and a Director on the Visa International Board

Peter was appointed Chairman and Non-Executive Director of Monitise on 1 October 2013 Peter is also currently Deputy Chairman of the Coventry Building Society Chairman of truRating the global consumer ratings company and a trustee of Pennies the digital charity box

Chair of the Nominations & Governance Committee

Amanda Burton (57)

Senior Independent

Non-Executive Director

Amanda Burton was Global Chief Operating Officer of Clifford Chance LLP from 2010-2014 having joined the firm in 2000

At present Amanda Burton is a Non-Executive Director of Countryside Properties PLC and chairs its Remuneration Committee and of HSS Hire Group PLC where she is Senior Independent Director and also chairs its Remuneration Committee Earlier this year she joined Skipton Building Society as a Non-Executive Director

Amanda is also Chair of the Trustees of Battersea Dogs and Cats Home

Amanda was appointed Non-Executive Director to the Board on 4 June 2014

Chair of the Remuneration Committee Member of the Audit & Risk Committee and the Nominations & Governance Committee

Tim Wade (56)

Independent Non-Executive Director

Tim a qualified lawyer and accountant is Chairman of Macquarie Bank International Limited and a Non-Executive Director of Chubb Europe Insurance Group where he chairs the Audit Committees for both He is also a Non-Executive Director of Access Bank UK Limited where he chairs the Credit Committee Tim is also a former Chairman of the national charity Coeliac UK and independent Non-Executive Director of Friends Life

Tim was appointed Non-Executive Director to the Board on 12 January 2011

Chair of the Audit & Risk Committee Member of the Remuneration Committee and the Nominations & Governance Committee

Lee Cameron (45)

Chief Executive Officer (CEO)

Lee has been with the company since its formation as a member of the founding management team Appointed to the Board in 2008 he has held a number of senior executive roles within the company A lawyer by profession prior to Monitise Lee was General Counsel of Morse plc a FTSE 250 and technology company He has extensive experience of private and public company boards

Lee was appointed CEO of the Group in September 2015

Gavin James (53)

Chief Operating Officer (COO)

Gavin joined Monitise in October 2015 as CRO Gavin is a Chartered Accountant by profession who has significant previous Board experience having held CFO COO and CEO positions at both listed and private companies including Vertex Group iSoft plc Morse plc Menvier Swain Group plc Gavin is currently Non-Executive Chairman of the Vertex Group

Gavin was appointed COO of the Group in March 2016 and to the Board in July 2016

Corporate governance report

Responsibilities across our governance framework

This corporate governance report is intended to provide shareholders with an overview of the Group's governance arrangements and how they have operated during the year Monitise maintains its commitment to best practice in corporate governance, taking all elements appropriate to a company of our size, structure and stage of growth

Board and Committees composition

At the date of this report the Board consists of a Non-Executive Chairman, two Executive Directors and two Independent Non-Executive Directors Directors biographies including the Committees on which they serve and chair are shown on page 14 It is the Group s policy to ensure that the number of Executive Directors does not exceed the number of Independent Non-Executive Directors The Board ensures that there is a Non-Executive Director appointed as the Senior Independent Director This position is held by Amanda Burton

The work of the Board is supported by three Committees, and a separate report is presented in this report for each Committee

- Audit & Risk Committee
- Remuneration Committee
- Nominations & Governance Committee

The composition of the Board is regularly reviewed to ensure that it is of an appropriate size scale and balance and changes were made during the year to reduce the size of the Board to one that is more appropriate to its stage of development These changes are summarised in the Chairman s statement on page 2

Matters reserved for the Board

The principal matters reserved for the Board include

- setting the Group strategy
- approving the annual operating plan and budget and material changes to them
- approving material strategic contracts,
- reviewing the Group structure listing and capital requirements
- supervising the Group's operations, internal controls and financial performance
- approving major acquisitions disposals or changes in the Group s sphere of operations
- ensuring a satisfactory dialogue takes place with the shareholders
- approving appointments to the Board and maintaining succession plans for senior executives and
- approving the annual and interim financial statements

Corporate governance report
continued

Board meetings and attendance

The full Board convenes at least six times a year with attendance at these scheduled meetings set out below Further meetings and conference calls are held as and when necessary with several additional sessions having been held during the year

	Meetings Attended
Meetings held during the year	**6**
Peter Ayliffe (Chairman)	6
Lee Cameron	6
Amanda Burton	6
Tim Wade	6
Elizabeth Buse[1]	1
Paulette Garafalo[2]	2
Brad Petzer[3]	2
Stephen Shurrock[4]	1
Colin Tucker[5]	1

[1] E Buse attended the meeting held prior to her resignation as a Director from the Board on 9 September 2015

[2] P Garafalo attended all meetings held prior to her resignation as a Director from the Board on 23 October 2015

[3] B Petzer attended all meetings held prior to his resignation as a Director from the Board on 30 November 2015

[4] S Shurrock attended the meeting held prior to his resignation as a Director from the Board on 15 October 2015

[5] C Tucker attended 1 of 2 meetings held prior to his resignation as a Director from the Board on 23 October 2015

[6] G James was appointed a Director on 1 July 2016 hence did not attend any Board meetings in that capacity during the year ended 30 June 2016

Rotation of Directors

Each Director is required to retire by rotation at the Annual General Meeting held in the third calendar year following the year in which they were elected or last re-elected by the Company Each Director (other than the Chairman and any Director holding an executive office) is required to stand down at the Annual General Meeting following the ninth anniversary of the date on which they were elected by the Company A Director who retires at any Annual General Meeting shall be eligible for re-election unless the Directors otherwise determine not later than the date of the notice of such meeting

Report of the Audit & Risk Committee

"The Audit & Risk Committee has an integral role in providing confidence in the integrity of the Company's processes and procedures in relation to internal control, risk management and financial reporting "

Introduction

The Audit & Risk Committee is appointed by the Board to assist with the oversight and monitoring of financial reporting, risk management and internal controls

This year has been one of continuing change for the Group with significant restructuring activity undertaken The Committee reviewed the requirements for an internal audit function for the Group and has appointed an established outsourced provider to provide the best spread of support and expertise

Following a re-assessment of the Group s strategic plan during the first half of the year impairments were recognised and reported in the interim results

Role and responsibility of the Audit & Risk Committee

- overseeing the involvement of the Group s external auditors in planning and review of the Group s financial statements
- recommending the appointment and fees of the external auditors to the Board
- reviewing and monitoring the external auditor independence and objectivity and the effectiveness of the external audit process
- reviewing the Group s financial controls and other internal control systems
- reviewing risk management processes,
- reviewing the outputs and effectiveness of the internal audit function
- reviewing progress on implementing control improvements and
- reviewing its terms of reference and its effectiveness from time to time and recommending to the Board any changes required

The Committee s terms of reference are available for public inspection at the Company's registered office

Board meetings and attendance

	Meetings Attended
Meetings held during the year	**4**
Tim Wade	4
Amanda Burton	4
Paulette Garafalo[1]	1
Colin Tucker[2]	-

[1] P Garafalo attended one meeting held prior to her resignation as a Director on 23 October 2015

[2] C Tucker did not attend the meeting held prior to his resignation as a Director on 23 October 2015

The biographies of the serving members are provided on **page 14**

Activities during the year

During the year the Committee undertook the following activities at its meetings

Area/function	Activity
Financial statements and accounting policies	• reviewed the Group s draft financial statements, preliminary and interim results prior to Board approval and reviewed the external auditors detailed reports thereon and • reviewed the appropriateness of the Group s accounting policies
Internal control and risk management	• reviewed the Group's system of internal controls and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control and • monitored the process for formally identifying evaluating and managing any significant risks and opportunities within the business
External auditors	• reviewed the external auditors plan for the audit of the Group s financial statements • reviewed the effectiveness, independence and objectivity of the external auditor, and • reviewed/approved the external auditors engagement letter together with their audit and non-audit fees
Internal audit function	• considered and approved the outsourcing of the Group s internal audit function, and • reviewed the internal audit function s work programme and internal audit reports

Report of the Audit & Risk Committee
continued

Internal control and risk management
The Board has overall responsibility for managing risk The Audit & Risk Committee is responsible for keeping under review the effectiveness of the Company risk management and internal control systems Details of the Group s principal risks and mitigating controls are set out on pages 12 and 13

During the year the Committee met to consider the outsourcing of the Group s internal audit function On the basis that an outsourced provider can provide a broader spread of knowledge and expertise to review the differing components of the Group, including specialist technology matters an established outsourced provider of internal audit has been appointed

The Committee reviews the Group s Risk & Control Matrix at each meeting receiving updates from both executive management and internal audit on the key risks facing the Group and various legal and regulatory risk reports Executives responsible for key risk areas across the Group periodically present to the Audit & Risk Committee and the Board including their plans to monitor and control the key risks

The Board considers the Group s management and financial controls enable timely and effective monitoring and control of the Group's operations and consider them appropriate for a company with securities admitted to AIM

The Group s accounting policies are considered by the Directors to be appropriate in accordance with applicable accounting standards and appropriate to the Group s business The Directors comply with Rule 21 of the AIM Rules regarding dealings in the Company s shares and, in line with recent Market Abuse Regulation the Group has adopted an appropriate share dealing code

External auditors
The Audit & Risk Committee is responsible for recommending to the Board the appointment of the external auditors The Committee considers the independence and objectivity of the auditors with regard to the way in which they conduct their audit duties The Committee looks to ensure that the auditors independence is not compromised by their undertaking of non-audit work Non-audit/tax advisory services will always be benchmarked by management to ensure value for money auditor objectivity and independence of advice

Tim Wade
Chair of the Audit & Risk Committee
7 September 2016

Report of the Nominations & Governance Committee

"Maintaining the appropriate skills and knowledge base to achieve the Group's strategic objectives and ensure compliance with corporate governance principles, remains an absolute priority for the Committee "

Role and responsibility of the Nominations & Governance Committee

The Nominations & Governance Committee is appointed by the Board and its purpose is to assist the Board in ensuring that it maintains the appropriate balance of skills knowledge and diversity for management of the business and in order to support the Group s strategic objectives Alongside this role the Committee is responsible for the monitoring of governance matters The principal responsibilities of the Committee are to

- consider the size structure and composition of the Board of the Company
- review senior management succession plans retirements and appointments of additional and replacement Directors
- evaluate the operating performance of the Board
- make appropriate recommendations so as to maintain an appropriate balance of skills experience and diversity on the Board and
- develop and monitor compliance with corporate governance principles appropriate for the size structure and stage of development of the Group

The Committee s terms of reference are available for public inspection at the Company s registered office

Activities during the year

During the year the Committee met and made recommendations to the Board for a number of appointments

- Lee Cameron who was appointed CEO on 9 September 2015 taking over from Elizabeth Buse
- Tim Wade who was appointed as a Member of the Nominations & Governance Committee with effect from 23 October 2015, following the move to a smaller Board
- Gavin James who was appointed COO with his appointment to the Board as an Executive Director taking effect after the year end on 1 July 2016
- The Committee led the annual appraisal of the Board its Committees and the Chairman
- The Committee reviewed the overall Corporate Governance structure of the Group taking into account both the changing shape of the Group and new regulatory requirements

Diversity policy

Diversity within our Board is essential in maximising its effectiveness as it enriches debates business planning and problem solving We approach diversity in its widest sense so as to recruit the best talent available based on merit and assessed against objective criteria of skills knowledge independence and experience The Committee s primary objective is to ensure that Monitise maintains the strongest possible leadership

Committee membership and attendance

	Meetings Attended
Meetings held during the year	**5**
Peter Ayliffe (Chairman)	5
Colin Tucker[1]	1
Amanda Burton	5
Tim Wade[2]	3

[1] Colin Tucker attended one of the two meetings held prior to his resignation from the Committee on 23 October 2015

[2] Tim Wade attended all meetings following his appointment to the Committee on 23 October 2015

The biographies of the serving members are provided on **page 14**

Board and Committee evaluation

Critical to the success of the Board and its Committees in achieving their aims is the effectiveness with which they operate The Board carries out an evaluation of its performance regularly Each Director completes a questionnaire covering Board and Committee procedures and effectiveness facilitated by the Company Secretary Results are reviewed by the Chairman reported back to the Board and appropriate actions taken The Chairman reviews the contribution of each Director individually and the senior Independent Non-Executive Director reviews the Chairman

Re-election to the Board

Following the evaluation of the Board I can confirm as Chairman that the performance of all our Non-Executive Directors continues to be effective and that they demonstrate appropriate commitment and time to their roles Our new Executive Director Gavin James is due to stand for election at the AGM No other directors are due for re-election

Peter Ayliffe
Chairman of the Nomination Committee
7 September 2016

Directors' Remuneration Report

"The Remuneration Committee keeps the remuneration policy for the Group regularly under review and takes action whenever necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group "

Introduction
This has been a year of continuing transition for the Group and the Committee has reviewed the Group s remuneration and long term incentive arrangements to maintain alignment with the Group s strategy and to ensure incentives drive the right behaviour to deliver long term shareholder value As part of this review, in order to maximise the effectiveness of current incentives and to operate within the available headroom constraints, the Committee cancelled certain previous awards in respect of the Performance Share Plan Bonuses were not awarded last year as the Group did not meet its performance targets For the year ended 30 June 2016 in view of the major restructuring and continued development of the new business model it was not considered appropriate to pay an annual cash bonus to the Directors

The following information on Directors' remuneration is disclosed mindful of Rule 19 of the AIM Rules and the fact that as the Company is quoted on the Alternative Investment Market (AIM) it is not required to comply with the Main Market UK Listing Rules or those aspects of the Companies Act applicable to listed companies regarding the disclosure of Directors remuneration We remain committed to providing adequate and appropriate transparency in this respect

Role and responsibility of the Remuneration Committee
The Remuneration Committee has specific responsibility for advising the Group s Board on the remuneration policy applicable for Executive Directors and other senior executives, and sets specific remuneration, benefits and performance related pay levels for these individuals The Committee is also responsible for reviewing the overall policy in respect of remuneration of all other employees of the Group and establishing the Group s policy and operation of employee share option schemes

The Committee s terms of reference are available for public inspection at the Company's registered office

Activities during the year
Key activities undertaken during the year included

- A review of proposals for, and grant of, share options under the Monitise Performance Share Plan ('PSP") The Monitise PSP is intended to remain the main Scheme for providing Group-wide share incentives
- A review of existing awards in place, resulting in the cancellation of certain previous awards in order to maximise the effectiveness of current incentives and operate within the available headroom constraints
- Determining the leaving arrangements for certain leavers including where applicable their settlement agreements
- Approving and supervising options granted to employees under the Company s Sharesave Scheme

Committee membership and attendance

	Meetings Attended
Meetings held during the year	**5**
Amanda Burton (Chair)	5
Colin Tucker[1]	2
Tim Wade	5

[1] Colin Tucker attended both meetings held prior to his resignation from the Committee on 23 October 2015

The biographies of the serving members are provided on **page 14**

Advisors to the Remuneration Committee
The Remuneration Committee is authorised, if it wishes to seek independent specialist services to provide information and advice on remuneration During the year the Remuneration Committee utilised the services of New Bridge Street (NBS) a leading firm of executive remuneration consultants which is a signatory to the Remuneration Consultants Group's Code of Conduct NBS is part of Aon plc Although Aon provides other services to the Group from time to time, the Committee periodically reviews this relationship and remains satisfied that appropriate safeguards exist to ensure the independence of NBS s advice

The Chairman Chief Executive Officer Chief Operating Officer and Company Secretary also provided advice and support to the Committee, with none being present for discussions related to their own remuneration

Remuneration Policy
The Executive remuneration policy is to ensure that the remuneration of Executive Directors and senior executives properly reflects their role and responsibilities and in the context of the scale and international scope of the Group's operations We seek to ensure that remuneration packages are sufficient to recruit, retain and motivate high-quality executive talent, whilst aligning the interests of senior executives as closely as possible with the interests of shareholders The remuneration of the Executive Directors has been structured to provide a significant performance-related element linked to the achievement of stretching financial performance targets A share ownership guideline has also been introduced for Executive Directors requiring a holding of 100% of salary to be built and maintained whilst in office (see page 23 for shareholdings at the end of the financial year)

The Committee intends to keep the remuneration policy regularly under review and will take action whenever deemed necessary to ensure that remuneration is aligned with the overall strategic objectives of the Group

Executive Directors' remuneration
In the year under review Executive Directors total remuneration packages comprised

- fixed pay including base salary, pension contribution health insurance, life assurance permanent health insurance and
- variable pay comprising bonus opportunity and participation in the Group s share-based long-term incentive plans

Non-Executive Directors
The Non-Executive Directors have a written letter of appointment with Monitise The Non-Executive Directors are appointed for an initial term of one year and may be re-appointed annually thereafter The appointment letters for the Non-Executive Directors are made available for public inspection at the Company's registered office

The remuneration of the Executive and Non-Executive Directors serving during the year was as follows

	Salary and fees		Bonus		Pension		Benefits in Kind/Other		Total	
Directors emoluments	**2016 £'000**	2015 £ 000	**2016 £'000**	2015 £ 000	**2016 £'000**	2015 £ 000	**2016 £'000**	2015 £ 000	**2016 £'000**	2015 £ 000
Executive Directors										
L Cameron	**325**	325	**-**	-	**18**	17	**1**	1	**344**	343
E Buse[1]	**77**	400	**-**	-	**-**	2	**15**	84	**92**	486
B Petzer[2]	**100**	233	**-**	-	**5**	14	**-**	1	**105**	248
Independent Non-Executive Directors										
A Burton	**50**	50	**-**	-	**-**	-	**-**	-	**50**	50
T Wade	**50**	50	**-**	-	**-**	-	**-**	-	**50**	50
P Garafalo[3]	**16**	50	**-**	-	**-**	-	**-**	-	**16**	50
C Tucker[4]	**16**	50	**-**	-	**-**	-	**-**	-	**16**	50
Non-Executive Directors										
P Ayliffe	**120**	165	**-**	-	**-**	-	**-**	-	**120**	165
S Shurrock[5]	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total remuneration	**754**	1,323	**-**	-	**23**	33	**16**	86	**793**	1,442

[1] E Buse resigned as an Executive Director on 9 September 2015 The value of contractual tax equalisation benefits is yet to be confirmed

[2] B Petzer resigned as an Executive Director on 30 November 2015

[3] P Garafalo resigned as a Non- Executive Director on 23 October 2015

[4] C Tucker resigned as a Non-Executive Director on 23 October 2015

[5] S Shurrock resigned as a Non-Executive Director on 15 October 2015

During the year one share option exercise took place by L Cameron as shown in the table on page 22 generating a pre-tax gain of £5,550

Share incentives
The Committee believes that long-term share awards should form a key part of the remuneration policy and provide a direct means of aligning rewards for both Executive Directors and the broader base of staff across the Group with both the long-term performance of the Group and the interests of the shareholders

Under the share incentive schemes the Remuneration Committee may grant to Directors and employees awards over shares in the Company

Legacy plans
Monitise has the following three legacy plans and the Committee does not intend to grant further awards to employees under any of these plans

- Enterprise Management Incentive Plan
- Monitise Rollover Plan and
- Clairmail 2004 Share Option Plan

Directors' Remuneration Report
continued

Current plans
Awards were issued during the year under the Performance Share Plan and the Sharesave Scheme A full list of current plans is set out below

- Performance Share Plan,
- Approved Share Option Plan
- Unapproved Share Option Plan
- Deferred Annual Bonus Plan
- Sharesave Scheme and
- Employee Stock Purchase Plan (US Scheme)

See note 25 of the financial statements for the further details related to share-based payments plans

The following Directors held options to subscribe for Ordinary shares in the Company at the year end

Director	Date of Grant	Market Value at date of grant	Options Held at 1 July 2015	Granted/ (Exercised) in the year	Cancelled in the year	**Options Held at 30 June 2016**	Exercise Price	Earliest Exercise Date	Expiry Date
Performance Share Plan									
L Cameron	Oct 2008	6 10p	300,000	(300 000)	–	–	1 00p	Oct 2009 to Oct 2013	Jun 2018
	Sep 2012	37 50p	1,000,000	–	–	**1,000,000**	32 75p	Sep 2015	Sep 2022
	Dec 2012	33 75p	4,000,000	–	(4,000,000)	–	1 00p	Dec 2016 to Dec 2018	Dec 2022
	Sep 2013	51 50p	1,000,000	–	(1,000,000)	–	1 00p	Dec 2017	Sep 2023
	Sep 2014	44 00p	1,500,000	–	(1,500,000)	–	1 00p	Dec 2018	Sep 2024
	Oct 2015[1]	2 85p	–	9,750,000	–	**9,750,000**	1 00p	Dec 2018	Oct 2025

[1] The performance condition for the unvested option award held at the end of the year is based on revenue and EBITDA targets for FY 2018 and the award includes full vesting on takeover

Refer to note 25 to the financial statements for further information on the share scheme grants issued in the current and comparative years and refer to prior years annual reports for details for all option awards in prior periods

The market price of the Company s Ordinary shares at 30 June 2016 was 2 72p (as at 30 June 2015 10 75p) and the range of market prices during the year was 1 66p to 10 5p (2015 9 79p to 53 0p)

Amanda Burton
Chair of the Remuneration Committee
7 September 2016

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2016 This Directors' Report contains certain statutory, regulatory and other information and incorporates, by reference, the Strategic Report and Governance Reviews included earlier in this document

Strategic Report
This Annual Report and Accounts has been prepared to provide shareholders with a fair and balanced review of Monitise's business and the outlook for the future development of the Group as well as the principal risks and uncertainties which could affect the Group's performance

The table below identifies where to find specific information related to the business review

Content	Section	Page
A detailed review of the Group's business and future developments	Strategic report	1 – 11
Principal risks	Risk management and principal risks	12 – 13
Corporate governance	Governance sections	14 – 24

Results and dividends
Details of the results are set out in the Consolidated Statement of Comprehensive Income on page 26 The Directors do not recommend the payment of a dividend (2015 £nil)

Directors and their interests
The composition of the Board at the date of this Report together with director s biographical details is shown on page 14

The Directors who held office at the end of the financial year had the following interests in the £0 01 Ordinary shares of the Company according to the register of Directors interests

	30 June 2016 Number of shares	30 June 2015 Number of shares
L Cameron	**1,588,880**	288,880
P Aylıffe	**520,270**	520 270
A Burton	**261,884**	261,884
T Wade	**350,000**	350,000

Directors beneficial interests in the share options of the Company are given in the Directors Remuneration Report on page 22

Directors' indemnity and liability insurance
The Company has purchased and maintained throughout the year liability insurance in respect of its Directors The Directors also have the benefit of the indemnity provision contained in the Companys Articles of Association which represents a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006

Political and Charitable Donations
No Political donations were made were made during the year (2015 nil)

Research and development
The Group undertakes research and development activities relating to the products and services it provides Disclosures regarding the expenditure and capitalisation of development costs in the year have been made in notes 6 and 12 to the financial statements respectively

Key Performance Indicators
Key Performance Indicators are used to measure and control both financial and operational performance Revenues, margins costs and cash are trended at both business unit and Group level to ensure plans are on track and corrective actions are taken where necessary Service performance is also monitored and tracked as is progress in product development and deployment through measurement against agreed milestones

Financial instruments
The Groups financial instruments primarily comprise cash balances loans trade receivables and payables arising from its operations The Group s policy and year-end position regarding financial instruments has been fully disclosed in note 2 9 to the financial statements

Annual General Meeting
The Annual General Meeting will be held at the offices of Canaccord Genuity Limited 88 Wood Street London EC2V 7QR on 19 October 2016 at 10 00 a m

Going concern
The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the financial statements See note 2 11 to the financial statements

Employees
Sourcing and retaining the highest calibre employees from a wide range of backgrounds is key to our strategy The service we provide to all our customers is only as good as the people who represent our business our business and brand The Group provides competitive reward and benefit packages supported by appropriate training and personal development programmes and ways to encourage and reward outstanding performance

Senior executives regularly hold interactive sessions with staff to discuss relevant developments in different parts of the business and future activity The Group also has programmes in place to help staff stay fit and well Those initiatives including gym discounts childcare vouchers and Ride2work schemes help to improve health boost morale and lower staff absence, making them good for business as well as for our teams

Directors' Report
continued

The Group is committed to employment policies based on best practice including equal opportunities for all employees irrespective of sex, race, colour disability or marital status We give full and fair consideration to applications for employment from disabled people having regard to their particular aptitudes and abilities Appropriate arrangements are made for their continued employment and training career development and promotion If a member of staff becomes disabled we will continue employment either in the same or an alternative position with appropriate retraining being given if necessary

Staff can also participate directly in the success of the Group through a variety of employee share option schemes

Health & Safety
The Group is committed to maintaining a safe and healthy working environment and ensuring the health safety and welfare of all employees customers and the general public There were no significant accidents in the workplace during the year Benefits for the health and wellbeing of staff vary by office, but include private medical insurance and employee assistance programmes

Code of Conduct
The Group has adopted standards to promote corporate values designed to help employees in their conduct and business relationships Policies in place include a code of ethics business conduct equal opportunities and diversity, and health and safety It is the Group s policy to conduct business in an honest, open and ethical manner A zero tolerance approach is taken to bribery and corruption harassment bullying and discrimination

The Environment and Slavery Act
The direct environmental impact of Group operations is relatively low with the main impacts arising from business-related travel and power consumption in our various locations around the world Nonetheless Monitise is committed to reducing carbon emissions wherever possible

The Group does not tolerate any slavery or human trafficking within its business operations All our business units operate under the Group s values and adhere to the laws of the countries in which we operate All of the Group s employees based in the UK and abroad are required to have the necessary documentation to legally work in their designated country and meet the legal minimum age for employment The Group s suppliers are obliged by Monitise s contractual arrangements to comply with all applicable laws, which includes the Modern Slavery Act 2015

Statement of Directors' responsibilities
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 prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union 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 of the Group and the Company and of the profit or loss of 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 as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company s transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

Independent auditors
The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting

Statement regarding the disclosure of information to auditors
In accordance with Section 418(2) of the Companies Act 2006 each Director who held office at the date of approval of this Directors' Report confirms that

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company s auditors are aware of that information

Approved by the Board and signed on behalf of the Board

Tom Spurgeon
Company Secretary
7 September 2016

Independent auditors' report

to the members of Monitise plc

Report on the financial statements

Our opinion

In our opinion

- Monitise plc s Group financial statements and Company financial statements (the financial statements") give a true and fair view of the state of the Group s and of the Company s affairs as at 30 June 2016 and of the Group s loss and the Group s and the Company s cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs) as adopted by the European Union
- the 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

What we have audited

The financial statements included within the Annual Report comprise

- the Consolidated and Company statements of financial position as at 30 June 2016
- the Consolidated statement of comprehensive income for the year then ended
- the Cash flow statements for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended, and
- the notes to the financial statements which include a summary of significant accounting policies and other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements These are cross-referenced from the financial statements and are identified as audited

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006 and applicable law

In applying the financial reporting framework the Directors have made a number of subjective judgements for example in respect of significant accounting estimates In making such estimates they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if in our opinion

- we have not received all the information and explanations we require for our audit or
- adequate accounting records have not been kept by the Company or returns adequate for our audit have not been received from branches not visited by us or
- the Company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if in our opinion certain disclosures of directors remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors responsibilities set out on page 24 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) (ISAs (UK & Ireland)) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

This report including the opinions, has been prepared for and only for the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not in giving these opinions accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group s and the Company s circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors judgements against available evidence forming our own judgements and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 September 2016

Consolidated statement of comprehensive income

for the year ended 30 June 2016

	Note	2016 £'000	2015 £ 000
Revenue	5	**67,565**	89 700
Cost of sales		**(28,706)**	(44,280)
Gross profit		**38,859**	45 420
Operating costs before depreciation, amortisation impairments and share-based payments[1]		**(58,482)**	(87 220)
EBITDA[2]		**(19,623)**	(41 800)
Depreciation, amortisation and impairments[1]	6	**(205,216)**	(119,196)
Operating loss before share-based payments and exceptional items		**(224,839)**	(160 996)
Share-based payments[1]	25	**(16,468)**	(27 977)
Other exceptional items[1]	6	**(3,492)**	(34 151)
Operating loss	6	**(244,799)**	(223 124)
Finance income	8	**1,975**	712
Finance costs	8	**(200)**	(1 233)
Share of post-tax loss of joint ventures	14	**(58)**	(3 788)
Loss before income tax		**(243,082)**	(227 433)
Income tax	9	**9,711**	3 882
Loss for the year attributable to the owners of the parent		**(233,371)**	(223 551)
Other comprehensive income that may be reclassified subsequently to profit or loss			
Currency translation differences on consolidation		**8,889**	8 150
Total comprehensive expense for the year attributable to the owners of the parent		**(224,482)**	(215 401)
Loss per share attributable to owners of the parent during the year (expressed in pence per share)			
- basic and diluted	10	**(10 5)**	(10 8)

[1] Total operating costs after depreciation amortisation impairments share-based payments and exceptional expenses are £283 658 000 (2015 £268 544 000)

[2] EBITDA is defined as operating loss before exceptional items depreciation amortisation impairments and share-based payments charge

The comparative figures include a reclassification of marketing costs from operating expenses to cost of sales (see note 2 1) and net foreign exchange gains on financing activities have been reclassified from finance costs to finance income (see note 2 1)

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the parent company Statement of Comprehensive Income (see note 29)

The notes on pages 32 to 60 are an integral part of these consolidated financial statements

Consolidated statement of financial position
as at 30 June 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Property plant and equipment	11	**3,338**	7,276
Intangible assets	12	**36,155**	216,273
Investments in joint ventures	14	**-**	500
Other receivables	15	**370**	-
	5	**39,863**	224,049
Current assets			
Trade and other receivables	15	**15,970**	27,824
Current tax assets		**12**	-
Cash and cash equivalents	16	**42,089**	88 801
		58,071	116 625
Total assets		**97,934**	340,674
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(21,627)**	(34,494)
Current tax liabilities		**-**	(24)
Provisions	20	**(10,864)**	(14,658)
Financial liabilities	21	**(1,002)**	(10,036)
		(33,493)	(59,212)
Non-current liabilities			
Other payables	19	**(950)**	(3,936)
Provisions	20	**(8,016)**	(15,200)
Financial liabilities	21	**(807)**	(335)
Deferred tax liabilities	22	**(1,021)**	(10,208)
Total liabilities		**(44,287)**	(88,891)
Net assets		**53,647**	251,783
EQUITY			
Capital and reserves attributable to owners of the parent			
Ordinary shares	24	**22,519**	21,682
Ordinary shares to be issued	24	**2,511**	2,511
Share premium	24	**383,721**	383,721
Foreign exchange translation reserve	24	**6,377**	(2,512)
Other reserves	24	**269,449**	244,214
Accumulated losses		**(630,930)**	(397 833)
Total equity		**53,647**	251,783

These financial statements on pages 26 to 60 were approved and authorised for issue by the Board of Directors on 7 September 2016 and were signed on its behalf by

Lee Cameron
Chief Executive Officer

Gavin James
Chief Operating Officer

Company number 06011822

The notes on pages 32 to 60 are an integral part of these consolidated financial statements

Company statement of financial position

as at 30 June 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	13	**33,459**	187,183
		33,459	187,183
Current assets			
Trade and other receivables	15	**283**	3,586
Cash and cash equivalents	16	**15,832**	42,320
		16,115	45,906
Total assets		**49,574**	233,089
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(5,209)**	(5,498)
Provisions	20	**(565)**	-
Financial liabilities	21	**-**	(9,775)
		(5,774)	(15,273)
Non-current liabilities			
Provisions	20	**(153)**	-
Total liabilities		**(5,927)**	(15,273)
Net assets		**43,647**	217,816
EQUITY			
Capital and reserves attributable to owners of the parent			
Ordinary shares	24	**22,519**	21,682
Ordinary shares to be issued	24	**2,511**	2,511
Share premium	24	**383,721**	383,721
Other reserves	24	**285,922**	259,451
Accumulated losses		**(651,026)**	(449,549)
Total equity		**43,647**	217,816

These financial statements on pages 26 to 60 were approved and authorised for issue by the Board of Directors on 7 September 2016 and were signed on its behalf by

Lee Cameron
Chief Executive Officer

Gavin James
Chief Operating Officer

Company number 06011822

The notes on pages 32 to 60 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

for the year ended 30 June 2016

	Note	Ordinary shares £'000	Ordinary shares to be issued £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Share based payment reserve £'000	Accumulated losses £'000	Foreign exchange reserve £'000	Total equity £'000
Balance at 1 July 2014		19,448	2,511	336,990	221,539	(25,321)	20,823	(182,019)	(10,662)	383,309
Loss for the year		-	-	-	-	-	-	(223,551)	-	(223,551)
Other comprehensive income		-	-	-	-	-	-	-	8 150	8,150
Total comprehensive (expense)/income		-	-	-	-	-	-	(223,551)	8,150	(215 401)
Issue of Ordinary shares (net of expenses)	24	1,614	-	46,014	-	-	-	-	-	47,628
Issue of Ordinary shares relating to prior year business combinations	24	458	-	-	7,133	-	(151)	-	-	7,440
Share-based payments	25	-	-	-	-	-	27,928	-	-	27,928
Exercise of share options	24	162	-	717	-	-	(7,737)	7 737	-	879
Balance at 30 June 2015		21,682	2,511	383,721	228,672	(25 321)	40,863	(397,833)	(2 512)	251,783
Balance at 1 July 2015		21 682	2,511	383,721	228,672	(25,321)	40,863	(397,833)	(2,512)	251 783
Loss for the year		-	-	-	-	-	-	(233,371)	-	(233,371)
Other comprehensive income		-	-	-	-	-	-	-	8 889	8,889
Total comprehensive (expense)/income		-	-	-	-	-	-	(233,371)	8,889	(224,482)
Issue of Ordinary shares relating to prior year business combinations	24	791	-	-	9,511	-	(470)	-	-	9,832
Share-based payments	25	-	-	-	-	-	16,468	-	-	16,468
Exercise of share options	24	46	-	-	-	-	(274)	274	-	46
Balance at 30 June 2016		**22,519**	**2,511**	**383,721**	**238,183**	**(25,321)**	**56,587**	**(630,930)**	**6,377**	**53,647**

The notes on pages 32 to 60 are an integral part of these consolidated financial statements

Company statement of changes in equity

for the year ended 30 June 2016

	Note	Ordinary shares £'000	Ordinary shares to be issued £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 July 2014		19,448	2,511	336,990	221,539	13,066	(19,802)	573,752
Loss for the year and total comprehensive expense	29	–	–	-	-	-	(438,432)	(438,432)
Issue of Ordinary shares (net of expenses)	24	1,614	-	46 014	-	-	-	47,628
Issue of Ordinary shares relating to prior year business combinations	24	458	-	-	7,133	(151)	-	7,440
Share-based payments	25	–	-	-	-	23 996	2,553	26,549
Exercise of share options	24	162	-	717	-	(6 132)	6 132	879
Balance at 30 June 2015		21 682	2 511	383,721	228,672	30,779	(449,549)	217,816
Balance at 1 July 2015		21,682	2,511	383,721	228,672	30 779	(449 549)	217,816
Loss for the year and total comprehensive expense	29	-	-	-	-	-	(201,627)	(201,627)
Issue of Ordinary shares relating to prior year business combinations	24	791	-	-	9,511	(470)	-	9 832
Share-based payments	25	–	-	-	-	17,704	(124)	17,580
Exercise of share options	24	46	-	-	-	(274)	274	46
Balance at 30 June 2016		**22,519**	**2,511**	**383,721**	**238,183**	**47,739**	**(651,026)**	**43,647**

The notes on pages 32 to 60 are an integral part of these consolidated financial statements

Cash flow statements

for the year ended 30 June 2016

	Note	Group 2016 £ 000	Group 2015 £ 000	Company 2016 £ 000	Company 2015 £ 000
Cash flows used in operating activities					
Cash used by operations before exceptional expenses	27	**(21,869)**	(50,345)	**(26,262)**	(99,080)
Exceptional expenses		**(15,959)**	(9,491)	**(597)**	(2,469)
Net income tax paid		**(80)**	(141)	**-**	-
Net cash used in operating activities		**(37,908)**	(59,977)	**(26,859)**	(101,549)
Investing activities					
Investments in joint ventures	14	**(500)**	(1,244)	**-**	-
Interest received		**338**	447	**286**	391
Proceeds on disposal of property, plant and equipment		**35**	-	**-**	-
Purchases of property plant and equipment		**(894)**	(4,135)	**-**	-
Purchase and capitalisation of intangible assets		**(8,238)**	(40,821)	**-**	-
Net cash (used in)/generated from investing activities		**(9,259)**	(45,753)	**286**	391
Financing activities					
Proceeds from issuance of ordinary shares (net of expenses)		**-**	46,995	**-**	46,995
Share options and warrants exercised		**85**	879	**85**	879
Interest paid		**(122)**	(164)	**-**	-
Repayments of finance lease liabilities		**(1,155)**	(277)	**-**	-
Net cash (used in)/from financing activities		**(1,192)**	47,433	**85**	47,874
Net decrease in cash and cash equivalents		**(48,359)**	(58,297)	**(26,488)**	(53,284)
Cash and cash equivalents at beginning of the year		**88,801**	146,828	**42,320**	95,604
Effect of exchange rate changes		**1,647**	270	**-**	-
Cash and cash equivalents at end of the year	16	**42,089**	88 801	**15,832**	42,320

The notes on pages 32 to 60 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

for the year ended 30 June 2016

1 General information

Monitise plc (the Company) and its subsidiaries (together the Group) is a specialist in financial services technology primarily focused on accelerating the digital transformation of banks and financial institutions The Group is headquartered in the UK and, during the year ended 30 June 2016, operated ventures in the UK US and Turkey

The Company is a public limited company incorporated and domiciled in England and Wales whose shares are publicly traded on the Alternative Investment Market ('AIM) of the London Stock Exchange

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below The policies are the same as those used in preparing the consolidated financial statements at 30 June 2015 unless otherwise stated

2 1 Basis of preparation

The consolidated financial statements of Monitise plc have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS as adopted by the EU) IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS The consolidated financial statements have been prepared under the historical cost convention as modified where applicable, by the revaluation of financial assets and financial liabilities (including derivatives) at fair value through profit or loss The Group changed the classification of certain marketing costs from operating expenses to cost of sales to more appropriately reflect the relationship of these costs to the related revenue activity The prior year comparatives have been restated by £1 053 000 to reflect the revised classification Net foreign exchange gains on financing activities of £270 000 for the prior year have been reclassified from finance costs to finance income to reflect the appropriate classification of these costs

2 1 1 Going concern

At 30 June 2016 the Group had cash of £42 089 000 The Directors have prepared a cash flow forecast including reasonable sensitivities which shows sufficient funding to see the Group through the forecast period The forecast includes the benefits from the cost savings which are being made from the business optimisation programme headcount rationalisation, exiting from non-core geographies and property rationalisation Furthermore capital expenditure is expected to continue at the substantially reduced level experienced during the year ending 30 June 2016 following the development and launch of the new platform This new platform is expected to drive a new higher margin revenue stream The Directors therefore confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly these financial statements are prepared on a going concern basis

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group s accounting policies (see note 4)

2 1 2 New standards and interpretations

(a) New, revised and amended standards adopted

There were no new or amended accounting standards relevant to the Group that were effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Group s consolidated financial statements

(b) New, revised and amended standards issued but not yet adopted

A number of new, revised and amended accounting standards and interpretations are currently endorsed but are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements None of these are expected to have material impact on the consolidated financial statements of the Group, except the following

Accounting standard	Requirement
IFRS 16 Leases (effective for the first time for the year beginning 1 July 2019 subject to EU endorsement)	Under the previous guidance in IAS 17 a lessee had to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet) The new standard requires lessees to recognise almost all lease contracts on the balance sheet the only optional exemptions are for certain short term leases and leases of low-value assets An interest expense on the lease liability and depreciation on the right-of-use asset will also have to be recognised The Group is in the process of assessing IFRS 16 s full impact
IFRS 15 Revenue from contracts with customers (effective for the first time for the year beginning 1 July 2018 subject to EU endorsement)	IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature amount timing and uncertainty of revenue and cash flows arising from an entity s contracts with customers Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations The Group is in the process of assessing IFRS 15 s full impact
IFRS 9 Financial instruments (effective for accounting periods beginning on or after 1 January 2018 subject to EU endorsement)	IFRS 9 addresses the classification measurement and recognition of financial assets and financial liabilities It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments IFRS 9 establishes three primary measurement categories for financial assets amortised cost fair value through other comprehensive income and fair value through profit or loss The basis of classification depends on the entity s business model and the contractual cash flow characteristics of the financial asset Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling The Group is in the process of assessing IFRS 9 s full impact

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future accounting periods

2 Summary of significant accounting policies (continued)

2 2 Consolidation

The financial information consolidates the results of Monitise plc and the entities controlled by the Company and includes the Group s share of the post-acquisition results and net assets of its joint ventures for the periods covered by the financial information

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over whose financial and operating policies the Group has the power to govern generally accompanying a shareholding of more than one half of the voting rights The existence and effect of the potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are consolidated from the date on which control is transferred to the Group They are deconsolidated from the date that control ceases

The acquisition method of accounting is used to account for business combinations by the Group The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred the liabilities incurred and the equity interests issued by the Group The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement Acquisition related costs are expensed as incurred Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest s proportionate share of the acquiree s net assets

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group s share of the identifiable net assets acquired is recorded as goodwill If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase the difference is recognised directly in the Statement of Comprehensive Income Gains on acquisitions may arise where the acquisition date fair value of any previous equity interest in the acquiree exceeds the book value of that interest

Inter-company transactions balances and unrealised gains on transactions between Group companies are eliminated Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

(b) Joint venture arrangements

Joint ventures are all entities over which the Group exercises joint control Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost The Group's investment in joint ventures includes goodwill identified on acquisition net of any accumulated impairment loss The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the Statement of Comprehensive Income and its share of post-acquisition movements in reserves is recognised in equity The cumulative post-acquisition movements are adjusted against the carrying amount of the investment When the Group s share of losses in a joint venture equals or exceeds its interest in the joint venture including any other unsecured receivables the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture Any net joint venture liability is recognised in non-current liabilities on the Statement of Financial Position

Sales from the Group to joint ventures are recognised in full as revenue Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group s interest in the joint ventures Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group

2 3 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided within the Group s ordinary activities net of discounts and sales taxes It comprises user generated revenues product licences and development and integration services

User generated revenue relates to revenue generated from all types of end-user activity and may take various forms including per-user fees click fees commissions and revenue share and includes associated managed services This revenue is recognised as the services are performed

Product licences are sales where the customer has the ability to exploit the licensed functionality upon delivery and include both certain term-based and perpetual licences These licence revenues are recognised as a sale of a good once all of the below recognition criteria have been met

- the Group has transferred to the buyer the significant risks and rewards of ownership of the licence
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Notes to the consolidated financial statements

for the year ended 30 June 2016

2 Summary of significant accounting policies (continued)

2 3 Revenue (continued)

Revenue relating to development and integration services contracted on a time and materials basis is recognised as the services are performed Revenue relating to development and integration services identified as a service contract provided over a specified time period is recognised on a straight-line basis Development and integration service revenue delivered under a fixed-price contract is recognised on a percentage-of-completion basis based on the extent of work completed as a percentage of overall estimated project cost when the outcome of a contract can be estimated reliably Determining whether a contract s outcome can be estimated reliably requires management to exercise judgement and estimates are continually reviewed as determined by events or circumstances Provision is made as soon as a loss is foreseen

Typically a number of the above elements may be sold together as a bundled contract Revenue is recognised separately for each component if it is considered to represent a separable good or service and a fair value can be reliably established The Group may derive fair value for its services based on a reliable cost estimate plus an appropriate market-based margin Where a product licence is included within a bundled arrangement the residual value of the contract is ascribed to the product licence after a fair value has been allocated to all other components

Amounts which meet the Group s revenue recognition policy which have not yet been invoiced are accounted for as accrued income whereas amounts invoiced which have not met the Group s revenue recognition criteria are deferred and are accounted for as deferred income until such time as the revenue can be recognised Management makes an assessment of the certainty of any accrued revenue amounts in determining how much revenue to recognise

2 4 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group s other components During the year ended 30 June 2016 the Group changed internal reporting from one operating segment to six The operating segments operating results are reviewed regularly by the Board of Directors in order to make decisions about resources to be allocated to the segment and to assess its performance

2 5 Property, plant and equipment

Property plant and equipment is stated at historical cost less accumulated depreciation and impairment Historical cost includes expenditure that is directly attributable to the acquisition or creation of the items

Subsequent costs are included in the asset s carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably The carrying amount of the replaced item is derecognised All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred

Depreciation on assets is calculated using the straight-line method to allocate their costs over the lower of their estimated useful lives or term of lease as follows

	Estimated useful lives
Office equipment	3 - 5 years
Computer equipment	3 - 5 years
Leasehold improvements	Lower of 10 - 15 years or the term of the lease to the first break

The assets residual values and useful lives are reviewed and adjusted if appropriate at each year end reporting date An asset s carrying amount is written down immediately to its recoverable amount if the asset s carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income

2 6 Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group s interest in the net fair value of the identifiable assets liabilities and contingent liabilities of the entity recognised at the date of acquisition

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses It is held in the currency of the acquired entity and revalued at the closing rate at the reporting date Goodwill on acquisition of subsidiaries is included in intangible assets Goodwill on acquisition of joint ventures is included in the carrying amount of those investments

Goodwill is not subject to amortisation but is tested at least annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment (see note 2 8) On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the Statement of Comprehensive Income on disposal

2 Summary of significant accounting policies (continued)

2 7 Other intangible assets

Expenditure incurred in the development of software products, and their related intellectual property rights, is capitalised as an intangible asset only when technical feasibility has been demonstrated adequate technical financial and other resources exist to complete the development which the Group intends to complete and use, future economic benefits expected to arise are deemed probable and the costs can be reliably measured Research costs and development costs not meeting these criteria are expensed in the Statement of Comprehensive Income as incurred Capitalised development costs are amortised as a charge to the Statement of Comprehensive Income within amortisation on a straight-line basis over their useful economic lives Capitalised development costs for assets which are not yet in use are tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment Separately acquired licences have a finite useful life and are carried at cost less accumulated amortisation

Contractual customer relationships technology-related intangible assets and software licences purchased or acquired in a business combination are recognised at fair value at the acquisition date These assets have finite useful lives and are carried at cost less accumulated amortisation

Amortisation on the assets is calculated using the straight-line method over their estimated useful lives as follows

	Estimated useful lives
Customer contracts	1 – 8 years
Intellectual property rights	7 years
Acquired technology	3 – 6 years
Purchased software licences	1 – 5 years
Acquired software licences	3 – 7 years
Capitalised development costs	3 – 4 years

2 8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset s carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Goodwill is allocated to cash-generating units or groups of cash generating units for the purpose of impairment reviews (see note 12) Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

2 9 Financial instruments

Financial assets

The Group classifies its financial assets, and cash and cash equivalents as loans and receivables The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the end of reporting period date These are classified as non-current assets

The Group s financial assets are disclosed in notes 15 16 and 23 Impairment testing of trade receivables is described in note 15

Financial liabilities

The Group has two categories of financial liabilities, which are financial liabilities measured at amortised cost using the effective interest method and financial liabilities at fair value through profit or loss (designated on initial recognition) Both categories are classified as non-current when payments fall due greater than 12 months after the end of the reporting period

Financial liabilities are described in further detail in notes 19, 21 and 23

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged The Group does not currently designate any derivatives as hedging instruments Gains and losses on derivative instruments that are not designated as hedge instruments are recognised immediately in the Statement of Comprehensive Income within finance costs

Fair value estimation for financial liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques The Group s financial liabilities at fair value primarily comprise contingent consideration payable on acquisitions The Group uses a variety of methods to determine the fair value including pricing models which reflect the specific instrument Management uses judgement to select a variety of methods and make assumptions that are based on market conditions existing at the end of the reporting period as well as internal information regarding a variety of probable outcomes

Notes to the consolidated financial statements

for the year ended 30 June 2016

2 Summary of significant accounting policies (continued)

2 10 Trade receivables

Trade receivables are initially recognised at fair value and subsequently held at amortised cost using the effective interest rate method Trade receivables with standard payment terms of between 30 to 45 days are recognised and carried at the lower of their original invoiced or recoverable amount Where the time value of money is material receivables are carried at amortised cost Provision is made when there is objective evidence that the Group will not be able to recover balances in full, the amount of the provision being the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate Balances are written off when the probability of recovery is assessed as being remote

2 11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less Bank overdrafts are included within financial liabilities

2 12 Short-term investments

Short-term investments include cash held on long-term deposits with original maturities of greater than three months

2 13 Share capital

Ordinary shares are classified as equity

Share premium recognised on the issue of share capital is stated as the excess consideration received over the nominal value of shares issued, net of any costs directly attributable to the issue

2 14 Shares to be issued

Deferred consideration or shares not yet issued at the balance sheet date in respect of business combinations in the form of a fixed number of shares are recorded in equity as shares to be issued at fair value at the acquisition date

2 15 Merger reserve

The merger reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company thereby attracting merger relief under the Companies Act 2006

2 16 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

2 17 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred Borrowings are subsequently stated at amortised cost any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date

2 18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company s subsidiaries operate and generate taxable income

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements Deferred income tax is not provided on the initial recognition of an asset or liability in a transaction other than a business combination if at the time of the transaction there is no effect on either accounting or taxable profit or loss

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset or liability is released or settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred income tax is provided on temporary differences arising on investments in subsidiaries associates and joint ventures except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle current tax assets and liabilities on a net basis

Current and deferred tax are recognised in the profit and loss except when they relate to items that are recognised in other comprehensive income or directly in equity in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively

2 Summary of significant accounting policies (continued)

2 19 Employee benefits

(a) Pension obligations

The Group operates defined contribution plans

The Group pays contributions to privately administered pension insurance plans on a contractual basis The Group has no further payment obligations once the contributions have been paid The contributions are recognised as an employee benefit expense when they are due Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example service period and sales growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each reporting date the entity revises its estimates of the number of options that are expected to vest It recognises the impact of the revision to original estimates, if any in the Statement of Comprehensive Income with a corresponding adjustment to equity The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised and the overall charge for those options is transferred from the share-based payment reserve to accumulated losses

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution The fair value of employee services received measured by reference to the grant date fair value is recognised over the vesting period as an increase in investments in subsidiary undertakings with a corresponding credit to equity

2 20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease Assets held under finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments Lease payments are apportioned between the reduction of the lease liability and finance charges in the Statement of Comprehensive Income so as to achieve a constant rate of interest on the remaining balance of the liability Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term

2 21 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') The consolidated financial statements are presented in thousands of Pounds (£'000), which is the Company s functional and the Group's presentation currency

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end rates are recognised in the Statement of Comprehensive Income Foreign exchange gains and losses on borrowings investments and cash and cash equivalents are presented in the Statement of Comprehensive Income within finance costs All other foreign exchange gains and losses are presented within operating results

(c) Group companies and joint ventures

The results and financial position of all subsidiaries (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date

ii) income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions), and

iii) all resulting exchange differences are recognised as a separate component of equity within the foreign exchange translation reserve

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale

2 22 Investments

Investments held by the Company in its subsidiary undertakings are stated at cost less provision for any impairment in value Impairment reviews are performed if events or changes in circumstances indicate a potential impairment

2 23 Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met usually on submission of a valid claim for payment Government grants are of a revenue nature and are credited to deferred income on receipt They are then deducted from the expenditure to which they relate over time

Notes to the consolidated financial statements

for the year ended 30 June 2016

2 Summary of significant accounting policies (continued)

2 24 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material)

2 25 Exceptional items

These are items which in management s judgement, need to be disclosed by virtue of their size or nature in order for the user to obtain a proper understanding of the financial information

3 Financial risk management

3 1 Financial risk factors

The Group s activities expose it to a variety of financial risks arising from its use of financial instruments credit risk, liquidity risk and market risk

This note describes the Group s objectives policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout these financial statements The Group continues to operate in multiple geographies including the US and Turkey, which will have an increasing impact on the Group's financial risk factors So far there have been no substantive changes in the Group s exposure to financial instrument risks its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note

The principal financial instruments held by the Group from which financial instrument risks arise, are as follows

- trade and other receivables
- cash at bank,
- trade and other payables and
- finance leases

The Board has overall responsibility for the determination of the Group s risk management objectives and policies and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function The Board reviews regular finance reports from the Chief Operating Officer through which it evaluates any risk exposures with a view to minimising any potential adverse effects on the Group s financial performance Transactions that are speculative in nature are expressly forbidden

Details regarding the policies that address financial risk are set out below

(a) Credit risk

Credit risk arises principally from the Group's trade receivables, cash and cash equivalents and short-term investments It is the risk that the counterparty fails to discharge its obligation in respect of the instruments

Trade receivables

The nature of the Group s operations means that most of its current key customers form part of established businesses in the banking and payments sector and mobile network operators sector The credit risks are minimised due to the nature of these customers and the concentration of sales to date within established economies The Group continually reviews its credit risk policy, taking particular account of future exposure to developing markets and associated changes in customers credit risk profiles

The carrying amount in the Statement of Financial Position net of any applicable provisions represents the amount exposed to credit risk and hence there is no difference between the carrying amount and the maximum credit risk exposure

Cash and cash equivalents

The Board formulates the Group s treasury policy objectives and policies which are designed to manage the Group's risk and secure cost-effective funding for the Group's operations These objectives include the requirement to minimise risk on investment funds but maintain flexibility The majority of funds are currently held in a mix of short-term deposit accounts

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Liquidity risk

Liquidity risk arises from the Group's management of working capital It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due

The Group s policy is to ensure that it will always have sufficient cash within the Group (excluding the joint venture companies) to allow it to meet its liabilities when they become due and to have such funds available for its operations Management monitors rolling forecasts of the Group s liquidity reserve which comprises cash and cash equivalents (note 16) on the basis of expected cash flow At the reporting date these projections indicate that the Group expects to have sufficient liquid resources to meet its obligations under all reasonable expected circumstances for the forthcoming year The Group continues to monitor its liquidity position through budgetary procedures and cash flow analysis

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows

	30 June 2016			
	Less than 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	**14,880**	**-**	**285**	**-**
Provisions	**10,864**	**4,851**	**3,165**	**-**
Finance leases	**977**	**892**	**-**	**-**

	30 June 2015			
	Less than 1 year £ 000	Between 1 and 2 years £ 000	Between 2 and 5 years £ 000	Over 5 years £ 000
Trade and other payables	24,607	263	-	-
Financial liabilities at fair value through profit or loss	9,775	-	-	-
Provisions	14,658	9,500	5,700	-
Finance leases	318	269	93	-

(c) Market risk

Market risk arises from the Group s use of interest-bearing and foreign currency financial instruments There is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk)

(i) Interest rate risk

The Group invests its surplus cash in a spread of fixed-rate term bank deposits to minimise risk and maximise flexibility In doing so it limits its exposure to fluctuations in interest rates that are inherent in such a market Overall risk is not regarded as significant and the effect of a one half percentage point decrease in the average interest rate during the year would have resulted in an increase in post-tax loss for the year of £328 000 (2015 increase of £442 000) and a decrease in equity of £328 000 (2015 decrease of £442 000)

(ii) Currency risk

The Group currently operates internationally primarily through its subsidiaries in the US and Turkey The Group has material US Dollar denominated contracts and a material Euro denominated contract operated from the UK As a result, the Group s main exposure to foreign exchange arises from the US Dollar Turkish Lira, Euro and there is some exposure to other currencies The level of risk is reviewed regularly throughout the year Foreign exchange risk arises from future commercial transactions recognised assets and liabilities and net investments

In order to reduce the foreign exchange risk arising, the Group s policy is to allow the operations to settle liabilities denominated in their functional currency with the funds obtained from the activities arising in that currency The Group typically holds funds in US Dollar deposits to meet its anticipated short-term funding requirements for the US subsidiaries Given the current scale and natural hedging of the Group s overseas operations overall foreign currency risk remains relatively low The Group currently considers derivative forward exchange contracts, where appropriate to hedge foreign currency risk on certain forecast and recognised assets and liabilities

A 6% appreciation in the average 2016 US Dollar exchange rate would have increased the Group s loss after tax by £646 000 (2015 increase of £684,000) At 30 June 2016 the effect on retained earnings of a 6% appreciation in the closing US Dollar exchange rate would be an increase of £88,000 (2015 increase of £832 000) The effect on the foreign exchange reserve of a 6% appreciation in the closing US Dollar exchange rate would be an increase of £215 000 (2015 decrease of £529 000)

A 15% appreciation in the average 2016 Turkish Lira exchange rate would have decreased the Group s loss after tax by £102,000 (2015 decrease of £117,000) At 30 June 2016, the effect on retained earnings of a 15% appreciation in the closing Turkish Lira exchange rate would be an increase of £719,000 (2015 increase of £552 000) The effect on the foreign exchange reserve of a 15% appreciation in the closing Turkish Lira exchange rate would be a decrease of £716 000 (2015 decrease of £549,000)

Notes to the consolidated financial statements

for the year ended 30 June 2016

3 Financial risk management (continued)

3 2 Capital risk management

The Group s objective when managing capital is to safeguard the Group s ability to continue as a going concern in order to provide future returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital The Group seeks to maintain, at this stage of its development sufficient funding drawn primarily from equity to enable the Group to meet its working capital and strategic needs The Group may issue new shares or realise value from its existing investments and other assets as deemed necessary

The Group centrally manages borrowings, investment of surplus funds and financial risks The objective of holding financial investments is to provide efficient cash and tax management and effective funding for the Group

4 Critical accounting estimates and judgements

The preparation of the financial statements requires the Group to make estimates judgements and assumptions that affect the reported amounts of assets liabilities revenues and expenses and related disclosure of contingent assets and liabilities The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates under different assumptions or conditions

In the process of applying the Group's accounting policies management has made a number of judgements and estimations of which the following are deemed to have the most significant effect on amounts recognised in the financial statements

4 1 Revenue recognition

Revenue for development and integration services is recognised when the right to consideration is earned as each project progresses Provisions against accrued income are made as and when management becomes aware of objective evidence that the amount of time worked will not be recoverable in full

The Group sometimes enters into agreements with customers where a product licence is bundled with services Revenue is recognised separately for each component if it is considered to represent a separable good or service and a fair value can be reliably established This consideration requires an element of judgement

4 2 Share-based payments

Judgement and estimation are required in determining the fair value of shares at the date of award The fair value is estimated using valuation techniques which take into account the award s term the risk-free interest rate and the expected volatility of the market price of the Company s shares Judgement and estimation are also required to assess the number of options expected to vest Details of share-based payments and the assumptions applied are disclosed in note 25

4 3 Going concern

The Directors have prepared projections of the Group s anticipated future results based on their best judgement and estimation of likely future developments within the business and therefore believe that the assumption that the Group is a going concern is valid The financial information in this report has therefore been prepared on the going concern basis

4 4 Development costs

The Group has capitalised internally generated intangible assets as required in accordance with IAS 38 Management has assessed expected contribution to be generated from these assets and deemed that no adjustment is required to the carrying value of the assets except where disclosed in note 12 The recoverable amount of the assets has been determined based on value in use calculations which require the use of estimates and judgements Management reviews the assets for impairment on a regular basis

4 5 Impairment of assets

IFRS requires management to undertake an annual test for impairment of assets with indefinite lives, including goodwill and for assets with finite lives, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the fair value less costs to sell or net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate In calculating the net present value of the future cash flows certain assumptions are required to be made in respect of highly uncertain matters including management s expectations of growth and discount rates Changing the assumptions selected by management could significantly affect the Group s impairment evaluation and, hence, results The Group's review includes the key assumptions related to sensitivity in the cash flow projections Further details are provided in note 12

4 6 Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised In particular judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income

4 7 Useful economic lives of assets

The Group has reviewed and exercised judgement over the useful economic life of intangible assets and property, plant and equipment This has resulted in a reduction of the useful lives and a corresponding increase in the amortisation charge for certain intangible assets Further details are provided in note 12

4 Critical accounting estimates and judgements (continued)

4 8 Provisions

Management uses judgement to estimate the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation Judgement has been exercised with regard to the length of period for which surplus properties remain vacant Judgement has been exercised in respect of the expected settlement of other onerous contracts Details are set out further in note 20

5 Segmental information

Reportable segments

Monitise s operating segments are reported based on the information reviewed by the chief operating decision maker for the purposes of allocating resources and assessing performance The Board of Directors is the Group s chief operating decision maker

The Board of Directors considers revenue cost of sales operating costs exceptional costs and EBITDA of the Group as a whole when assessing the performance of the business and making decisions about the allocation of resources In addition the Board reviews revenue split by business unit products and geographies to assist with the allocation of resources During the current financial year the Group changed the internal reporting from one operating segment to six in order to more accurately reflect the way that the business now operates and to provide greater insight and focus on each type of activity

The results from continuing operations in the format as provided to the Board has not been reproduced below and can be found in the Statement of Comprehensive Income on page 26

The prior year comparatives have been compiled from the underlying records using best estimates to allocate the results to the new operating segments however the Board managed the Group as one segment during that year The segmental analysis for the current financial year also includes a best estimate allocation of the results prior to the reorganisation to the new business segments

Geographical disclosures

In presenting information on the basis of geography revenue is based on the location of the customers Non-current assets are based on the geographical location of those assets

	Revenues		Non current assets	
	2016 £'000	2015 £ 000	**2016 £ 000**	2015 £ 000
United Kingdom	**41,878**	54,511	**17,798**	63,153
Americas	**18,588**	25,114	**11,868**	142,498
Turkey	**5,166**	4,731	**8,397**	16,549
Europe	**1,476**	2,787	**-**	-
Rest of World	**457**	2,557	**1,800**	1,849
Total	**67,565**	89,700	**39,863**	224,049

Revenue has been allocated to geographical segments based upon the location of the customer

Products and services

	Revenues	
	2016 £'000	2015 £ 000
Product licences	**1,111**	11,875
Platform supply and transactions	**32,830**	33,089
User generated revenue	**33,941**	44,964
Development and integration services	**33,624**	44,736
Total	**67,565**	89 700

Product licences are sales where the customer has the ability to exploit the licensed functionality upon delivery and includes certain term-based and perpetual licences (see note 2 3 for further information)

Revenues derived from single customers whose revenues are 10% or greater than overall Group revenues in either the current or prior financial year are given below

	Revenues	
	2016 £'000	2015 £ 000
External customer	**15,943**	15,855
External customer	**6,680**	8,251

Notes to the consolidated financial statements

for the year ended 30 June 2016

5 Segmental information (continued)

Segment revenues and results

The following is an analysis of the Group s revenue and results by reportable segment for the year ended 30 June 2016

	Americas £'000	Europe £'000	FINKit £'000	Create £'000	MEA £ 000	Content £'000	Unallocated £'000	Total £'000
External revenue	**19,088**	**29,001**	**463**	**4,218**	**5,160**	**9,635**	**-**	**67,565**
Inter-segment revenue	**-**	**1,340**	**-**	**1,504**	**2,916**	**307**	**(6,067)**	**-**
Total revenue	**19,088**	**30,341**	**463**	**5,722**	**8,076**	**9,942**	**(6,067)**	**67,565**
EBITDA	**(3,093)**	**(4,870)**	**(3,827)**	**(1,221)**	**1,050**	**2,745**	**(10,407)**	**(19,623)**
Depreciation amortisation and impairments								**(205,216)**
Other exceptional items								**(3,492)**
Share of loss of joint ventures								**(58)**
Share-based payments								**(16,468)**
Net finance income								**1,775**
Loss before income tax								**(243,082)**

The following is an analysis of the Group s revenue and results by reportable segment for the year ended 30 June 2015

	Americas £ 000	Europe £ 000	FINKit £ 000	Create £ 000	MEA £ 000	Content £ 000	Unallocated £ 000	Total £ 000
External revenue	25 603	45,311	-	7,447	4,731	6,608	-	89,700
Inter-segment revenue	301	471	-	7,009	2,545	261	(10,587)	-
Total revenue	25,904	45,782	-	14,456	7,276	6,869	(10,587)	89,700
EBITDA	(5,219)	(18 334)	(2,323)	1,798	1,082	987	(19,791)	(41 800)
Depreciation amortisation and impairments								(119 196)
Other exceptional items								(34 151)
Share of loss of joint ventures								(3 788)
Share-based payments								(27 977)
Net finance expense								(521)
Loss before income tax								(227,433)

Segment assets and liabilities

The following is an analysis of the Group s assets and liabilities by reportable segment as at 30 June 2016

	Americas £'000	Europe £'000	FINKit £'000	Create £'000	MEA £'000	Content £'000	Unallocated £ 000	Total £'000
Segment operating assets	**7,885**	**43,098**	**582**	**9,922**	**14,092**	**12,088**	**10,267**	**97,934**
Total assets	**7,885**	**43,098**	**582**	**9,922**	**14,092**	**12,088**	**10,267**	**97,934**
Segment operating liabilities	**9,878**	**10,658**	**337**	**5,336**	**690**	**2,187**	**(6,509)**	**22,577**
Deferred tax								**1,021**
Provisions								**18,880**
Financial liabilities								**1,809**
Total liabilities								**44,287**

The following is an analysis of the Group s assets and liabilities by reportable segment as at 30 June 2015

	Americas £ 000	Europe £ 000	FINKit £ 000	Create £ 000	MEA £ 000	Content £ 000	Unallocated £ 000	Total £ 000
Segment operating assets	149,145	79,030	400	33 447	21 209	29,745	27,698	340,674
Total assets	149,145	79,030	400	33,447	21 209	29,745	27,698	340,674
Segment operating liabilities	10,365	28,712	79	5,271	854	4,745	(11 572)	38,454
Deferred tax								10 208
Provisions								29,858
Financial liabilities								10,371
Total liabilities								88,891

6 Operating loss
This is stated after charging/(crediting)

Group	Note	2016 £'000	2015 £ 000
Employee benefit expense	26	**40,857**	72,360
Depreciation	11	**2,814**	4,204
Impairment of property plant and equipment	11	**3,268**	1 501
Amortisation	12	**25,465**	20 671
Impairment of intangible assets	12	**172,728**	92,380
Impairment of investment in joint venture	14	**941**	440
(Profit)/loss on disposal of property plant and equipment		**(35)**	24
Net foreign currency differences		**306**	766
Operating lease expense		**3,832**	4 963

Included within the operating loss is an amount in respect of research and development of £7340 000 (2015 £25,803 000)

Exceptional items comprise

	2016 £'000	2015 £ 000
Exceptional income	**(6,874)**	-
Onerous contracts	**(3,190)**	28 475
Restructuring costs	**8,734**	4,485
Surplus property costs	**4,382**	1,817
Strategic Review and corporate development costs	**440**	1,945
Adjustment to contingent consideration	**-**	1,314
Release of acquisition-related liabilities	**-**	(3,885)
	3,492	34,151

The exceptional income relates to an amount received in respect of a revision to a customer contract

Onerous contracts relate to those contracts under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under it In particular, obligations associated with a number of contracts with a third party IT and business services provider were provided in the prior year The credit for onerous contracts in the current year reflects the settlement of some of these obligations at amounts less than those previously provided

Restructuring costs are associated with a number of restructuring activities undertaken and principally relate to redundancy and termination costs Additionally the associated property restructuring activities resulted in a charge for several onerous property lease contracts

Strategic Review and corporate development costs in the prior year related primarily to professional advisor fees incurred in respect of Monitise's review of its strategy and ownership structure announced on 22 January 2015 Current year costs are associated with a number of corporate development projects

Adjustments to contingent consideration reflect the recalculation of amounts owed to former shareholders of the acquired businesses based on performance related criteria in accordance with acquisition related contracts

The release of acquisition-related acquired liabilities relates to the settlement of a number of historic patent claims associated with the previous acquisition of Monitise Americas, Inc (formerly Clairmail Inc)

The exceptional items are separately disclosed due to their size or nature in order to provide a proper understanding of the financial information

7 Auditors' remuneration
The analysis of the auditors remuneration is as follows

Group	2016 £'000	2015 £ 000
Fees payable to the Company's auditors and their associates for the audit of the Company s annual financial statements	**91**	90
Fees payable to the Company s auditors and their associates for other services to the Group		
The audit of the Company s subsidiaries	**181**	216
Total audit fees	**272**	306
Other services		
Audit-related assurance services	**30**	30
Tax compliance services	**4**	124
Tax advisory services	**224**	186
Other assurance services	**-**	285
Corporate finance services	**-**	275
Total other services	**258**	900
Total fees	**530**	1,206

Included within total auditors remuneration for the year ended 30 June 2015 is an amount of £560 000 associated with the Strategic Review process which has been charged to exceptional items in that year

Notes to the consolidated financial statements

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8 Finance income and expenses

Group	2016 £'000	2015 £'000
Finance income		
Interest income on short-term deposits	**328**	442
Net foreign exchange gains on financing activities	**1,647**	270
	1,975	712
Finance costs		
Interest payable on overdrafts and loans	**(56)**	(28)
Interest payable on finance leases	**(144)**	(85)
Unwind of discount on financial instruments	**-**	(1,120)
	(200)	(1,233)
	1,775	(521)

9 Income tax

Recognised in the Statement of Comprehensive Income

	Note	2016 £'000	2015 £'000
Current tax			
Current tax overseas withholding and other taxes		**(6)**	(20)
Other taxes		**(46)**	(114)
Adjustments in respect of prior years		**-**	3
Total current tax		**(52)**	(131)
Deferred tax			
Origination and reversal of temporary differences	22	**9,763**	4 013
Total deferred tax		**9,763**	4,013
Total tax credit in the Statement of Comprehensive Income		**9,711**	3,882

Reconciliation of effective tax rate

Changes to the UK corporation tax rates were substantively enacted on 18 November 2015 These included reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020 As these charges had been substantively enacted at the balance sheet date their effects are included in these financial statements A further reduction to the main tax rate to 17% from 1 April 2020 was announced in the budget on 16 March 2016 As this change had not been substantively enacted at the balance sheet date, its effect is not included in these financial statements Had this change been applied at the balance date, it would have had no effect on the deferred tax liability or the tax credit

The credit for the year is lower (2015 lower) than the standard rate of corporation tax in the UK of 20% (2015 20 75%) The differences are explained below

	Note	2016 £'000	2015 £'000
Loss before income tax		**(243,082)**	(227,433)
Tax calculated at UK effective tax rate of 20% (2015 20 75%)		**(48,616)**	(47,192)
Effects of			
Expenses not deductible for tax purposes		**37,804**	22,430
Income not subject to tax		**-**	91
Change in unrecognised deferred tax assets		**9,121**	23,263
Use of losses for which a deferred tax asset has not previously been recognised		**(16)**	(197)
Overseas withholding and other taxes		**52**	113
Remeasurement of deferred tax for changes in tax rates	22	**(13)**	451
Effect of different tax rates of subsidiaries operating in other jurisdictions		**(8,055)**	(3,624)
Joint ventures results reported net of tax		**12**	786
Adjustments in respect of prior years		**-**	(3)
Total tax in the Statement of Comprehensive Income		**(9,711)**	(3,882)

10 Loss per share

Basic and diluted

Basic loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of Ordinary shares in issue during the year As the Group is loss-making any share options in issue are considered to be 'anti-dilutive As such there is no separate calculation for diluted loss per share

Details of the loss and weighted average number of shares used in the calculation are set out below

	2016			2015		
	Loss for the year £'000	**Weighted average number of shares (thousands)**	**Loss per share (pence)**	Loss for the year £ 000	Weighted average number of shares (thousands)	Loss per share (pence)
Loss attributable to owners of the parent	**(233,371)**	**2,215,733**	**(10 5)**	(223,551)	2 069,164	(10 8)

11 Property, plant and equipment

Group	Office equipment £ 000	Computer equipment £ 000	Leasehold improvements £ 000	Total £ 000
Cost				
As at 1 July 2014	1,124	9,386	5,137	15,647
Exchange differences	143	14	(23)	134
Additions	460	2,103	358	2 921
Disposals	(479)	(3,214)	(47)	(3,740)
As at 30 June 2015	1,248	8,289	5,425	14,962
Accumulated depreciation and impairment				
As at 1 July 2014	416	4,299	797	5,512
Exchange differences	152	34	(1)	185
Charge	412	2,960	832	4,204
Impairment	-	427	1,074	1,501
Disposals	(462)	(3,209)	(45)	(3 716)
As at 30 June 2015	518	4,511	2,657	7 686
Net book value				
As at 1 July 2014	708	5,087	4 340	10,135
As at 30 June 2015	730	3,778	2,768	7,276
Cost				
As at 1 July 2015	1,248	8,289	5,425	14,962
Exchange differences	138	435	159	732
Additions	4	1,504	127	1 635
Disposals	(319)	(5 439)	-	(5,758)
As at 30 June 2016	**1,071**	**4,789**	**5,711**	**11,571**
Accumulated depreciation and impairment				
As at 1 July 2015	518	4,511	2,657	7,686
Exchange differences	79	139	4	222
Charge	217	2,042	555	2,814
Impairment	325	1,606	1,337	3,268
Disposals	(319)	(5,438)	-	(5,757)
As at 30 June 2016	**820**	**2,860**	**4,553**	**8,233**
Net book value				
As at 1 July 2015	730	3,778	2 768	7,276
As at 30 June 2016	**251**	**1,929**	**1,158**	**3,338**

The impairment charge relates to the write-off of leasehold improvements associated with certain vacated property leases and computer equipment which had become redundant mainly as a consequence of the restructuring activities conducted Fully depreciated and impaired assets have been treated as disposals as they have no residual value

The Company does not have any property plant or equipment

Notes to the consolidated financial statements

for the year ended 30 June 2016

11 Property, plant and equipment (continued)

Property plant and equipment includes the following amounts where the Group is a lessee under a finance lease

	2016			2015		
	Computer equipment £'000	**Leasehold improvements £'000**	**Total £'000**	Computer equipment £ 000	Leasehold improvements £ 000	Total £ 000
Cost	**1,516**	**763**	**2,279**	280	1,022	1,302
Accumulated depreciation	**(471)**	**(357)**	**(828)**	(233)	(348)	(581)
Net book value as at 30 June	**1,045**	**406**	**1,451**	47	674	721

The Group leases various leasehold improvements and computer equipment under non-cancellable finance lease arrangements (see note 21)

The lease terms are between three and five years

12 Intangible assets

Group	Goodwill £ 000	Customer contracts £ 000	Intellectual property rights £ 000	Acquired technology £ 000	Purchased and acquired software licences £ 000	Capitalised development costs £ 000	Total £ 000
Cost							
As at 1 July 2014	196,394	45,694	277	26,744	16,986	36,383	322,478
Exchange differences	8,536	473	-	333	(147)	179	9,374
Additions	-	-	-	-	3,051	29,611	32,662
Disposals	-	-	-	-	(2,007)	-	(2,007)
As at 30 June 2015	204,930	46 167	277	27,077	17 883	66,173	362,507
Accumulated amortisation and impairment							
As at 1 July 2014	1,546	7,997	222	6 936	4,164	13,846	34 711
Exchange differences	1	368	(1)	226	(146)	31	479
Charge	-	6 601	31	5,026	3,803	5,210	20,671
Impairment	40 223	1 853	-	3,365	9,533	37,406	92,380
Disposals	-	-	-	-	(2 007)	-	(2,007)
As at 30 June 2015	41,770	16,819	252	15,553	15,347	56,493	146,234
Net book value							
As at 1 July 2014	194,848	37,697	55	19,808	12,822	22,537	287,767
As at 30 June 2015	163,160	29 348	25	11,524	2,536	9,680	216,273
Cost							
As at 1 July 2015	204,930	46,167	277	27 077	17,883	66,173	362,507
Exchange differences	25,226	5,743	-	2,352	305	1,257	34,883
Additions	-	-	-	-	1,988	6,333	8,321
Disposals	(183,230)	(8,595)	(277)	(6,422)	(11 525)	(4,262)	(214,311)
As at 30 June 2016	**46,926**	**43,315**	**-**	**23,007**	**8,651**	**69,501**	**191,400**
Accumulated amortisation and impairment							
As at 1 July 2015	41,770	16 819	252	15,553	15,347	56,493	146,234
Exchange differences	18,208	4,096	-	1 963	335	527	25,129
Charge	-	15 162	15	6,017	2 253	2,018	25,465
Impairment	162,738	7,464	10	2 200	316	-	172,728
Disposals	(183,230)	(8 595)	(277)	(6,422)	(11,525)	(4,262)	(214,311)
As at 30 June 2016	**39,486**	**34,946**	**-**	**19,311**	**6,726**	**54,776**	**155,245**
Net book value							
As at 1 July 2015	163,160	29 348	25	11,524	2,536	9 680	216,273
As at 30 June 2016	**7,440**	**8,369**	**-**	**3,696**	**1,925**	**14,725**	**36,155**

Fully amortised and impaired assets have been treated as disposals as they have no residual value

During the year the useful economic lives of intangible assets were reviewed within the Group accounting policies As a result, an accelerated amortisation charge of £2 510 000 was recorded in respect of Acquired Technology and £9 148 000 in respect of Customer Contracts

12 Intangible assets (continued)

Software includes the following amounts where the Group is a lessee under a finance lease

	2016 £'000	2015 £ 000
Cost	**883**	-
Accumulated depreciation	**(315)**	-
Net book value as at 30 June	**568**	-

The Company does not have any intangible assets

Impairment in the year

The Group has impaired intangible assets during the year following indications that impairments were required Impairments comprise goodwill and other intangible assets relating to historic acquisitions as well as previously capitalised software and research and development costs where either these technologies or geographies are no longer core to Monitise s future technology strategy in the short term due to market readiness

Impairment tests for goodwill

The Group annually tests goodwill for impairment or more frequently if there are indications that goodwill might be impaired

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating unit (CGU) that is expected to benefit from that business combination The CGUs identified in the current year are the same as those identified in the prior year

The carrying amounts of goodwill at 30 June post impairment and the CGUs to which they are allocated are as follows

	2016 £ 000	2015 £ 000
Americas	**-**	116,629
Content	**2,440**	16,270
Create	**4,000**	24 500
MEA	**1,000**	5,761
	7,440	163,160

In order to determine whether impairments are required the Group estimates the recoverable amount of the CGU or group of CGUs The calculation is based on projecting future cash flows and a discount factor is applied to obtain a value in use which is the recoverable amount

Key assumptions

The value in use calculation includes estimates about the future financial performance of each CGU The cash flow projections cover five years based on management-approved financial budgets for the first year and reflect management's expectations of the medium-term operating performance of the CGU and its growth prospects for the subsequent years Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below

The key assumptions in the value in use calculations are the revenue growth rates which directly influence the forecasted operating cash flows as well as the discount rate applied In determining the key assumptions management has taken into account the current economic climate and the resulting impact on expected growth and discount rates as applicable to the Group s business and industry Average annual revenue growth rates used reflect past experience and are considered appropriate The discount rate applied represents a pre-tax rate that reflects the Group s weighted average cost of capital adjusted for specific risks associated with each individual CGU

Key assumptions used for the value in use calculations are as follows

	2016				2015			
	Americas CGU	**Content CGU**	**Create CGU**	**MEA CGU**	Americas CGU	Content CGU	Create CGU	MEA CGU
Discount rate	**17.0%**	**12 0%**	**16.0%**	**18 0%**	17 0%	12 0%	16 0%	18 0%
Medium-term revenue growth rate	**(16.2%)**	**13 2%**	**9 1%**	**8.7%**	29 0%	17-19%	15 0%	18-21%
Long-term growth rate	**2 3%**	**1.5%**	**2 0%**	**2 5%**	2 5%	2 0%	2 0%	3 5%

Sensitivity analysis

The Group has conducted a sensitivity analysis on the carrying value of goodwill allocated to each CGU The Board has considered downside scenarios including reductions in growth and increases to operating costs The following table sets out the impact of the individual sensitivities on goodwill and other intangible assets

	2016				2015			
	Americas	**Content**	**Create**	**MEA**	Americas	Content	Create	MEA
Sensitised medium term growth rate	**(20.1%)**	**7 1%**	**4.6%**	**5.0%**	-%	10 0%	7 5%	5 0%
Potential impairment	**£3m**	**£-m**	**£1m**	**£5m**	£147m	£20m	£0 5m	£-m
Increase in operating costs	**10.0%**	**10 0%**	**10.0%**	**10.0%**	10 0%	10 0%	10 0%	0 0%
Potential impairment	**£3m**	**£-m**	**£2m**	**£-m**	£-m	£-m	£-m	£-m

The potential impairment stated above reflects the total impairment that would be charged against the assets allocated to that CGU It would first be allocated against goodwill balances summarised above then to other assets allocated to that CGU

Notes to the consolidated financial statements
for the year ended 30 June 2016

13 Investments in subsidiaries

Company only	2016 £'000	2015 £'000
Cost		
As at 1 July	**250,382**	247,829
Capital contributions relating to share-based payments	**(124)**	2,553
As at 30 June	**250,258**	250,382
Provision		
As at 1 July	**63,199**	-
Increase in provision	**153,600**	63,199
As at 30 June	**216,799**	63,199
Net book amount		
As at 30 June	**33,459**	187,183

Investments in subsidiaries are recorded at cost which is the fair value of the consideration paid and this cost is tested periodically for impairment As a consequence of the organisational changes conducted during the current and prior financial years the Company provided for a number of investments in subsidiary companies

The capital contribution relating to share-based payments relates to share options granted by the Company to employees of subsidiary undertakings in the Group The capital contribution is a credit in the current year representing the impact of employees leaving the Group

A full list of the undertakings whose results or financial position are included within the Company s annual financial statements is set out below

Name	Country of incorporation (or registration) and operation	Registered number	Proportion of voting rights and ordinary share capital held	Nature of business
Direct subsidiary undertakings				
Monitise Group Limited	United Kingdom	05590897	100%	Intermediate holding company
Monitise Emerging Markets Limited[1]	United Kingdom	06733473	100%	Intermediate holding company
Monitise Yazılım A S	Turkey		100%	Mobile phone banking payments and commerce services
PT Monitise Mobile Indonesia	Indonesia[2]		100%	Mobile phone banking payments and commerce services
Monitise Asia Pacific Limited	Hong Kong[2]		100%	Mobile phone banking payments and commerce services
The Global Voucher Group Limited	United Kingdom	09051128	100%	Digital marketing solutions
Indirect subsidiary undertakings				
Monitise Europe Limited	United Kingdom	04831976	100%	Mobile phone banking payments and commerce services
Monitise International Limited	United Kingdom	05556711	100%	Mobile phone banking payments and commerce services
Monitise Americas, Inc	USA		100%	Mobile phone banking, payments and commerce services
Monitise Create Limited	United Kingdom	07043006	100%	Mobile innovation and design agency
Grapple Mobile USA Inc	USA		100%	Mobile innovation and design agency
Monitise Inc	USA		100%	Intermediate holding company
Monitise Cyprus Holdings No 1 Limited	Cyprus		100%	Intermediate holding company
Monitise Cyprus Holdings No 2 Limited	Cyprus		100%	Intermediate holding company
eMerit Solutions Ltd	United Kingdom	07190106	100%	Intermediate holding company
Last Second Ticketing Ltd	United Kingdom	07034839	100%	Digital marketing solutions
Mobile Money Network Limited	United Kingdom	07153130	100%	Non-trading
Vouchacha Ltd	United Kingdom	06930720	100%	Non-trading
Grapple Mobile Limited	United Kingdom	05814266	100%	Non-trading
eMerit Solutions (UK) Ltd	United Kingdom	07741101	100%	Non-trading
Monitise Africa (UK) Limited	United Kingdom	06750077	100%	Non-trading
Monitise Americas LLC	USA		100%	Non-trading
Monitise Singapore Private Limited (in liquidation)	Singapore		100%	In members voluntary liquidation
Monitise Solutions (HK) Ltd	Hong Kong		100%	Non-trading
Monitise Hong Kong Ltd	Hong Kong		100%	Non-trading

[1] exemption from audit for a subsidiary undertaking has been claimed for this company under Section 479C of the Companies Act 2006

[2] includes indirect holdings

14 Investments in joint ventures

Group	2016 £'000	2015 £'000
Cost		
As at 1 July	**940**	529
Additional investments	**500**	4,219
Share of losses	**(395)**	(3,788)
Exchange differences	**(1)**	(20)
As at 30 June	**1,044**	940
Provision for impairment		
As at 1 July	**440**	-
Increase in provision	**941**	440
Utilisation of impairment provision	**(337)**	-
As at 30 June	**1,044**	440
Net book amount		
As at 30 June	**-**	500

The carrying amount of the investment comprises the cost of the investment together with the Group's share of post-acquisition losses The Group's share of losses of joint ventures included in the Consolidated Statement of Comprehensive Income is stated after the utilisation of the impairment provision

Movida India Private Limited
On 22 June 2010 the Group set up a joint venture in India with Visa International Services Association via Monitise Cyprus Holdings No 2 Limited an intermediate Group holding company diluting its 100% shareholding of Monitise India Private Limited a company incorporated in India to a 50% shareholding Monitise India Private Limited provided mobile phone-initiated banking and payments services in India On 19 July 2011 Monitise India Private Limited changed its name to Movida India Private Limited In March 2015 it was decided to wind down this joint venture and consequently, an impairment charge of £440,000 was recorded in the year ended 30 June 2015 of this impairment provision an amount of £337000 was utilised during the year to reflect the Group's share of losses Movida India Private Limited is a private company and there is no quoted market price available for its shares

Syntheo Limited
On 30 June 2015 the Group entered into an agreement to set up a joint venture with Banco Santander purchasing a 50% share in Syntheo Limited, a company incorporated in England and Wales Syntheo Limited was established to invest in FinTech businesses with the potential to redefine and support financial services globally During the year ended 30 June 2015 the Group recognised revenue of £5 042 000 from Syntheo Limited and as a result had provided for unrealised losses of £2 500 000 in that year During the year ended 30 June 2016, the Group recorded a provision of £941,000 against the remaining investment for this entity Syntheo Limited is a private company and there is no quoted market price available for its shares

Summarised financial information for joint ventures
Summarised balance sheet

	2016 £'000	2015 £'000
Current		
Cash and cash equivalents	**1,066**	682
Other current assets	**63**	75
Total current assets	**1,129**	757
Other current liabilities (including trade payables)	**(19)**	(201)
Total current liabilities	**(19)**	(201)
Non-current		
Assets	**6,000**	6,328
Net assets	**7,110**	6,884

Notes to the consolidated financial statements

for the year ended 30 June 2016

14 Investments in joint ventures (continued)

Summarised financial information for joint ventures (continued)

Summarised statement of comprehensive income

	2016 £'000	2015 £'000
Revenue	**270**	2
Depreciation and amortisation	**(166)**	(726)
Interest income	**7**	32
Interest expense	**-**	(62)
Pre-tax loss	**(852)**	(3,296)
Income tax expense	**42**	-
Post-tax loss	**(810)**	(3 296)
Other comprehensive income	**-**	-
Total comprehensive expense	**(810)**	(3,296)
Dividends received from joint venture	**-**	-

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures (and not the Group s share of those amounts)

Reconciliation of summarised financial information

The reconciliation of summarised financial information presented to the carrying amount of the interest in joint ventures is as follows

	2016 £'000	2015 £'000
Net assets at 1 July	**6,884**	1,747
Additional investments	**1,000**	8 437
Loss for the year	**(810)**	(3,296)
Exchange differences	**36**	(4)
Net assets at 30 June	**7,110**	6,884
Group interest in joint ventures	**3,555**	3 442
Provision for unrealised profits on transactions with joint ventures	**(2,500)**	(2,502)
Impairment of investments in joint ventures	**(1,055)**	(440)
Carrying value	**-**	500

15 Trade and other receivables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Due within one year				
Trade receivables	**8,264**	13,489	**-**	-
Less provision for impairment of trade receivables	**(1,031)**	(376)	**-**	-
Trade receivables - net	**7,233**	13,113	**-**	-
Other taxes and social security	**1,465**	1,912	**-**	23
Other receivables	**243**	1,357	**-**	11
Accrued income	**3,533**	5,434	**8**	38
Prepayments	**3,496**	6,008	**196**	8
Amounts due from Group undertakings	**-**	-	**79**	3,506
Prepayments and other receivables	**8,737**	14,711	**283**	3,586
Total trade and other receivables due within one year	**15,970**	27,824	**283**	3,586
Due after one year				
Other debtors	**370**	-	**-**	-
Total other receivables	**370**	-	**-**	-

The maximum exposure to credit risk at 30 June 2016 is the carrying value of each class of receivables mentioned above In determining the recoverability of trade receivables, the Group considers the ageing of each debtor and any change in the circumstances of the individual receivable Due to this management believes there is no further credit risk provision required in excess of that stated above for doubtful receivables Other receivables principally comprise deposits and employee related amounts

15 Trade and other receivables (continued)

Included in accrued income falling due within one year is an amount of £500 000 (2015 £980 000) which relates to payments for a product licence

Amounts due from group undertakings relate to working capital funding As a consequence of the organisational changes conducted, the Company provided for a number of receivables from subsidiary companies that are not considered to be recoverable

The value of trade and other receivables quoted in the table above also represents the fair value of these items

Trade receivables are considered impaired if they are not considered recoverable As at 30 June 2016, trade receivables of £1 459 000 (2015 £1 927 000) were past due but not impaired The Group considers any change in the credit quality of trade receivables from the date credit was initially granted up to the reporting date The concentration of credit risk is limited due to the quality of the customer base

The ageing analysis of trade receivables and impairment is as follows

	2016		2015	
	Trade receivables £'000	**Impairment provision £'000**	Trade receivables £ 000	Impairment provision £ 000
Current and not impaired	**5,774**	**-**	11,186	-
Up to 3 months	**1,624**	**(252)**	465	-
3 to 6 months	**246**	**(164)**	1,433	-
Over 6 months	**620**	**(615)**	405	(376)
	8,264	**(1,031)**	13 489	(376)

The carrying amounts of the Group s trade and other receivables are denominated in the following currencies

	2016 £'000	2015 £ 000
Pounds Sterling	**11,797**	19,720
US Dollars	**2,068**	5 266
Turkish Lira	**923**	2,056
Euros	**620**	141
Indonesian Rupiah	**521**	630
Canadian Dollars	**41**	1
Hong Kong Dollars	**-**	10
	15,970	27,824

Movements on the Group provision for impairment of trade receivables are as follows

	2016 £'000	2015 £ 000
As at 1 July	**376**	625
Movement in provision	**655**	(249)
As at 30 June	**1,031**	376

There are no other financial assets that are past due or impaired

16 Cash and cash equivalents

	Group		Company	
	2016 £'000	2015 £ 000	**2016 £'000**	2015 £ 000
Cash at bank and in hand	**42,089**	88,801	**15,832**	42,320

17 Net funds

		Group		Company	
	Note	**2016 £'000**	2015 £ 000	**2016 £'000**	2015 £ 000
Cash at bank and in hand	16	**42,089**	88,801	**15,832**	42,320
Finance leases	21	**(1,809)**	(596)	**-**	-
Net funds		**40,280**	88 205	**15,832**	42,320

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18 Related parties

Group

Joint ventures

Movida India Private Limited

The Group has a 50% interest in a joint venture Movida India Private Limited During the year revenue of £nil (2015 £714 000) was recognised and costs of £nil (2015 £nil) were recharged to Movida India Private Limited The Group provided a capital contribution of £nil (2015 £1194 000) The outstanding receivable balance at 30 June 2016 was £nil (2015 £183 000) in trade receivables

Syntheo Limited

The Group has a 50% interest in a joint venture, Syntheo Limited, which was incorporated on 12 June 2015 During the year revenue of £nil (2015 £5 042,000) was recognised and costs of £nil (2015 £nil) were charged to Syntheo Limited The Group provided a capital contribution of £500,000 (2015 £3 025 000)

Further details on investments in joint ventures are included in note 14

Key management personnel

The compensation of key management personnel being Directors members of the Executive Management team and senior technical staff, was as follows

	2016 £'000	2015 £ 000
Short-term employee benefits	**3,605**	4,781
Post-employment benefits	**95**	71
Share-based payments	**430**	3,609
	4,130	8,461

Details regarding Directors emoluments can be found in the Directors remuneration report on pages 20 to 22

Company

Subsidiaries

The Company was recharged £2,329 000 (2015 £3,255,000) by subsidiaries for administration costs incurred on its behalf Amounts receivable from subsidiaries total £79 000 (2015 £3 506 000) which are payable on demand

19 Trade and other payables

	Group		Company	
	2016 £'000	2015 £ 000	2016 £'000	2015 £ 000
Due within one year				
Trade payables	**4,337**	11,534	**220**	91
Other taxes and social security	**2,407**	3,671	**-**	11
Accruals	**9,709**	12 002	**1,783**	762
Deferred income	**4,340**	6,216	**-**	-
Other payables	**834**	1,071	**2**	-
Amounts due to Group undertakings	**-**	-	**3,204**	4,634
Other payables due within one year	**17,290**	22,960	**4,989**	5,407
Trade and other payables due within one year	**21,627**	34 494	**5,209**	5 498
Due after one year				
Other payables	**285**	263	**-**	-
Deferred income	**665**	3,673	**-**	-
Other payables due after one year	**950**	3,936	**-**	-
Total trade and other payables	**22,577**	38,430	**5,209**	5 498

Trade and other payables principally comprise amounts outstanding for trade purchases ongoing costs and transfer from provisions The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms The Directors consider that the carrying amount of trade payables approximates to their fair value

20 Provisions

Group	Group: Re-organisation £'000	Group: Onerous contracts £'000	Group: Total £'000	Company: Re-organisation £'000	Company: Total £'000
As at 1 July 2015	-	29,858	29 858	-	-
Additional provisions in the year	5,602	10,068	15,670	1,128	1,128
Release of provision	(34)	(8,227)	(8,261)	-	-
Utilisation of provision	(3 393)	(15 493)	(18,886)	(410)	(410)
Exchange differences	28	471	499	-	-
As at 30 June 2016	**2,203**	**16,677**	**18,880**	**718**	**718**

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Due within one year	**10,864**	14,658	**565**	-
Due after one year	**8,016**	15,200	**153**	-

The additional provision for onerous contracts relates to those contracts under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under it These include provision for surplus properties as a result of the reorganisations undertaken and obligations associated with a number of contracts with a third party IT and business services provider Additionally, provision has been made for the ongoing costs of closing the Group s Far East investments and the finalisation of the restructuring activities

The release of provisions related to the successful renegotiation of onerous contracts which had been provided for in the prior year

21 Financial liabilities

	Note	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Due within one year					
Financial liabilities at fair value through profit or loss	23	-	9 775	-	9,775
Finance leases		**1,002**	261	-	-
Financial liabilities due within one year		**1,002**	10,036	-	9,775
Due after one year					
Finance leases		**807**	335	-	-
Financial liabilities due after one year		**807**	335	-	-
Total financial liabilities		**1,809**	10,371	-	9,775

The Group has leased certain of its office furniture and equipment and computer hardware under finance leases The average lease term is between three to five years The Group has options to purchase the equipment for a nominal amount at the end of the lease terms The Group's obligations under finance leases are secured by the lessors title to the leased assets

Financial liabilities include amounts in respect of contingent consideration on acquisitions which are determined on certain performance criteria

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2% to 14% per annum (2015 3% to 15%) Finance lease liabilities are payable as follows

	Future minimum lease payments 2016 £'000	Future minimum lease payments 2015 £'000	Present value of minimum lease payments 2016 £'000	Present value of minimum lease payments 2015 £'000
Less than one year	**977**	318	**1,002**	261
Between one and five years	**892**	362	**807**	335
	1,869	680	**1,809**	596
Less future finance charges	**(60)**	(84)	-	-
Present value of minimum lease payments	**1,809**	596	**1,809**	596

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22 Deferred tax

The movement in the deferred income tax assets/(liabilities) during the year is as follows

Group	Note	2016 £'000	2015 £'000
As at 1 July		**(10,208)**	(13,931)
Credited to Consolidated Statement of Comprehensive Income	9	**9,763**	4 013
Charged to other comprehensive income – exchange differences		**(576)**	(290)
As at 30 June		**(1,021)**	(10,208)

The movement in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows

Group	2016 Tax losses £'000	2015 Tax losses £'000
Deferred tax assets		
As at 1 July	**2,683**	4,793
Credit/(charge) to Consolidated Statement of Comprehensive Income	**701**	(2,110)
As at 30 June	**3,384**	2,683

Group	2016 Acquisition related intangible assets £'000	2016 Capitalised development costs £'000	2016 Total £'000	2015 Acquisition related intangible assets £'000	2015 Capitalised development costs £'000	2015 Total £'000
Deferred tax liabilities						
As at 1 July	**10,208**	**2,683**	**12,891**	13,931	4,793	18,724
(Credit)/charge to Consolidated Statement of Comprehensive Income	**(9,750)**	**701**	**(9,049)**	(4 464)	(2,110)	(6 574)
Effect of change in tax rates	**(13)**	**-**	**(13)**	451	-	451
Exchange differences	**576**	**-**	**576**	290	-	290
As at 30 June	**1,021**	**3,384**	**4,405**	10 208	2,683	12 891

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes

	2016 £'000	2015 £000
Deferred tax assets	**-**	-
Deferred tax liabilities	**(1,021)**	(10,208)
	(1,021)	(10,208)

The timing of the recoverability/(settlement) of the deferred tax assets/(liabilities) is set out below

	2016 Due within one year £'000	2016 Due after one year £'000	2016 Total £'000	2015 Due within one year £000	2015 Due after one year £000	2015 Total £000
Deferred tax assets	**-**	**3,384**	**3,384**	–	2,683	2,683
Deferred tax liabilities	**(1,021)**	**(3,384)**	**(4,405)**	(2 874)	(10,017)	(12 891)
	(1,021)	**-**	**(1,021)**	(2,874)	(7,334)	(10,208)

The amount of unutilised trading tax losses at 30 June 2016 for which a deferred tax asset has been recognised is £nil (2015 £nil)

The Group has unrecognised deferred tax assets of approximately £79 000,000 (2015 £79 000,000) that are available for offset against future taxable profits of the companies in which the losses arose Deferred tax assets have not been recognised in respect of these losses where it is the view of the Directors that future taxable profits are not deemed probable to be available in the short term to offset against these losses

Details of changes to tax rates are included in note 9

23 Financial instruments

Accounting classification of financial assets and liabilities

Group	Loans and receivables £ 000	Fair value through profit and loss £ 000	Other financial liabilities at amortised cost £ 000	Total £ 000
As at 30 June 2016				
Cash and cash equivalents	**42,089**	-	-	**42,089**
Trade & other receivables excluding non-financial assets	**7,476**	-	-	**7,476**
Trade & other payables excluding non-financial liabilities	-	-	**(7,863)**	**(7,863)**
Finance lease liabilities	-	-	**(1,809)**	**(1,809)**
Total	**49,565**	-	**(9,672)**	**39,893**
As at 30 June 2015				
Cash and cash equivalents	88,801	-	-	88,801
Trade & other receivables excluding non-financial assets	14 470	-	-	14,470
Trade & other payables excluding non-financial liabilities	-	-	(16 539)	(16 539)
Contingent consideration liabilities	-	(9,775)	-	(9,775)
Finance lease liabilities	-	-	(596)	(596)
Total	103 271	(9,775)	(17,135)	76,361

Company	Loans and receivables £ 000	Fair value through profit and loss £ 000	Other financial liabilities at amortised cost £ 000	Total £ 000
As at 30 June 2016				
Cash and cash equivalents	**15,832**	-	-	**15,832**
Trade & other receivables excluding non-financial assets	**79**	-	-	**79**
Trade & other payables excluding non-financial liabilities	-	-	**(3,426)**	**(3,426)**
Total	**15,911**	-	**(3,426)**	**12,485**
As at 30 June 2015				
Cash and cash equivalents	42,320	-	-	42,320
Trade & other receivables excluding non-financial assets	3,517	-	-	3 517
Trade & other payables excluding non-financial liabilities	-	-	(4,725)	(4,725)
Contingent consideration liabilities	-	(9 775)	-	(9,775)
Total	45 837	(9,775)	(4,725)	31,337

Fair value hierarchy

The table below analyses financial instruments carried at fair value by the levels in the fair value hierarchy The different levels have been defined as follows

Level 1 quoted prices (unadjusted) in active markets for identical liabilities

Level 2 inputs other than quoted prices included within Level 1 that are observable for the liability either directly (e g as prices) or indirectly (e g derived from prices)

Level 3 inputs for the liability that are not based on observable market data

	2016		2015	
	Level 3 £ 000	**Total £'000**	Level 3 £ 000	Total £ 000
Group				
As at 30 June				
Contingent consideration liabilities	-	-	(9,775)	(9,775)
Total	-	-	(9,775)	(9,775)
Company				
As at 30 June				
Contingent consideration liabilities	-	-	(9,775)	(9,775)

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for the year ended 30 June 2016

23 Financial instruments (continued)

Level 3 financial instruments

Contingent consideration liabilities are valued using an income approach based on expected future revenue and earnings The fair value of these liabilities could change based on the expected future performance of the business to which they relate The following table presents the changes in level 3 instruments

	2016 £'000	2015 £ 000
As at 1 July	**9,775**	14 556
Settlement of contingent consideration	**(9,775)**	(7,311)
Change in fair value recognised in the Consolidated Statement of Comprehensive Income	**-**	2 530
As at 30 June	**-**	9,775

The contingent consideration liability at 30 June 2015 has been settled subsequent to that year end at the amount included above

24 Ordinary shares, share premium and other reserves

Allotted and fully paid £0 01 nominal value shares

	Number of shares	Ordinary shares £ 000	Share premium £ 000
As at 1 July 2014	1,944,806,182	19,448	336,990
Issue of new shares	207,269,385	2,072	47,639
Exercise of share options and warrants	16,155,869	162	717
Cost of share issue	-	-	(1,625)
As at 1 July 2015	2,168,231,436	21,682	383,721
Issue of new shares	79,091,540	791	-
Exercise of share options and warrants	4,620,037	46	-
As at 30 June 2016	**2,251,943,013**	**22,519**	**383,721**

Reconciliation of shares issued

	Number of shares	Ordinary shares £ 000	Ordinary shares to be issued £ 000	Share premium £ 000	Merger reserve £ 000	Total £ 000
As at 1 July 2014	1 944,806,182	19,448	2,511	336,990	221,539	580,488
December 2014 placing	161 327,150	1,613	-	45,966	-	47,579
Employee share-based payment exercises	16,155,869	162	-	717	-	879
Share-based payments to non-employees	97,922	1	-	48	-	49
Issue of shares relating to prior year business combinations	45,844,313	458	-	-	7,133	7,591
As at 1 July 2015	2,168,231,436	21,682	2,511	383,721	228,672	636,586
Employee share-based payment exercises	4,620,037	46	-	-	-	46
Issue of shares relating to prior year business combinations	79,091 540	791	-	-	9 511	10,302
As at 30 June 2016	**2,251,943,013**	**22,519**	**2,511**	**383,721**	**238,183**	**646,934**

Share capital and share premium

In December 2014 the Group issued 161 327150 new Ordinary shares through a placing with Santander Telefónica and MasterCard

During the current year 4 620 037 (2015 16 155 869) new Ordinary shares were issued as part of an exercise of share options and warrants (see note 25) and a further nil (2015 97,922) new Ordinary shares were issued to non-employees in lieu of services provided to the Group

During the current year, 79 091 540 (2015 45,844,313) new Ordinary shares were issued in relation to prior year business combinations

During the current year the company issued warrants over 3m Ordinary shares of 1p each in the Company at a price of 2 83p each

Ordinary shares to be issued

Ordinary shares to be issued represents the future issue of shares in respect of the settlement of deferred consideration for the acquisition of The Global Voucher Group Limited including the trade and certain assets and liabilities of Markco Media on 26 June 2014 On 7 July 2016 the Company issued 43 770 351 shares in respect of the finalisation of this acquisition

Other reserves

The merger reserve of £238 183 000 (2015 £228 672 000) relates to the de-merger from Morse plc the previous parent company of the Monitise Group of companies and acquisitions where the consideration has been share-based

Relating to acquisitions the difference between the fair value of consideration and the nominal value of shares issued has been credited to the merger reserve on issue of the shares with a transfer from the Ordinary shares to be issued reserve where necessary

24 Ordinary shares, share premium and other reserves (continued)

Other reserves (continued)

The reverse acquisition reserve of £25 321 000 (2015 £25 321 000) was also created at the time of the de-merger Under IFRS 3 "Business Combinations , this transaction was accounted for as a reverse acquisition with the legal subsidiary having been deemed to have acquired the legal parent

The foreign currency translation reserve is used to record exchange differences arising from the translation of foreign subsidiaries and investments in joint ventures

The Group share-based payment reserve at 30 June 2016 is £56,587,000 (2015 £40,863 000) and is discussed in detail in note 25

For the purposes of presentation on the Consolidated and Company Statement of Financial Position the share-based payment reserve merger reserve and reverse acquisition reserve have been combined and disclosed as Other reserves

25 Share-based payments

Equity-settled share-based payments plans

The Group operates a number of equity-settled share-based payment plans A summary of the main terms of the arrangements is given below with particular reference made to the terms of those grants for which the share-based payment expense has been recognised

The Group recognised total expenses in relation to share-based payments as follows

	2016 £'000	2015 £ 000
Equity-settled share-based payments	**(3,612)**	5 834
Share-based payments for prior business combinations	**20,080**	22,094
Share issue charges to non-employees in lieu of services provided to the Group	**-**	49
Total	**16,468**	27,977

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

	2016		2015	
Group	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
As at 1 July	**100,994,594**	**5.9p**	104,137,670	5 8p
Granted	**111,968,107**	**1 4p**	24,160,743	7 2p
Exercised	**(4,620,037)**	**1 0p**	(16,155 869)	5 3p
Lapsed	**(92,622,811)**	**3 6p**	(11,147,950)	10 0p
As at 30 June	**115,719,853**	**3.4p**	100,994,594	5 9p

The weighted average share price at the date of exercise for options exercised during the year was 3 5p (2015 28 3p) At 30 June 2016 13 394 084 options were exercisable (2015 14 916 331) The weighted average exercise price of exercisable options was 20 8p (2015 11 0p) Options outstanding at 30 June 2016 have a range of exercise prices of 1 0p to 45 6p (2015 1 0p to 45 6p)

Sharesave Scheme (SAYE)

The Monitise Sharesave Scheme enables UK staff to acquire shares in the Company through monthly savings of up to £500 over a three year period, at the end of which and subject to interest rates in effect they also receive a tax free bonus The savings and bonus may then be used to purchase shares at the option price which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares For the option to vest staff must remain as employees of Monitise over a three year period and continue to contribute

In calculating the fair value of the SAYE scheme the Group has used a Black Scholes model and an assumption of a nil dividend yield The following table sets out the other assumptions made during the current and comparative years

Grant date	9 Nov 2015	18 Nov 2014
Share price at issue date	3 6p	29 8p
Exercise price	2 2p	21 8p
Fair value per option	2 4p	13 4p
Number granted	31,169,819	6,767,585
Risk free rate used in valuation	0 91%	0 91%
Volatility used in valuation	87 0%	54 3%
Expected life (years)	3 06	3 03
Expected exercise date used in valuation	1 Dec 2018	1 Dec 2017

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25 Share-based payments (continued)

Equity-settled share-based payments plans (continued)

Performance Share Plan ('PSP')

A Performance Share Plan is in place Options over shares may be awarded conditional on the achievement of performance conditions with vesting typically after three years subject to the staff remaining employed by the Group, or may be awarded under this plan with no performance conditions such that for the option to vest, staff must remain as employees of Monitise over the vesting period

On the acquisition of Monitise Americas Inc (previously Clairmail Inc) outstanding options held by Monitise Americas Inc employees were replaced by PSP share options over Monitise plc shares These PSP options vested over their original vesting periods as granted The portion of the provisional fair value of these options relating to pre-acquisition service was included in the acquisition consideration The Group recognises a share-based payment charge in the Consolidated Statement of Comprehensive Income over the remainder of the vesting period

On 26 May 2015 the Group modified a number of the unvested PSP awards with share price linked performance conditions Performance conditions were amended such that in order for the options to vest the Group must achieve set targets for revenue, EBITDA and for some grants user numbers Vesting periods were extended and clawback and malus conditions introduced The incremental fair value of the awards as a result of these modifications was £185 000 The incremental fair value is measured by comparing the fair value of the instrument immediately before and immediately after the modification

Alongside the awards made during the year ended 30 June 2016 certain awards from previous years were cancelled in order to maximise the effectiveness of current incentives whilst operating within available headroom constraints

Assumptions used in the valuation of share-based payment arrangements

In calculating the fair value of equity-settled share-based payment arrangements the Group has used a Monte Carlo model in cases where market-based performance conditions have to be met and the Black Scholes model where the share option has only non-market conditions Management has made a number of assumptions in respect of the calculation of an IFRS 2 charge for the Monitise Group s employee share option schemes

The expected life of the options is the average period to exercise which has been assumed to occur and is not necessarily indicative of exercise patterns that may occur Volatility was calculated with reference to similar FTSE AIM entities and the historical performance of the Company which may not necessarily be the actual outcome The risk free interest rate is the expected return on UK Gilts over the expected term of the options

Performance conditions

Except as detailed in the table below for certain options issued vesting of the Performance Share Plan is now dependent on performance conditions based on achievement of certain revenue, EBITDA and user number targets The Remuneration Committee also reserves the right to reduce the number of Ordinary shares over which awards vest if overall financial performance is not adequately reflected in the targets achieved

The following table sets out the assumptions for schemes with revenue EBITDA and user number vesting hurdles In calculating the fair value of these a Black Scholes model and an assumption of a nil dividend yield have been used

Grant/modification date	26 May 2015 (Modified)	26 May 2015 (Modified)	21 Apr 2015 (Grant)
Share price at issue date	10 0p	10 0p	14 0p
Exercise price	1.0p	1 0p	1 0p
Fair value per option	9 1p	9 1p	11 5p
Number granted/modified	26 850,836	21,810 332	3,000,000
Risk free rate used in valuation	0 90%	0 66%	0 79%
Volatility used in valuation	63 8%	68 5%	62 45%
Expected life (years)	3 53	2 53	3 62
Expected exercise date used in valuation	3 Dec 2018	4 Dec 2017	3 Dec 2018

The following table sets out the assumptions for schemes with revenue and EBITDA vesting hurdles In calculating the fair value of these a Black Scholes model and an assumption of a nil dividend yield have been used

Grant/modification date	17 Mar 2016 (Grant)	2 Oct 2015 (Grant)	26 May 2015 (Modified)
Share price at issue date	2 7p	2 9p	10 0p
Exercise price	1 0p	1 0p	1 0p
Fair value per option	2 1p	2 2p	9 0p
Number granted/modified	44 654,500	25,770,000	14,715,332
Risk free rate used in valuation	0 48%	0 72%	0 55%
Volatility used in valuation	95 2%	86 2%	79 4%
Expected life (years)	3 00	3 17	1 53
Expected exercise date used in valuation	17 Mar 2019	2 Dec 2018	5 Dec 2016

25 Share-based payments (continued)

Performance conditions (continued)

The following table sets out the assumptions for schemes where employees must only remain with Monitise for the options to vest In calculating the fair value of these a Black Scholes model and an assumption of a nil dividend yield have been used

Grant date	30 Jun 2016	17 Mar 2016	2 Oct 2015	19 Dec 2014	26 Sep 2014	26 Sep 2014
Share price at issue date	2 7p	2 7p	2 9p	26 0p	30 3p	30 3p
Exercise price	1 0p	2 2p	1 0p	21 8p	1 0p	1 0p
Fair value per option	2 1p	1 7p	2 2p	14 4p	29 3p	29 3p
Number granted	2,725,000	1,168,788	6 480,000	468 158	75,000	75,000
Risk free rate used in valuation	0 17%	0 48%	0 72%	0 86%	1 10%	0 77%
Volatility used in valuation	95 6%	95 2%	86 2%	55 0%	53 5%	57 6%
Expected life (years)	2 71	2 71	3 17	2 95	2 75	1 75
Expected exercise date used in valuation	17 Mar 2019	1 Jun 2019	2 Dec 2018	1 Dec 2017	26 Jun 2017	26 Jun 2016

The following table sets out the assumptions for schemes with share price vesting hurdles of between 75p and 95p In calculating the fair value of these a Monte Carlo model and an assumption of a nil dividend yield have been used

Grant date	15 Sep 2014	15 Sep 2014
Share price at issue date	44 0p	44 0p
Exercise price	1 0p	1 0p
Fair value per option	17 9p	19 1p
Number granted	4,000,000	9,700,000
Risk free rate used in valuation	1 23%	1 23%
Volatility used in valuation	50 4%	50 4%
Expected life (years)	3 00	3 00
Expected exercise date used in valuation	15 Sep 2017	15 Sep 2016

26 Employee benefit expense and Directors' emoluments

Group

	2016 £ 000	2015 £ 000
Employees (including Directors)		
Wages and salaries	**37,696**	57,116
Social security costs	**5,649**	7,910
Share-based payments	**(3,612)**	5,834
Other pension costs	**1,124**	1,500
	40,857	72,360
Monthly average number of employees (including Directors)		
Management and administration	**81**	138
Sales and technical	**554**	811
	635	949

The Group has defined contribution pension schemes available to all employees

Company

Directors' emoluments	2016 £'000	2015 £ 000
Aggregate emoluments	**770**	1 816
Gain made on exercise of share options	**6**	653
Pension contributions	**23**	50
	799	2,519

Emoluments of the highest paid Director	2016 £ 000	2015 £ 000
Aggregate emoluments including £5 550 (2015 £652,500) in respect of gain made on exercise of share options	**332**	979
Pension contributions	**18**	17
Total	**350**	996

The number of Directors who were accruing benefits under defined contribution schemes during the year was three (2015 five) Further information in respect of individual Director emoluments is given in the Directors remuneration report on pages 20 to 22

Notes to the consolidated financial statements

for the year ended 30 June 2016

27 Reconciliation of net loss to net cash used in operating activities

	Group		Company	
	2016 £'000	2015 £ 000	**2016 £'000**	2015 £ 000
Loss before income tax	**(243,082)**	(227,433)	**(201,627)**	(438,432)
Adjustments for				
Depreciation and impairments to property plant and equipment	**6,082**	5,705	**-**	-
Amortisation and impairments to intangible assets	**198,193**	113,051	**-**	-
Impairment of investments in joint ventures	**941**	440	**-**	-
Share-based payments	**16,468**	27,977	**17,704**	23,996
(Profit)/loss on disposal of property plant and equipment	**(35)**	24	**-**	-
Finance (costs)/income - net	**(1,775)**	521	**(257)**	(370)
Exceptional costs	**3,492**	34,151	**179,865**	411,204
Share of post-tax loss of joint ventures	**58**	3,788	**-**	-
Operating cash flows before movements in working capital	**(19,658)**	(41,776)	**(4,315)**	(3,602)
Decrease/(increase) in receivables	**15,292**	9,055	**(21,480)**	(90,388)
Decrease in payables	**(19,100)**	(16 968)	**(449)**	(5,090)
Increase/(decrease) in provisions	**1,597**	(656)	**(18)**	-
Cash used in operations	**(21,869)**	(50 345)	**(26,262)**	(99,080)

Exceptional costs for the Company represent provisions against investments in and balances due from group undertakings and other exceptional items

28 Commitments, contingencies and guarantees

The Group leases its office premises under non-cancellable operating lease agreements The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows

	2016 £'000	2015 £ 000
Within 1 year	**4,464**	5,375
Within 2 to 5 years	**16,611**	20,418
After 5 years	**2,472**	3,371
Total	**23,547**	29 164

Included within operating lease commitments are amounts for property leases which have been treated as onerous The amount in respect of these leases included in the minimum lease payments above, due within one year is £2,563 000 (2015 £1 162 000) and due within two to five years is £11 503 000 (2015 £3 966 000) During the year the Group has sublet certain properties included within the commitments listed above which will reduce the amounts payable in future periods

The Group had capital commitments of £84 000 at the end of the year (2015 £nil) for capital expenditure contracted for but not provided for in the financial statements

Legal contingencies

No member of the Group is or has been involved in any governmental legal or arbitration proceedings and the Directors are not aware of any such proceedings pending or threatened by or against the Group during the 12 months preceding the date of these financial statements which may have or have had, in the recent past a significant effect on the financial position or profitability of the Group

Mobile VPT Limited has issued a UK patent infringement claim against Monitise International Limited (formerly known as Monitise Limited) and other related parties Following advice from leading counsel the Directors believe that Monitise s business activities in the UK do not infringe any valid claim of Mobile VPT s patent and that the Mobile VPT patent may be invalid Monitise continues to monitor the status of the proceedings since they were stayed in October 2007 but to date and in light of the advice received from leading counsel no provision has been reflected in the financial statements

Guarantees

There are a number of operational and financial guarantees given by the Company and certain subsidiary companies in each case on behalf of other subsidiary entities

The Company had no other commitments or contingencies at the end of the year

29 Company statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income and related notes The loss for the financial year of the Company was £201 627 000 (2015 £438 432 000)

Company information

Registered office	Medius House 2 Sheraton Street London W1F 8BH
Broker	**Canaccord Genuity Limited** 88 Wood Street London EC2V 7QR
Independent auditor	**PricewaterhouseCoopers LLP** Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Registrars	**Equiniti** Aspect House Spencer Road Lancing West Sussex BN99 6DA

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