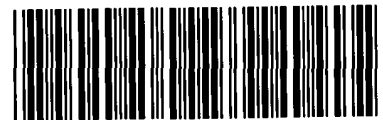


**MONITISE PLC**  
**ANNUAL REPORT**  
**for the year ended 30 June 2017**  
**Registration number: 06011822**

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COMPANIES HOUSE

**Monitise plc**  
**Directors, Officers, Registered Office, Advisers**  
**for the year ended 30 June 2017**

1

**Directors**

*Executive*

L Cameron	Chief Executive Officer
G James	Chief Operating Officer (appointed 1 July 2016)

*Non-Executive*

P Ayliffe	Resigned 01 September 2017
A Burton	Resigned 01 September 2017
T Wade	Resigned 01 September 2017

**Company Secretary**

T Spurgeon

**Registered Office**

Medius House  
2 Sheraton Street  
London  
W1F 8BH

**Independent Auditor**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

The Directors present their strategic report on the Group for the year ended 30 June 2017.

**Strategy and future developments**

Monitise focuses on accelerating the digital transformation of banks and financial institutions through its mobile banking and payments focused product offering. The Group is long established as a trusted supplier of world-class innovation in financial services and continues to drive innovation in the global FinTech market via its latest proposition, FINKit.

On 1 September 2017 the Group was acquired by Fiserv UK Limited, an indirect and wholly owned subsidiary of Fiserv, Inc.

Combining the FINKit technology with leading digital solutions from Fiserv is expected to accelerate the integration of existing online and mobile banking capabilities and user experiences into a newly enhanced digital platform resulting in improved speed to market of new features, while targeting a lower total cost of ownership.

**Review of the business and position of the Group at the financial year end**

The Group's results are set out in the Statement of Comprehensive Income on page 9.

*Review of the Group's business*

After the significant restructuring undertaken in the prior year, the Group focused on transitioning from its legacy MEP business to its new FINKit proposition, and on improving the profitability of each of its five business units.

Revenue for the year ended 30 June 2017 was £50,905,000 (2016: £67,565,000). The reduction in revenue primarily reflected the managed decline in the Group's legacy MEP business and the full year impact of lost customer contracts taken in-house in the Americas business in the prior year.

The declines in certain areas were offset by growth elsewhere, not least in the Content business, which continued to see progress and increased revenues from £9,942,000 to £12,693,000, with a major contributing factor being the continued growth in visits to its UK voucher business - myvouchercode.co.uk.

The EBITDA loss in the year ended 30 June 2017 was £714,000 (2016: £19,623,000). The reduction in EBITDA loss reflected the full year effect of the prior year restructuring.

The loss after tax for the financial year was £21,694,000 (2016: loss £233,371,000) after an exceptional credit reflecting the settlement of onerous contracts at amounts less than previously provided of £6,607,000 (2016: exceptional charge of £3,492,000), and impairments of tangible and intangible fixed assets of £4,000,000 (2016: £175,996,000).

At 30 June 2017 the Group had a cash balance of £22,235,000 (2016: £42,089,000).

The Statement of Financial Position of the Group at 30 June 2017 is set out on page 10.

**Principal risks and uncertainties**

The management of the Group and the implementation of strategy are subject to a number of risks.

The key business risks affecting the Group are below.

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

**(a) Strategic risks**

*The risk that FINKit does not generate sufficient revenue*

The Group's focus remains on delivering sales following successful trials and through live opportunities that are being actively pursued directly. The new ownership by Fiserv, announced subsequent to the year-end on 1 September 2017, will support the speed to market and user take-up of new features, while targeting a lower total cost of ownership.

*The risk that other business units fail to meet their business plans*

Business units are closely monitored by the Directors 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 the Directors. Restructuring required to improve performance or bring businesses to profitability is implemented by local management and closely monitored by the Directors.

*The risk of increased competition from third party products and customers developing solutions in house.*

Regular reviews of competitor activity are undertaken to ensure that the Group is aware of, and reacts to, competitive threats. Market proposition communication plans are in place with sales efforts focused upon clients with known need for product enhancements. In addition, there is continued development and communication of partner programmes to highlight the tangibility of solutions.

**(b) Operational and financial risk**

*The risk that costs of key supply contracts and internal costs are too high or not flexible with activity*

During the last financial year the Group successfully exited all of its onerous trading contracts, materially reduced group headcount, and merged its London operations into one site, thereby significantly reducing the fixed cost of the business. Certain costs relating to supporting the core MEP and Americas contracts have been outsourced to provide a more flexible cost base as contract activity and revenues with these products decrease.

*The risk of losing key individuals*

The Group offers competitive packages, incentivises existing key talent through long term incentives and continues to recruit new talent when required. The Group partners with external service providers who bring additional expertise and provide support in both existing and target markets. It is expected that the new ownership structure will provide a deeper resource pool for the Group.

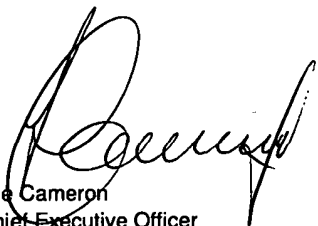
*The risk that security controls do not prevent loss of customer data or company information*

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 number 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*

Internal expertise and external consultancy is utilised to monitor relevant changes in the market environment. Transaction volumes are monitored.

On behalf of the Board



Lee Cameron  
Chief Executive Officer

12 September 2017

**Monitise plc**  
**Directors' Report**  
**for the year ended 30 June 2017**

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The Directors present their report and the audited financial statements of Monitise plc (the "Group") for the year ended 30 June 2017, which have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

**Principal Activities**

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.

**Results, dividends and future developments**

Details of the results are set out in the Statement of Comprehensive Income on page 9 and are discussed in the Strategic Report.

The loss after tax for the financial year ended was £21,694,000 (2016: loss £233,371,000). The Directors do not recommend the payment of a dividend (2016: £nil). Details of the future developments of the Group are included in the Strategic Report.

**Post balance sheet events**

On 1 September 2017 Monitise plc was acquired by Fiserv UK Limited, an indirect and wholly owned subsidiary of Fiserv, Inc.

**Going concern**

At 30 June 2017, the Group had cash of £22,235,000. 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 2017 following the development and launch of the new platform "FINKit". 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 have been prepared on a going concern basis.

**Directors**

The Directors who served during the year and up to date of signing the financial statements were as follows:

L Cameron	Chief Executive Officer	
G James	Chief Operating Officer	Appointed 01 July 2016
P Ayliffe	Chairman	Resigned 01 September 2017
A Burton	Non-Executive Director	Resigned 01 September 2017
T Wade	Non-Executive Director	Resigned 01 September 2017

During the year, as part of its obligations as a listed entity the Board operated an Audit & Risk Committee, a Remuneration Committee and a Nominations & Governance Committee. All three committees were disbanded post year-end on 1 September 2017 following the delisting of the Company from AIM.

**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 11 to the financial statements respectively.

**Disabled persons**

The Group is committed to providing equality of opportunity to employees and potential employees. This applies to appropriate training, career development and promotion for all employees, regardless of physical ability, gender, sexual orientation, religion, age or ethnic origin.

The Group is committed to equality of opportunity and full and fair consideration is given to applications for employment received from disabled persons. Should an employee become disabled during their employment with the Group, whenever possible their services will be retained.

#### **Financial instruments**

The Group's 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 22 to the financial statements.

#### **Political and charitable donations**

The Company made no political or charitable donations during the year (2016: £nil).

#### **Directors and their interests**

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 at the balance sheet date:

	<b>30 June 2017 Number of shares</b>	<b>30 June 2016 Number of shares</b>
L Cameron	<b>1,588,880</b>	1,588,880
G James	<b>863,292</b>	-
P Ayliffe	<b>520,270</b>	520,270
A Burton	<b>261,884</b>	261,884
T Wade	<b>350,000</b>	350,000

Directors had the following interests in options over ordinary shares of the Company at the balance sheet date:

	<b>L Cameron</b>	<b>Total</b>
Number		
At 01 July 2016	10,750,000	10,750,000
Granted	-	-
Lapsed	-	-
At 30 June 2017	<b>10,750,000</b>	<b>10,750,000</b>

#### **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 company's Articles of Association which represents a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006.

#### **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 of 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 work legally 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.

#### **Employees**

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

Senior management 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 the Group's teams.

**Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the Group and Company 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the Board



T Spurgeon  
Company Secretary

12 September 2017

**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 2017 and of the Group's loss and the Group's and the company's cash flows for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company statements of financial position as at 30 June 2017; the consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and company's ability to continue as a going concern.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



**Independent auditors' report to the members of Monitise plc (continued)**

**Report on the financial statements**

**Reporting on other information (continued)**

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

*Responsibilities for the directors of the financial statements*

As explained more fully in the Statement of Directors' responsibilities set out on page [x], the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

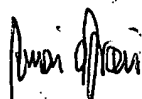
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other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

**Companies Act 2006 exception reporting**

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Simon O'Brien (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

12 September 2017

**Consolidated statement of comprehensive income**  
for the year ended 30 June 2017

	Note	2017 £'000	2016 £'000
Revenue	5	50,905	67,565
Cost of sales		(19,628)	(28,706)
<b>Gross profit</b>		<b>31,277</b>	<b>38,859</b>
Operating costs before depreciation, amortisation, impairments and share-based payments <sup>1</sup>		(31,991)	(58,482)
<b>EBITDA<sup>2</sup></b>		<b>(714)</b>	<b>(19,623)</b>
Depreciation, amortisation and impairments <sup>1</sup>	6	(24,518)	(205,216)
<b>Operating loss before share-based payments and exceptional items</b>		<b>(25,232)</b>	<b>(224,839)</b>
Share-based payments <sup>1</sup>	24	(4,107)	(16,468)
Other exceptional items <sup>1</sup>	6	6,607	(3,492)
<b>Operating loss</b>	6	<b>(22,732)</b>	<b>(244,799)</b>
Finance income	8	196	1,975
Finance costs	8	(99)	(200)
Share of post-tax loss of joint ventures	13	(28)	(58)
<b>Loss before income tax</b>		<b>(22,663)</b>	<b>(243,082)</b>
Income tax	9	969	9,711
<b>Loss for the year attributable to the owners of the parent</b>		<b>(21,694)</b>	<b>(233,371)</b>
<b>Other comprehensive (expense)/income that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences on consolidation		(1,926)	8,889
<b>Total comprehensive expense for the year attributable to the owners of the parent</b>		<b>(23,620)</b>	<b>(224,482)</b>

<sup>1</sup> Total operating costs after depreciation, amortisation, impairments, share-based payments and exceptional expenses are £54,009,000 (2016: £283,658,000).

<sup>2</sup> EBITDA is defined as operating loss before exceptional items, depreciation, amortisation, impairments and share-based payments charge.

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 28).

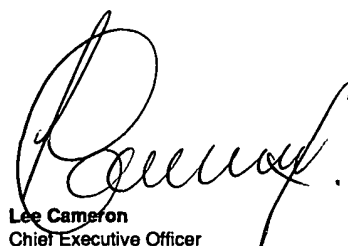
The notes on pages 15 to 41 are an integral part of these consolidated financial statements.

**Monitise plc**  
**Consolidated statement of financial position**  
as at 30 June 2017

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	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	1,569	3,338
Intangible assets	11	17,418	36,155
Other receivables	14	649	370
		<b>19,636</b>	<b>39,863</b>
<b>Current assets</b>			
Trade and other receivables	14	11,083	15,970
Current tax assets		-	12
Cash and cash equivalents	15	22,235	42,089
		<b>33,318</b>	<b>58,071</b>
<b>Total assets</b>		<b>52,954</b>	<b>97,934</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(14,181)	(21,627)
Current tax liabilities		(10)	-
Provisions	19	(930)	(10,864)
Financial liabilities	20	(596)	(1,002)
		<b>(15,717)</b>	<b>(33,493)</b>
<b>Non-current liabilities</b>			
Other payables	18	(1,088)	(950)
Provisions	19	(1,812)	(8,016)
Financial liabilities	20	(184)	(807)
Deferred tax liabilities	21	-	(1,021)
<b>Total liabilities</b>		<b>(18,801)</b>	<b>(44,287)</b>
<b>Net assets</b>		<b>34,153</b>	<b>53,647</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Ordinary shares	23	23,179	22,519
Ordinary shares to be issued	23	-	2,511
Share premium	23	383,727	383,721
Foreign exchange translation reserve	23	4,451	6,377
Other reserves	23	275,137	269,449
Accumulated losses		(652,341)	(630,930)
<b>Total equity</b>		<b>34,153</b>	<b>53,647</b>

These financial statements on pages 9 to 41 were approved and authorised for issue by the Board of Directors on 12 September 2017 and were signed on its behalf by:



**Lee Cameron**  
Chief Executive Officer



**Gavin James**  
Chief Operating Officer

Company number: 06011822

The notes on pages 15 to 41 are an integral part of these consolidated financial statements.


**Monitise plc**  
**Company statement of financial position**  
as at 30 June 2017

11

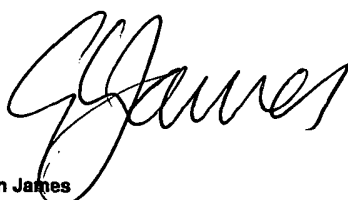
	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	12	34,812	33,459
		<b>34,812</b>	<b>33,459</b>
<b>Current assets</b>			
Trade and other receivables	14	275	283
Cash and cash equivalents	15	5,175	15,832
		<b>5,450</b>	<b>16,115</b>
<b>Total assets</b>		<b>40,262</b>	<b>49,574</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(4,644)	(5,209)
Provisions	19	(682)	(565)
		<b>(5,326)</b>	<b>(5,774)</b>
<b>Non-current liabilities</b>			
Provisions	19	-	(153)
<b>Total liabilities</b>		<b>(5,326)</b>	<b>(5,927)</b>
<b>Net assets</b>		<b>34,936</b>	<b>43,647</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Ordinary shares	23	23,179	22,519
Ordinary shares to be issued	23	-	2,511
Share premium	23	383,727	383,721
Other reserves	23	290,339	285,922
Accumulated losses		(662,309)	(651,026)
<b>Total equity</b>		<b>34,936</b>	<b>43,647</b>

The loss for the financial year of the Company was £12,919,000 (2016: £201,627,000).

These financial statements on pages 9 to 41 were approved and authorised for issue by the Board of Directors on 12 September 2017 and were signed on its behalf by:



**Lee Cameron**  
Chief Executive Officer



**Gavin James**  
Chief Operating Officer

Company number: 06011822

The notes on pages 15 to 41 are an integral part of these financial statements.

**Monitise plc**  
**Consolidated statement of changes in equity**  
for the year ended 30 June 2017

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	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 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	23	791	-	-	9,511	-	(470)	-	-	9,832
Share-based payments	24	-	-	-	-	-	16,468	-	-	16,468
Exercise of share options	23	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
Balance at 1 July 2016		22,519	2,511	383,721	238,183	(25,321)	56,587	(630,930)	6,377	53,647
Loss for the year		-	-	-	-	-	-	(21,694)	-	(21,694)
Other comprehensive expense		-	-	-	-	-	-	-	(1,926)	(1,926)
Total comprehensive expense		-	-	-	-	-	-	(21,694)	(1,926)	(23,620)
Issue of Ordinary shares relating to prior year business combinations	23	647	(2,511)	-	2,466	-	(602)	-	-	-
Share-based payments	24	-	-	-	-	-	4,107	-	-	4,107
Exercise of share options	23	13	-	6	-	-	(283)	283	-	19
Balance at 30 June 2017		23,179	-	383,727	240,649	(25,321)	59,809	(652,341)	4,451	34,153

The notes on pages 15 to 41 are an integral part of these consolidated financial statements.

**Company statement of changes in equity**  
for the year ended 30 June 2017

	Note	Reverse acquisition reserve £'000	Ordinary shares £'000	Ordinary shares to be issued £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Accumulated losses £'000	Foreign exchange reserve £'000	Total equity £'000
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	28	-	-	-	-	-	-	(201,627)	-	(201,627)
Issue of Ordinary shares relating to prior year business combinations	23	-	791	-	-	9,511	(470)	-	-	9,832
Share-based payments	24	-	-	-	-	-	17,704	(124)	-	17,580
Exercise of share options	23	-	46	-	-	-	(274)	274	-	46
<b>Balance at 30 June 2016</b>		-	<b>22,519</b>	<b>2,511</b>	<b>383,721</b>	<b>238,183</b>	<b>47,739</b>	<b>(651,026)</b>	-	<b>43,647</b>
Balance at 1 July 2016		-	22,519	2,511	383,721	238,183	47,739	(651,026)	-	43,647
Loss for the year and total comprehensive expense	28	-	-	-	-	-	-	(12,919)	82	(12,837)
Issue of Ordinary shares relating to prior year business combinations	23	-	647	(2,511)	-	2,466	(602)	-	-	-
Share-based payments	24	-	-	-	-	-	2,754	1,353	-	4,107
Exercise of share options	23	-	13	-	6	-	(283)	283	-	19
<b>Balance at 30 June 2017</b>		-	<b>23,179</b>	-	<b>383,727</b>	<b>240,649</b>	<b>49,608</b>	<b>(662,309)</b>	<b>82</b>	<b>34,936</b>

The notes on pages 15 to 41 are an integral part of these consolidated financial statements.

**Monitise plc**  
**Cash flow statements**  
for the year ended 30 June 2017

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	Note	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Cash flows used in operating activities</b>					
Cash used by operations, before exceptional expenses	26	(5,731)	(21,869)	(10,443)	(26,262)
Exceptional expenses		(8,716)	(15,959)	(277)	(597)
Net income tax paid		(24)	(80)	-	-
<b>Net cash used in operating activities</b>		<b>(14,471)</b>	<b>(37,908)</b>	<b>(10,720)</b>	<b>(26,859)</b>
<b>Investing activities</b>					
Investments in joint ventures	13	-	(500)	-	-
Interest received		126	338	44	286
Proceeds on disposal of property, plant and equipment		7	35	-	-
Purchases of property, plant and equipment		(442)	(894)	-	-
Purchase and capitalisation of intangible assets		(4,135)	(8,238)	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(4,444)</b>	<b>(9,259)</b>	<b>44</b>	<b>286</b>
<b>Financing activities</b>					
Share options and warrants exercised		19	85	19	85
Interest paid		(52)	(122)	-	-
Repayments of finance lease liabilities		(982)	(1,155)	-	-
<b>Net cash (used in)/from financing activities</b>		<b>(1,015)</b>	<b>(1,192)</b>	<b>19</b>	<b>85</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(19,930)</b>	<b>(48,359)</b>	<b>(10,657)</b>	<b>(26,488)</b>
Cash and cash equivalents at beginning of the year		42,089	88,801	15,832	42,320
Effect of exchange rate changes		76	1,647	-	-
<b>Cash and cash equivalents at end of the year</b>	15	<b>22,235</b>	<b>42,089</b>	<b>5,175</b>	<b>15,832</b>

The notes on pages 15 to 41 are an integral part of these consolidated financial statements.

## 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 2017, operated trading ventures in the UK, US and Turkey.

During the year the Company was a public limited company incorporated and domiciled in England and Wales whose shares were publicly traded on the Alternative Investment Market ('AIM') of the London Stock Exchange. Subsequent to the year-end, on 1 September 2017 the entire issued and to be issued share capital of the company was acquired by Fiserv UK Limited, an indirect and wholly owned subsidiary of Fiserv, Inc. As a result of the acquisition the Company delisted from AIM on 4 September 2017 and will be re-registered as a private company.

## 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 2016, 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.

#### 2.1.1. Going concern

At 30 June 2017, the Group had cash of £22,235,000. 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 ended 30 June 2017 following the development and launch of the new platform ("FINKit"). 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 have been 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 2016 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 July 2017, 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)	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 the first time for the year beginning 1 July 2018)	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 Montitise plc and the entities controlled by the Company and includes the Group's share of the 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 Platform supply and transactions, product licences and development and integration services.

*Platform supply and transactional* 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.

## 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. 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.

### 2.5. 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 2.7). 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)

### 2.6. 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:

Customer contracts	3 – 4 years
Intellectual property rights	3 – 4 years
Acquired technology	3 – 4 years
Purchased software licences	3 – 4 years
Acquired software licences	3 – 4 years
Capitalised development costs	3 – 4 years

### 2.7. 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 11). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.8. 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 14, 15 and 22. Impairment testing of trade receivables is described in note 14.

#### Financial liabilities

The Group has two categories of financial liabilities, which are financial liabilities measured at amortised cost using the effective interest method, and those financial liabilities measured 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 18, 20 and 22.

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.

**2. Summary of significant accounting policies (continued)**

**2.9. 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.

**2.10. 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.

**2.11. Short-term investments**

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

**2.12. 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.

**2.13. 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.

**2.14. 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.

**2.15. Trade payables**

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

**2.16. 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.

**2.17. 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)

### 2.18. Employee benefits

#### a) Pension obligations

The Group operates defined contribution plans.

The Group pays contributions to privately administered pension 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.

### 2.19. 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.

### 2.20. 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.

### 2.21. 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.

### 2.22. 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.

**2. Summary of significant accounting policies (continued)**

**2.23. 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).

**2.24. 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 UK, US and Turkey, which impacts on the Group's financial risk factors. 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 15) 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 2017			
	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	9,125	-	650	-
Provisions	930	940	872	-
Finance leases	606	185	-	-

	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	-	-

##### (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 12 months would have resulted in an increase in post-tax loss for the 12 months of £120,000 (2016: increase of £328,000) and a decrease in equity of £120,000 (2016: decrease of £328,000).

##### (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 and Euro, and there is limited 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 2017 US Dollar exchange rate would have increased the Group's loss after tax by £45,000 (2016: increase of £646,000). At 30 June 2017, the effect on retained earnings of a 6% appreciation in the closing US Dollar exchange rate would be an increase of £2,979,000 (2016: increase of £88,000). The effect on the foreign exchange reserve of a 6% appreciation in the closing US Dollar exchange rate would be an increase of £2,677,000 (2016: increase of £215,000).

A 15% appreciation in the average 2017 Turkish Lira exchange rate would have decreased the Group's loss after tax by £88,000 (2016: decrease of £102,000). At 30 June 2017, the effect on retained earnings of a 15% appreciation in the closing Turkish Lira exchange rate would be an increase of £698,000 (2016: increase of £719,000). The effect on the foreign exchange reserve of a 15% appreciation in the closing Turkish Lira exchange rate would be an increase of £695,000 (2016: decrease of £716,000).

### **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 24.

##### **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. 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. Critical accounting estimates and judgements (continued)

##### 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 11.

##### 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. 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 19.

#### 5. Revenue

##### Geographical disclosures

In presenting information on the basis of geography, revenue is based on the location of the customers.

	Revenues	
	2017 £'000	2016 £'000
United Kingdom	31,663	41,878
Americas	11,857	18,588
Turkey	6,079	5,166
Europe	732	1,476
Rest of World	574	457
<b>Total</b>	<b>50,905</b>	<b>67,565</b>

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

##### Products and services

	Revenues	
	2017 £'000	2016 £'000
Product licences	1,661	1,111
Platform supply and transactions	28,808	32,830
Development and integration services	20,436	33,624
<b>Total</b>	<b>50,905</b>	<b>67,565</b>

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).

## 6. Operating loss

This is stated after charging/(crediting):

Group	Note	2017 £'000	2016 £'000
Employee benefit expense	25	29,485	40,857
Depreciation	10	2,082	2,814
Impairment of property, plant and equipment	10	-	3,268
Amortisation	11	18,464	25,465
Impairment of intangible assets	11	4,000	172,728
Impairment of investment in joint venture	13	(28)	941
Profit on disposal of property, plant and equipment		(27)	(35)
Net foreign currency differences		(245)	306
Operating lease expense		2,607	3,832

Included within the operating loss is an amount in respect of research and development of £4,914,000 (2016: £7,340,000).

Exceptional items comprise charges/(credits) as follows:

	2017 £'000	2016 £'000
Exceptional income	-	(6,874)
Onerous contracts	(7,225)	(3,190)
Restructuring costs	341	8,734
Surplus property costs	(1,079)	4,382
Strategic review and corporate development costs	1,356	440
	(6,607)	3,492

The exceptional income in the prior year related 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 prior periods. The credit for onerous contracts in the current period reflects the settlement of the remainder of these obligations at amounts less than previously provided.

Restructuring costs are associated with a number of restructuring activities undertaken and principally relate to redundancy and termination costs. There were no restructuring costs incurred in the year beyond what had already been provided for in the prior year. In addition, the associated property restructuring costs in the prior year resulted in a charge for several onerous property lease contracts. The credit for surplus property costs in the period reflects the successful assignment of the majority of the remaining surplus properties.

Strategic review and corporate development costs related primarily to professional advisor fees incurred in respect of a number of corporate development projects.

## 7. Auditors' remuneration

The analysis of the auditors' remuneration is as follows:

Group	2017 £'000	2016 £'000
<b>Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements</b>	<b>73</b>	<b>91</b>
<b>Fees payable to the Company's auditors and their associates for other services to the Group:</b>		
The audit of the Company's subsidiaries	162	181
<b>Total audit fees</b>	<b>235</b>	<b>272</b>
<b>Other services</b>		
Audit-related assurance services	32	30
Tax compliance services	51	4
Tax advisory services	3	224
<b>Total other services</b>	<b>86</b>	<b>258</b>
<b>Total fees</b>	<b>321</b>	<b>530</b>

**8. Finance income and expenses**

Group	2017 £'000	2016 £'000
<b>Finance income</b>		
Interest income on short-term deposits	120	328
Net foreign exchange gains on financing activities	76	1,647
	<b>196</b>	<b>1,975</b>
<b>Finance costs</b>		
Interest payable on overdrafts and loans	(66)	(56)
Interest payable on finance leases	(33)	(144)
	<b>(99)</b>	<b>(200)</b>
	<b>97</b>	<b>1,775</b>

**9. Income tax****Recognised in the Statement of Comprehensive Income**

	Note	2017 £'000	2016 £'000
<b>Current tax</b>			
Current tax, overseas withholding and other taxes		(2)	(6)
Other taxes		(50)	(46)
<b>Total current tax</b>		<b>(52)</b>	<b>(52)</b>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	21	1,021	9,763
<b>Total deferred tax</b>		<b>1,021</b>	<b>9,763</b>
<b>Total tax credit in the Statement of Comprehensive Income</b>		<b>969</b>	<b>9,711</b>

**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. A further reduction to the main tax rate to 17% from 1 April 2020 was announced in the budget on 16 March 2016. As these changes had been substantively enacted at the balance sheet date their effects are included in these financial statements.

The credit for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	Note	2017 £'000	2016 £'000
<b>Loss before income tax</b>		<b>(22,663)</b>	<b>(243,082)</b>
Tax calculated at UK effective tax rate of 19.75% (2016: 20%)		(4,476)	(48,616)
<b>Effects of:</b>			
Expenses not deductible for tax purposes		1,387	37,804
Change in unrecognised deferred tax assets		1,380	9,121
Use of losses for which a deferred tax asset has not previously been recognised		(9)	(16)
Overseas withholding and other taxes		52	52
Remeasurement of deferred tax for changes in tax rates	21	-	(13)
Effect of different tax rates of subsidiaries operating in other jurisdictions		697	(8,055)
Joint ventures' results reported net of tax		-	12
<b>Total tax in the Statement of Comprehensive Income</b>		<b>(959)</b>	<b>(9,711)</b>

**10. Property, plant and equipment**

Group	Office equipment £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>				
As at 1 July 2015	1,247	8,289	5,425	14,961
Exchange differences	139	435	159	733
Additions	4	1,504	127	1,635
Disposals	(319)	(5,439)	-	(5,758)
<b>As at 30 June 2016</b>	<b>1,071</b>	<b>4,789</b>	<b>5,711</b>	<b>11,571</b>
<b>Accumulated depreciation and impairment</b>				
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)
<b>As at 30 June 2016</b>	<b>820</b>	<b>2,860</b>	<b>4,553</b>	<b>8,233</b>
<b>Net book value</b>				
As at 1 July 2015	729	3,778	2,768	7,275
As at 30 June 2016	251	1,929	1,158	3,338
<b>Cost</b>				
As at 1 July 2016	1,071	4,789	5,711	11,571
Exchange differences	(173)	(47)	(103)	(323)
Additions	54	182	272	508
Disposals	(18)	(41)	(1,101)	(1,160)
<b>As at 30 June 2017</b>	<b>934</b>	<b>4,883</b>	<b>4,779</b>	<b>10,596</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 July 2016	820	2,860	4,553	8,233
Exchange differences	(99)	(47)	8	(138)
Charge	115	1,163	804	2,082
Disposals	(18)	(40)	(1,092)	(1,150)
<b>As at 30 June 2017</b>	<b>818</b>	<b>3,936</b>	<b>4,273</b>	<b>9,027</b>
<b>Net book value</b>				
As at 1 July 2016	251	1,929	1,158	3,338
<b>As at 30 June 2017</b>	<b>116</b>	<b>947</b>	<b>506</b>	<b>1,569</b>

The impairment charge in the prior year related 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.

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

	2017			2016		
	Computer equipment £'000	Leasehold improvements £'000	Total £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost	1,516	-	1,516	1,516	763	2,279
Accumulated depreciation	(878)	-	(878)	(471)	(357)	(828)
<b>Net book value as at 30 June</b>	<b>638</b>	<b>-</b>	<b>638</b>	<b>1,045</b>	<b>406</b>	<b>1,451</b>

The Group leases various computer equipment assets under non-cancellable finance lease arrangements (see note 20).

The lease terms are between three and five years.

## 11. 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
<b>Cost</b>							
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)
<b>As at 30 June 2016</b>	<b>46,926</b>	<b>43,315</b>	<b>-</b>	<b>23,007</b>	<b>8,651</b>	<b>69,501</b>	<b>191,400</b>
<b>Accumulated amortisation and impairment</b>							
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)
<b>As at 30 June 2016</b>	<b>39,486</b>	<b>34,946</b>	<b>-</b>	<b>19,311</b>	<b>6,726</b>	<b>54,776</b>	<b>155,245</b>
<b>Net book value</b>							
As at 1 July 2015	163,160	29,348	25	11,524	2,536	9,680	216,273
<b>As at 30 June 2016</b>	<b>7,440</b>	<b>8,369</b>	<b>-</b>	<b>3,696</b>	<b>1,925</b>	<b>14,725</b>	<b>36,155</b>
<b>Cost</b>							
As at 1 July 2016	46,926	43,315	-	23,007	8,651	69,501	191,400
Exchange differences	(140)	(1,426)	-	-	(111)	234	(1,443)
Additions	-	-	7	-	498	3,670	4,175
Disposals	(30,647)	(33,707)	-	(23,007)	52	(59)	(87,368)
<b>As at 30 June 2017</b>	<b>16,139</b>	<b>8,182</b>	<b>7</b>	<b>-</b>	<b>9,090</b>	<b>73,346</b>	<b>106,764</b>
<b>Accumulated amortisation and impairment</b>							
As at 1 July 2016	39,486	34,946	-	19,311	6,726	54,776	155,245
Exchange differences	(140)	(823)	-	1	(164)	99	(1,027)
Charge	-	6,423	-	3,666	1,721	6,654	18,464
Impairment	4,000	-	-	-	-	-	4,000
Disposals	(30,647)	(33,707)	-	(22,978)	55	(59)	(87,336)
<b>As at 30 June 2017</b>	<b>12,699</b>	<b>6,839</b>	<b>-</b>	<b>-</b>	<b>8,338</b>	<b>61,470</b>	<b>89,346</b>
<b>Net book value</b>							
As at 1 July 2016	7,440	8,369	-	3,696	1,925	14,725	36,155
<b>As at 30 June 2017</b>	<b>3,440</b>	<b>1,343</b>	<b>7</b>	<b>-</b>	<b>752</b>	<b>11,876</b>	<b>17,418</b>

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

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

	2017 £'000	2016 £'000
<b>Cost</b>	<b>883</b>	<b>883</b>
<b>Accumulated depreciation</b>	<b>(538)</b>	<b>(315)</b>
<b>Net book value as at 30 June</b>	<b>345</b>	<b>568</b>

The Company does not have any intangible assets.

# 11. Intangible assets (continued)

## 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:

	2017 £'000	2016 £'000
Content	2,440	2,440
Big Radical	-	4,000
MEA	1,000	1,000
	<b>3,440</b>	<b>7,440</b>

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.

Following the calculation of value in use it was determined that the future cash flows did not support the carrying value of goodwill in the Big Radical CGU, and consequently the remaining balance was impaired in full.

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

	2017				2016			
	Americas CGU	Content CGU	Big Radical CGU	MEA CGU	Americas CGU	Content CGU	Big Radical CGU	MEA CGU
Discount rate	17.0%	14.0%	16.0%	18.0%	17.0%	12.0%	16.0%	18.0%
Medium-term revenue growth rate	(1.0%)	10.6%	-%	10.2%	(16.2%)	13.2%	9.1%	8.7%
Long-term growth rate	3.0%	3.0%	-%	2.5%	2.3%	1.5%	2.0%	2.5%

## 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:

	2017				2016			
	Americas	Content	Big Radical	MEA	Americas	Content	Big Radical	MEA
Sensitised medium term growth rate	(18.3%)	7.1%	-%	4.8%	(20.1%)	7.1%	4.6%	5.0%
Potential impairment	£1m	£-m	£-m	£2m	£3m	£-m	£1m	£5m
Increase in operating costs	10.0%	10.0%	-%	10.0%	10.0%	10.0%	10.0%	10.0%
Potential impairment	£1m	£-m	£-m	£-m	£3m	£-m	£2m	£-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.

## 12. Investments in subsidiaries

	2017 £'000	2016 £'000
<b>Company only</b>		
<b>Cost</b>		
As at 1 July	250,258	250,382
Capital contributions relating to share-based payments	1,353	(124)
<b>As at 30 June</b>	<b>251,611</b>	<b>250,258</b>
<b>Provision</b>		
As at 1 July	216,799	63,199
Increase in provision	-	153,600
<b>As at 30 June</b>	<b>216,799</b>	<b>216,799</b>
<b>Net book amount</b>		
<b>As at 30 June</b>	<b>34,812</b>	<b>33,459</b>

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 prior financial year, 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.

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
<b>Direct subsidiary undertakings</b>				
Monitise Group Limited	United Kingdom	05590897	100%	Intermediate holding company
Monitise Emerging Markets Limited <sup>1</sup>	United Kingdom	06733473	100%	Intermediate holding company
Monitise Yazilim A.S.	Turkey		100%	Mobile phone banking and payments services
PT Monitise Mobile Indonesia	Indonesia <sup>2</sup>		100%	Non-trading
Monitise Asia Pacific Limited	Hong Kong <sup>2</sup>		100%	Non-trading
The Global Voucher Group Limited	United Kingdom	09051128	100%	Digital marketing solutions
<b>Indirect subsidiary undertakings</b>				
Monitise Europe Limited	United Kingdom	04831976	100%	Mobile phone banking and payments services
Monitise International Limited	United Kingdom	05556711	100%	Mobile phone banking and payments services
Monitise Americas, Inc.	USA		100%	Mobile phone banking and payments services
Big Radical Limited	United Kingdom	07043006	100%	Mobile innovation and design agency
Grapple Mobile USA, Inc.	USA		100%	Non-trading
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 (in liquidation)	United Kingdom	07190106	100%	In members' voluntary liquidation
Last Second Ticketing Ltd	United Kingdom	07034839	100%	Digital marketing solutions
Revivve Limited <sup>1</sup>	United Kingdom	10640161	100%	Digital marketing solutions
Mobile Money Network Limited (in liquidation)	United Kingdom	07153130	100%	In members' voluntary liquidation
Vouchacha Ltd (in liquidation)	United Kingdom	06930720	100%	In members' voluntary liquidation
Grapple Mobile Limited (in liquidation)	United Kingdom	05814266	100%	In members' voluntary liquidation
eMerit Solutions (UK) Ltd (in liquidation)	United Kingdom	07741101	100%	In members' voluntary liquidation
Monitise Americas, LLC	USA		100%	Non-trading
Monitise Solutions (HK) Ltd	Hong Kong		100%	Non-trading

<sup>1</sup> exemption from audit for a subsidiary undertaking has been claimed for these companies under Section 479A of the Companies Act 2006.

<sup>2</sup> includes indirect holdings

Country of incorporation (or registration) and operation	Address
United Kingdom	Medius House, 2 Sheraton Street, London, UK, W1F 8BH
Turkey	ITU Teknokent ARI 2, B Block, Maslak, 34467, Istanbul, Turkey
Indonesia	Jl. Kramat Raya No.43, Jakarta 10450, Indonesia
Hong Kong	2001-2, Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
USA	9th Floor, 1 Embarcadero Centre, San Francisco, CA 94111
Cyprus	Elenion Building, 5 Th Dervis Street, CY-1066 Nicosia, Cyprus

**13. Investments in joint ventures**

	2017 £'000	2016 £'000
<b>Group</b>		
<b>Cost</b>		
As at 1 July	1,044	940
Additional investments	-	500
Share of losses	(28)	(395)
Exchange differences	-	(1)
<b>As at 30 June</b>	<b>1,016</b>	<b>1,044</b>
<b>Provision for impairment</b>		
As at 1 July	1,044	440
Increase in provision	-	941
Utilisation of impairment provision	(28)	(337)
<b>As at 30 June</b>	<b>1,016</b>	<b>1,044</b>
<b>Net book amount</b>		
<b>As at 30 June</b>	<b>-</b>	<b>-</b>

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 gains/(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 £28,000 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 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**

<b>Summarised balance sheet</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Current</b>		
Cash and cash equivalents	195	1,066
Other current assets	1,849	63
<b>Total current assets</b>	<b>2,044</b>	<b>1,129</b>
Other current liabilities (including trade payables)	(23)	(19)
<b>Total current liabilities</b>	<b>(23)</b>	<b>(19)</b>
<b>Non-current</b>		
Assets	-	6,000
<b>Net assets</b>	<b>2,021</b>	<b>7,110</b>
<b>Summarised statement of comprehensive income</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Revenue	-	270
Depreciation and amortisation	-	(166)
Interest income	8	7
<b>Pre-tax loss</b>	<b>(5,117)</b>	<b>(852)</b>
Income tax expense	-	42
<b>Post-tax loss</b>	<b>(5,117)</b>	<b>(810)</b>
Other comprehensive income	-	-
<b>Total comprehensive expense</b>	<b>(5,117)</b>	<b>(810)</b>
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).



## 13. Investments in joint ventures (continued)

## 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:

	2017 £'000	2016 £'000
Net assets at 1 July	7,110	6,884
Additional investments	-	1,000
Loss for the year	(5,117)	(810)
Exchange differences	28	36
<b>Net assets at 30 June</b>	<b>2,021</b>	<b>7,110</b>
Group interest in joint ventures	1,016	3,544
Provision for unrealised profits on transactions with joint ventures	-	(2,500)
Impairment of investments in joint ventures	(1,016)	(1,044)
<b>Carrying value</b>	<b>-</b>	<b>-</b>

## 14. Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Due within one year</b>				
Trade receivables	6,170	8,264	-	-
Less provision for impairment of trade receivables	(522)	(1,031)	-	-
<b>Trade receivables - net</b>	<b>5,648</b>	<b>7,233</b>	<b>-</b>	<b>-</b>
Other taxes and social security	308	1,465	-	-
Other receivables	124	243	-	-
Accrued income	3,494	3,533	2	8
Prepayments	1,509	3,496	76	196
Amounts due from Group undertakings	-	-	197	79
<b>Prepayments and other receivables</b>	<b>5,435</b>	<b>8,737</b>	<b>275</b>	<b>283</b>
<b>Total trade and other receivables due within one year</b>	<b>11,083</b>	<b>15,970</b>	<b>275</b>	<b>283</b>
<b>Due after one year</b>				
Other debtors	649	370	-	-
<b>Total trade and other receivables due after one year</b>	<b>649</b>	<b>370</b>	<b>-</b>	<b>-</b>

The maximum exposure to credit risk at 30 June 2017 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.

Included in accrued income falling due within one year is an amount of £500,000 (2016: £500,000) which relates to payments for a product licence.

Amounts due from group undertakings relate to working capital funding.

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 2017, trade receivables of £1,194,000 (2016: £1,459,000) 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:

	2017		2016	
	Trade receivables £'000	Impairment provision £'000	Trade receivables £'000	Impairment provision £'000
Current and not impaired	4,454	-	5,774	-
Up to 3 months	644	(252)	1,624	(252)
3 to 6 months	267	(42)	246	(164)
Over 6 months	805	(228)	620	(615)
	<b>6,170</b>	<b>(522)</b>	<b>8,264</b>	<b>(1,031)</b>

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

	2017 £'000	2016 £'000
Pounds Sterling	6,885	12,167
US Dollars	2,366	2,068
Turkish Lira	1,889	923
Euros	228	620
Indonesian Rupiah	364	521
Canadian Dollars	-	41
	<b>11,732</b>	<b>16,340</b>

#### 14. Trade and other receivables (continued)

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

	2017 £'000	2016 £'000
As at 1 July	1,031	376
Movement in provision	(509)	655
As at 30 June	522	1,031

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

#### 15. Cash and cash equivalents

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank and in hand	22,235	42,089	5,175	15,832

#### 16. Net funds

		Group		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank and in hand	15	22,235	42,089	5,175	15,832
Finance leases	20	(780)	(1,809)	-	-
Net funds		21,455	40,280	5,175	15,832

#### 17. 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 (2016: £nil) was recognised and costs of £nil (2016: £nil) were recharged to Movida India Private Limited. The Group provided a capital contribution of £nil (2016: £nil). The outstanding receivable balance at 30 June 2017 was £nil (2016: £nil) 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 (2016: £nil) was recognised and costs of £nil (2016: £nil) were charged to Syntheo Limited. The Group provided a capital contribution of £nil (2016: £500,000).

Further details on investments in joint ventures are included in note 13.

##### Key management personnel

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

	2017 £'000	2016 £'000
Short-term employee benefits	2,902	3,359
Post-employment benefits	23	92
Share-based payments	505	430
	3,430	3,881

##### Company

##### Subsidiaries

The Company was recharged £1,875,000 (2016: £2,329,000) by subsidiaries for administration costs incurred on its behalf. Amounts receivable from subsidiaries total £197,000 (2016: £79,000), which are payable on demand.

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>Due within one year</b>				
Trade payables	1,386	4,337	26	220
Other taxes and social security	1,166	2,407	-	-
Accruals	7,354	9,709	1,479	1,783
Deferred income	3,890	4,340	-	-
Other payables	385	834	1	2
Amounts due to Group undertakings	-	-	3,138	3,204
<b>Other payables due within one year</b>	<b>12,795</b>	<b>17,290</b>	<b>4,618</b>	<b>4,989</b>
<b>Trade and other payables due within one year</b>	<b>14,181</b>	<b>21,627</b>	<b>4,644</b>	<b>5,209</b>
<b>Due after one year</b>				
Other payables	650	285	-	-
Deferred income	438	665	-	-
<b>Other payables due after one year</b>	<b>1,088</b>	<b>950</b>	<b>-</b>	<b>-</b>
<b>Total trade and other payables</b>	<b>15,269</b>	<b>22,577</b>	<b>4,644</b>	<b>5,209</b>

## 19. Provisions

Group	Group			Company	
	Reorganisation	Onerous contracts	Total	Reorganisation	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 July 2016	2,203	16,677	18,880	718	718
Additional provisions in the year	255	246	501	-	-
Release of provision	(70)	(9,160)	(9,230)	-	-
Utilisation of provision	(1,535)	(5,943)	(7,478)	(36)	(36)
Exchange differences	41	28	69	-	-
<b>As at 30 June 2017</b>	<b>894</b>	<b>1,848</b>	<b>2,742</b>	<b>682</b>	<b>682</b>
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Due within one year		930	10,864	682	565
Due after one year		1,812	8,016	-	153

The release of provision related to both the successful renegotiation of the remaining onerous contracts with a third party IT and business services provider and also the successful assignment of the majority of the remaining surplus properties.

		Group		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Due within one year</b>					
Finance leases		596	1,002	-	-
<b>Financial liabilities due within one year</b>		<b>596</b>	<b>1,002</b>	<b>-</b>	<b>-</b>
<b>Due after one year</b>					
Finance leases		184	807	-	-
<b>Financial liabilities due after one year</b>		<b>184</b>	<b>807</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>		<b>780</b>	<b>1,809</b>	<b>-</b>	<b>-</b>

Financial liabilities in the prior year included amounts in respect of contingent consideration on acquisitions, which were determined on certain performance criteria.

## 20. Financial liabilities (continued)

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2% to 14% per annum (2016: 2% to 14%). Finance lease liabilities are payable as follows:

	Future minimum lease payments		Present value of minimum lease payments	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Less than one year	606	977	596	1,002
Between one and five years	185	892	184	807
	791	1,869	780	1,809
Less: future finance charges	(11)	(60)	-	-
<b>Present value of minimum lease payments</b>	<b>780</b>	<b>1,809</b>	<b>780</b>	<b>1,809</b>

## 21. Deferred tax liabilities

The movement in the deferred income tax liabilities during the year is as follows:

Group	Note	2017 £'000	2016 £'000
As at 1 July		(1,021)	(10,208)
Credited to Consolidated Statement of Comprehensive Income	9	1,021	9,763
Credit/(charge) to other comprehensive income - exchange differences		-	(576)
<b>As at 30 June</b>		<b>-</b>	<b>(1,021)</b>

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	2017 Tax losses £'000	2016 Tax losses £'000
<b>Deferred tax assets</b>		
As at 1 July	3,384	2,683
(Charge)/credit to Consolidated Statement of Comprehensive Income	(927)	701
<b>As at 30 June</b>	<b>2,457</b>	<b>3,384</b>

Group	2017			2016		
	Acquisition related intangible assets £'000	Capitalised development costs £'000	Total £'000	Acquisition related intangible assets £'000	Capitalised development costs £'000	Total £'000
<b>Deferred tax liabilities</b>						
As at 1 July	1,021	3,384	4,405	10,208	2,683	12,891
(Credit)/charge to Consolidated Statement of Comprehensive Income	(1,021)	(927)	(1,948)	(9,750)	701	(9,049)
Effect of change in tax rates	-	-	-	(13)	-	(13)
Exchange differences	-	-	-	576	-	576
<b>As at 30 June</b>	<b>-</b>	<b>2,457</b>	<b>2,457</b>	<b>1,021</b>	<b>3,384</b>	<b>4,405</b>

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:

	2017 £'000	2016 £'000
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>	<b>-</b>	<b>(1,021)</b>
	<b>-</b>	<b>(1,021)</b>

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

	2017			2016		
	Due within one year £'000	Due after one year £'000	Total £'000	Due within one year £'000	Due after one year £'000	Total £'000
Deferred tax assets	1,244	1,213	2,457	-	3,384	3,384
Deferred tax liabilities	(1,244)	(1,213)	(2,457)	(1,021)	(3,384)	(4,405)
	-	-	-	(1,021)	-	(1,021)

The amount of unutilised trading tax losses at 30 June 2017 for which a deferred tax asset has been recognised is £nil (2016: £nil).

The Group has unrecognised deferred tax assets of approximately £83,000,000 (2016: £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.

**22. Financial Instruments****Accounting classification of financial assets and liabilities**

	Loans and receivables £'000	Fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
<b>Group</b>				
<b>As at 30 June 2017</b>				
Cash and cash equivalents	22,235	-	-	22,235
Trade & other receivables excluding non-financial assets	5,772	-	-	5,772
Trade & other payables excluding non-financial liabilities	-	-	(3,587)	(3,587)
Finance lease liabilities	-	-	(780)	(780)
<b>Total</b>	<b>28,007</b>	<b>-</b>	<b>(4,367)</b>	<b>23,640</b>
<b>As at 30 June 2016</b>				
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)
<b>Total</b>	<b>49,565</b>	<b>-</b>	<b>(9,672)</b>	<b>39,893</b>
<b>Company</b>				
<b>As at 30 June 2017</b>				
Cash and cash equivalents	5,175	-	-	5,175
Trade & other receivables excluding non-financial assets	197	-	-	197
Trade & other payables excluding non-financial liabilities	-	-	(3,165)	(3,165)
<b>Total</b>	<b>5,372</b>	<b>-</b>	<b>(3,165)</b>	<b>2,207</b>
<b>As at 30 June 2016</b>				
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)
<b>Total</b>	<b>15,911</b>	<b>-</b>	<b>(3,426)</b>	<b>12,485</b>

**Contingent consideration liabilities**

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 contingent consideration liabilities:

	2017 £'000	2016 £'000
As at 1 July	-	9,775
Settlement of contingent consideration	-	(9,775)
<b>As at 30 June</b>	<b>-</b>	<b>-</b>

**23. 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 2015	2,168,231,436	21,682	383,721
Issue of new shares	79,091,540	791	-
Exercise of share options	4,620,037	46	-
As at 1 July 2016	2,251,943,013	22,519	383,721
Issue of new shares	64,594,429	647	-
Exercise of share options	1,327,848	13	6
As at 30 June 2017	2,317,865,290	23,179	383,727

**Reconciliation of shares issued**

	Number of shares	Ordinary shares £'000	Ordinary shares to be issued £'000	Share premium £'000	Merger reserve £'000	Reverse Acquisition reserve £'000	Share-based Payment Reserve £'000	Total £'000
As at 1 July 2015	2,168,231,436	21,682	2,511	383,721	228,672	(25,321)	40,863	652,128
Employee share-based payment exercises	4,620,037	46	-	-	-	-	(274)	(228)
Share-based payments to non-employees	-	-	-	-	-	-	16,468	16,468
Issue of shares relating to prior year business combinations	79,091,540	791	-	-	9,511	-	(470)	9,832
As at 1 July 2016	2,251,943,013	22,519	2,511	383,721	238,183	(25,321)	56,587	678,200
Employee share-based payment exercises	1,327,848	13	-	6	-	-	(283)	(264)
Share-based payments to non-employees	-	-	-	-	-	-	4,107	4,107
Issue of shares relating to prior year business combinations	64,594,429	647	(2,511)	-	2,466	-	(602)	-
As at 30 June 2017	2,317,865,290	23,179	-	383,727	240,649	(25,321)	59,809	682,043

**Share capital and share premium**

During the current year, 1,327,848 (2016: 4,620,037) new Ordinary shares were issued as part of an exercise of share options and warrants (see note 24).

During the current year, 64,594,429 (2016: 79,091,540) new Ordinary shares were issued in relation to prior year business combinations.

**Ordinary shares to be issued**

Ordinary shares to be issued represents the 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. During the current year the Company issued 43,770,351 shares in respect of the finalisation of this acquisition.

**Other reserves**

The merger reserve of £240,649,000 (2016: £238,183,000) 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.

The reverse acquisition reserve of £25,321,000 (2016: £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 2017 is £59,809,000 (2016: £56,587,000) and is discussed in detail in note 24.

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'.

## 24. 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:

	2017 £'000	2016 £'000
Equity-settled share-based payments	1,065	(3,612)
Share based payments for prior business combinations	3,042	20,080
<b>Total</b>	<b>4,107</b>	<b>16,468</b>

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

	2017 Number of options	Weighted average exercise price	2016 Number of options	Weighted average exercise price
<b>Group</b>				
As at 1 July	115,719,853	3.4p	100,994,594	5.9p
Granted	35,542,626	1.4p	111,968,107	1.4p
Exercised	(1,327,848)	1.4p	(4,620,037)	1.0p
Lapsed	(39,550,380)	5.3p	(92,622,811)	3.6p
<b>As at 30 June</b>	<b>110,384,251</b>	<b>2.2p</b>	<b>115,719,853</b>	<b>3.4p</b>

The weighted average share price at the date of exercise for options exercised during the year was 2.5p (2016: 3.5p). At 30 June 2017, 5,903,998 options were exercisable (2016: 13,394,084). The weighted average exercise price of exercisable options was 19.8p (2016: 20.75p). Options outstanding at 30 June 2017 have a range of exercise prices of 1.0p to 32.8p (2016: 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 normally, 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:

	2 Nov 2016	9 Nov 2015
Grant date		
Share price at issue date	2.6p	3.6p
Exercise price	2.0p	2.2p
Fair value per option	1.7p	2.4p
Number granted	14,958,978	31,169,819
Risk free rate used in valuation	0.24%	0.91%
Volatility used in valuation	92.8%	87.0%
Expected life (years)	3.08	3.06
Expected exercise date used in valuation	1 Dec 2019	1 Dec 2018

### Equity-settled share-based payment plans

#### 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 Claimail, 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 recognised a share-based payment charge in the Consolidated Statement of Comprehensive Income over the remainder of the vesting period.

Alongside awards made during the year ended 30 June 2017, 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.

**24. Share-based payments (continued)**

**Equity-settled share-based payment plans**

**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 and EBITDA targets. The Group 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 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 date	17 Mar 2016	2 Oct 2015
Share price at issue date	2.7p	2.9p
Exercise price	1.0p	1.0p
Fair value per option	2.1p	2.2p
Number granted/modified	44,654,500	25,770,000
Risk free rate used in valuation	0.48%	0.72%
Volatility used in valuation	95.2%	86.2%
Expected life (years)	3.00	3.17
Expected exercise date used in valuation	17 Mar 2019	2 Dec 2018

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	16 Mar 2017	11 Sep 2016	16 Mar 2017	30 Jun 2016	2 Oct 2015	2 Oct 2015
Share price at issue date	2.4p	2.6p	2.4p	2.7p	2.9p	2.9p
Exercise price	1.0p	1.0p	2.0p	1.0p	1.0p	1.0p
Fair value per option	1.8p	2.0p	1.4p	2.1p	2.2p	2.2p
Number granted	11,950,000	8,384,000	249,648	2,725,000	6,480,000	6,480,000
Risk free rate used in valuation	0.23%	0.18%	0.23%	0.17%	0.72%	0.72%
Volatility used in valuation	93.8%	93.1%	93.8%	95.6%	86.2%	86.2%
Expected life (years)	2.99	3.00	2.71	2.71	3.17	3.17
Expected exercise date used in valuation	10 Mar 2017	11 Sep 2019	1 Dec 2019	17 Mar 2019	2 Dec 2018	2 Dec 2018



**25. Employee benefit expense and Directors' emoluments**

Group	2017 £'000	2016 £'000
<b>Employees (including Directors)</b>		
Wages and salaries	24,437	37,696
Social security costs	3,370	5,649
Share-based payments	1,065	(3,612)
Other pension costs	613	1,124
	<b>29,485</b>	<b>40,857</b>
<b>Monthly average number of employees (including Directors)</b>		
Management and administration	52	81
Sales and technical	376	554
	<b>428</b>	<b>635</b>

The Group has defined contribution pension schemes available to all employees.

**Company**

<b>Directors' emoluments</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Aggregate emoluments	880	770
Gain made on exercise of share options	-	6
Pension contributions	-	23
	<b>880</b>	<b>799</b>
<b>Emoluments of the highest paid Director</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Aggregate emoluments, including £nil (2016: £5,550) in respect of gain made on exercise of share options	343	332
Pension contributions	-	18
<b>Total</b>	<b>343</b>	<b>350</b>

There was one Director accruing benefits under defined contribution schemes during the year (2016: three).

**26. Reconciliation of net loss to net cash used in operating activities**

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Loss before income tax</b>	<b>(22,663)</b>	<b>(243,082)</b>	<b>(12,919)</b>	<b>(201,627)</b>
<b>Adjustments for:</b>				
Depreciation and impairments to property, plant and equipment	2,082	6,082	-	-
Amortisation and impairments to intangible assets	22,464	198,193	-	-
Impairment of investments in joint ventures	(28)	941	-	-
Share-based payments	4,107	16,468	2,754	17,704
Profit on disposal of property, plant and equipment	(27)	(35)	-	-
Finance income - net	(97)	(1,775)	(21)	(257)
Exceptional (income)/costs	(6,607)	3,492	7,558	179,865
Share of post-tax (profit)/loss of joint ventures	28	58	-	-
Operating cash flows before movements in working capital	(741)	(19,658)	(2,628)	(4,315)
Decrease/(increase) in receivables	4,284	15,292	120	(21,480)
Decrease in payables	(8,735)	(19,100)	(7,899)	(449)
(Decrease)/increase in provisions	(539)	1,597	(36)	(18)
<b>Cash used in operations</b>	<b>(5,731)</b>	<b>(21,869)</b>	<b>(10,443)</b>	<b>(26,262)</b>

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

**27. 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:

	2017 £'000	2016 £'000
Within 1 year	2,818	4,464
Within 2 to 5 years	6,064	16,611
After 5 years	-	2,472
<b>Total</b>	<b>8,882</b>	<b>23,547</b>

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 £1,434,000 (2016: £2,563,000) and due within two to five years is £3,298,000 (2016: £11,503,000). During the year, the Group has sublet certain properties within the commitments listed above, which will reduce the amounts payable in future periods.

The Group had capital commitments of £80,000 at the end of the year (2016: £84,000) 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 Limited's patent and that the Mobile VPT Limited 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.

**28. 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 £12,919,000 (2016: £201,627,000).

**29. Post balance sheet events**

On 1 September 2017 the entire issued and to be issued share capital of the company was acquired by Fiserv UK Limited, an indirect and wholly owned subsidiary of Fiserv, Inc.