MONITISE PLC

ANNUAL REPORT 2014

Company Number: 06011822

MAKING MONEY TOTALLY **MOBILE ACROSS THE GLOBE**

Monitise develops world-leading Mobile Money solutions designed with one clear purpose: to help consumers bank anywhere, pay anyone and buy anything from their mobiles.

We help businesses profit from Mobile Money by simplifying its complexity and providing a single point of connection to an ecosystem of partners.

Forward-looking statements

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

HIGHLIGHTS

- Revenue up 31% from FY 2013.
- Announced Monitise 2.0, a strategy to accelerate adoption via an open Application Programming Interface ('API')-based platform and subscription-based revenue model, with the aim of generating higher long-term recurring revenue for Monitise.
- Significant activity across all aspects of the Group, including: new partnership and investment from MasterCard, launch of Yaap mobile commerce services in Spain (a JV set up by Telefónica, Santander and CaixaBank), the formal launch of a global IBM alliance, as well as multiple customer wins around the globe.
- Strengthened geographical footprint and content capabilities with the acquisitions of the Pozitron, Grapple Mobile, Markco Media businesses and buyout of joint venture partners in Hong Kong and Indonesia, with Monitise now owning 100% of its direct operations in Asia Pacific.
- Gross funds raised of £109 million to support transition to subscription-based sales model. Net cash position of £146 million at year-end provides balance sheet strength to execute against our strategy.

16 **Read more in our Financial review on pages 16 to 17**

Revenue (£m)

+31%
year-on-year

2011	2012	2013	2014
15.3	36.1	72.8	95.1

- Solid revenue progression

Gross profit (£m)

+19%
year-on-year

2011	2012	2013	2014
9.4	24.0	55.2	65.4

- Continued momentum

Registered users (m)

+30%
year-on-year

Dec 2011	Jun 2012	Dec 2012	Jun 2013	Dec 2013	Jun 2014
6	15	19	23	26	30

- Reached 30 million

Value of transactions ($bn)*

+120%
year-on-year

Dec 2011	Jun 2012	Dec 2012	Jun 2013	Dec 2013	Jun 2014
3	14	28	40	68	88

- Scaling of our platform

* Payments and transfers initiated via Monitise technology on an annualised basis.

Chairman's statement with Peter Ayliffe

Peter Ayliffe, Chairman and Non-Executive Director

Summary for the year

- Processed payments and transfers worth US$88 billion as at the end of June 2014 on an annualised basis, compared with US$40 billion a year ago.
- Overall users of Monitise software in excess of 60 million, including apps designed by the Group's Monitise Create and MEA divisions.
- Buyout of Joint Venture partners in Hong Kong and Indonesia enabled the Group to own 100% of its direct operations in Asia Pacific.
- New global Content division created, focused on sourcing loyalty, discount and offers programmes to augment Monitise's Buy Anything mobile commerce product offerings.

The Board is pleased to report that in 2014 we made strong progress in our strategy to bring financial institutions, retailers and mobile network operators ever closer to their customers via our mobile technology.

Throughout the year we continued to make substantial improvements in our operational infrastructure, investing in technology to help scale our business to better help the needs of our Group and its growing global network of partners and clients. This has been a particularly transformational year for Monitise in terms of our business model, new partner and client wins, leadership team and industry recognition.

Our approach to Mobile Money
In March, we announced Monitise 2.0, our strategy to accelerate the adoption of our products and services via an open Application Programming Interface ('API')-based platform and subscription-based revenue model. Underpinning this shift is our strategic focus on establishing our position as the world's leading Mobile Money network. To achieve that goal, we are evolving the way our technology and products are made available by moving to a product-based offering. We are shifting our commercial model to go from primarily generating our revenue from product licence fees, and development and professional services activities, to a subscription-based model.

A winning team
Having joined the Board of Monitise as Non-Executive Chairman from 1 October 2013, I would like to express my thanks to all the Directors and employees for their efforts and assistance over the past year. We have a highly engaged and aligned team of people who continue to work together, inspired by the vision that anything is possible when money is mobile.

Throughout the year, they have again helped us to deliver some of the most time-critical, complex Mobile Money solutions for our partners and clients. Their performance is a testament to the skills, energy, experience and professionalism of everyone involved in the business from our offices in the UK, the US, Turkey, India, Indonesia and Hong Kong.

“ This has been a particularly transformational year for Monitise in terms of our business model, new partner and client wins, leadership team and industry recognition.

Their hard work and commitment is also a key factor in the success of our business and it is thanks to them that Monitise is recognised internationally for its best-in-class approach to Mobile Money solutions.

The Monitise Board has seen several changes over the past year that reflect the evolution of the Group business. Steve Chambers served as Visa Europe's nominated Board representative for five months until April when he was succeeded by Tom Houghton, Head of Core Payments at Visa Europe. Elizabeth Buse's appointment as co-CEO in June occurred as both Amanda Burton and Paulette Garafalo also joined in Non-Executive Director roles. The Directors bring exceptional global experience across payments, retail, legal and financial services to our business and join at a time when we are driving deeper inroads into mobile commerce.

Post the year end on 1 September, 2014, the Group announced that Monitise Chief Information Officer Mike Keyworth was standing down from his role as CIO and from the Board, while remaining with the Company as a technology advisor, and that Victor Dahir had resigned his role as Visa Inc.'s nominated Board Director. David Dey, who has been a passionate supporter and Senior Independent Non-Executive since 2007, has announced that he will retire from the Monitise Board following the Group's Annual General Meeting on 4 November 2014. I would like to take this opportunity to welcome all the new Directors who have joined us over the past year and wish those stepping down from the Board all the very best for the future.

Annual General Meeting

The Annual General Meeting ('AGM') of the Company will be held at the offices of FTI Consulting, North Entrance, 200 Aldersgate, Aldersgate Street, London EC1A 4HD on 4 November at 2.00 pm GMT.

Peter Ayliffe
Monitise Group Chairman

An overview of Monitise

THE FUTURE OF MONEY IS FRICTIONLESS

Monitise is a world leader in Mobile Money – banking, paying and buying with a mobile device.

Leading banks, payments companies, retailers and mobile networks use Monitise's technology platforms and services to securely connect people with their money in developed and emerging markets.

What we do

Monitise is a business-to-business ('B2B') provider of Mobile Money platforms and technology. Our bank-grade platform, products and services were developed and refined in some of the most heavily-regulated financial services environments in the world and are specifically designed to embrace any device and connect to any payment scheme or content provider.

Monitise's strategy is to accelerate future growth through open-API connections to its platform, adoption of a subscription model with minimal up-front cost to connect, and use of channel partners, such as IBM, to broaden sales reach. Monitise also has strategic partner relationships with Visa Inc., Visa Europe, MasterCard and Telefónica, and has dedicated teams working on projects with these customers.

Our platform and network

Monitise's offering comprises a Mobile Money server platform together with a growing network of ecosystem content partners in the mobile payments and mobile commerce space. The platform handles security, integration with a customer's back-end systems, and connection to the end consumer's mobile device.

By offering this as a platform it lowers costs and speeds time-to-market for our customers. The network of ecosystem partners allows customers easily to add content, including content that generates new revenue streams, to their mobile offerings, and provides a way for retailers, brands and payment schemes to easily connect to customers' end users. The platform provides the users who typically log in to the app 20–30 or more times per month. The ecosystem provides the content that those users can consume. Monitise also provides application design and customisation expertise alongside its platform technology and ecosystem connections.

We categorise the products running on our platform into three areas: Bank Anywhere, Pay Anyone, and Buy Anything.

We work with 8 of the top 20 North American financial institutions

There will be 1.75 billion mobile banking users globally by 2019[2]

We work with IBM – 90% of the top 60 banks use IBM products to run their IT systems[3]

NatWest sees its customers logging on average once a day to their mobile banking app[1]

Our geographic spread

Monitise has offices in the UK, the US, Turkey, India, Hong Kong and Indonesia.

We provide services to more than 30 million registered users across the world. Our partnerships include Visa Inc., Visa Europe, MasterCard, IBM, Telefónica Digital and FIS.

[1] *Source: RBS personal and business* banking presentation – June 2014 (investors.rbs.com/presentations.aspx).

[2] Source: Juniper Research, June 2014.

[3] Source: IBM Investor Briefing, May 2014.

Our product offering

BANKING WITHOUT BARRIERS

Bank Anywhere is a robust, trusted, standards-compliant, mobile banking product. It allows consumers to access their bank accounts and finances anywhere. It is deployed in a simple and cost-effective manner for banks, supports all operating systems – ensuring availability on the widest range of devices – and can be facilitated on-site or hosted in the cloud.

For banks and financial institutions, Bank Anywhere delivers an intuitive mobile banking capability for the benefit of their consumers. Banks can expand on the unique attributes of mobile to give users quick and convenient access and control over their accounts, and, in turn, develop deeper customer relationships.

Bank Anywhere, Monitise's core mobile banking product offering, includes Retail Banking, Business Banking and Card Account Management. It provides features such as balance and transaction history, transfers, remote deposit capture and alerts. Monitise's unique two way alerting platform, Alerting+, is available either integrated with mobile banking, or as a standalone product.

Bank Anywhere is also being sold as a card-companion product to card issuers and card processors, who can then sell on the product to their card-issuer customers.

Monitise sells the Bank Anywhere product platform typically on a per-user-per-annum ('PUPA') subscription model.

FRICTIONLESS PAYMENTS

Pay Anyone enables a suite of connections to third-party payment schemes which includes peer-to-peer payments and, in future, foreign currency purchase, cross-border transfers and proximity payments in-store via the mobile phone. Regarding the latter, Monitise has already run QR code and NFC-based payments in the field and is working with customers on SIM card and HCE-based NFC payments.

It is important to understand that Monitise is not creating its own payment scheme. For bank and other customers this means they can select the payment mechanism of their choice, and any funding mechanism, be it direct from bank account, card scheme-based, or from an e-wallet or other newer scheme. Monitise's agnostic approach to payments means customers are future-proofed against changes in payment technology. For users, it provides greater convenience to control payments and transfer money, enabling them to settle bills, send money to anyone or top up a 'pay as you go' mobile account.

Monitise sells the Pay Anyone product either on a per-user-per-annum basis or on a per-transaction basis, depending on the exact product and customer relationship.

MOBILE COMMERCE, SWITCHED ON

Buy Anything brings in top-tier content curated for consumers, such as: gift cards, targeted offers, event ticketing, location-based offers and other value-added services. It is aimed at augmenting a mobile banking service, or can be sold into other third-party apps, providing offers and features that end users will want to consume, and at the same time generate revenue for our customers.

Buy Anything leverages the high usage already seen on our customers' apps, and in the future will leverage rich user data to provide relevant targeted offers to app users.

The advantage for customers such as banks is increased customer loyalty and new revenue streams. The advantage to content partners (brands, retailers) is access to a very large, targetable population for mobile marketing activities. The advantage for end users is offers that are highly relevant to them, and ease of use.

Our technology provides a seamless purchasing, browsing or gifting experience on mobile devices, from location-based offers and loyalty and rewards, to targeted marketing, product browsing in Marketplace and secure checkout.

Services available include features available on the Yaap Shopping app in Spain, the joint venture between Telefónica, Santander and CaixaBank, and will shortly be followed by mobile gift cards and Offers+, the first version of our offers platform that can be sold on a standalone basis or integrated into Monitise mobile banking.

Monitise sells Buy Anything on a revenue-share basis, with the content partner typically paying a percentage of the transaction value fee to Monitise, which is then shared with the app-owning customer.

Our business model

A NEW STREAMLINED BUSINESS MODEL FOR ACCELERATED CLIENT ADOPTION

Who we sell to

We sell directly to businesses.

We help customers and partners including:

Financial institutions and banks

Deepen their customer relationships via increased customer engagement, create new partnerships, reduce costs and drive new revenue.

Payments companies

Providing mobile products for their financial institution customers and partners.

Mobile ecosystems

Fight back against 'over-the-top' disruptors, enhance subscriber stickiness, develop new partnerships and increase annuity revenue.

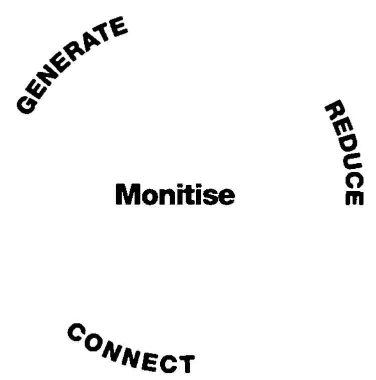
Network & retail partners (retail, media and advertising, loyalty, coupon and offers companies)

Reach a far greater audience, via our platform customers, substantially increase conversion rates, target new customers and develop new partnerships.

Why they use us

We reduce the complexity, cost and time-to-market in deploying mobile solutions.

We have created an industry-level hub which connects into an ecosystem of partners including payment and commerce gateways. This enables us to continually enrich our customers' offering and help them generate new forms of revenue.



Our market positioning

We are a global leader in Mobile Money with 30 million registered users on our platform. Competition varies by region, but the most common competitor globally is the in-house IT department of our potential customers. We believe we have more registered end users of our platform than any competitor. No competitor has the combination of our size and global breadth.

30 million registered users

Strategic partners

8 Read about our strategy on the next page

Our unique offering

Strategic partnerships

Platform technologies and network

Global footprint

Breadth of capabilities

Scale and scalability

Bank-grade security

Awards

Our revenue model

Transitioning to a subscription model

Historically, for the delivery of our mbanking platform, deployed either on-site or as hosted as a managed service, we would derive two principal forms of revenue:

- **User-generated revenue:**
  Including product licences as well as subscription revenue, which is typically based on a per-user-per-annum or per-user-per-month basis.
- **Development and integration revenue:**
  Associated with the work undertaken in implementing and deploying a solution for a customer, including strategic partners, or for mobile design services work.

Going forward, and as discussed in our strategy section on **pages 8 to 9**, we are shifting to a purer subscription model. The long-term impact on our principal revenue categories is as follows:

- **User-generated revenue:**
  The focus will be on generating higher long-term subscription revenue. This will be augmented with transaction-based revenue from our mcommerce activities. Product licence revenue will continue to be a feature of the business. However, over time product licence revenue will become a lower percentage of total revenue.
- **Development and integration revenue:**
  As we move to a productised offering with the launch of the Monitise Central Platform, we expect limited development and integration revenue from integrating our platform to our customers' platforms. We will continue to derive development and integration revenue from our strategic partners and other historical, long-standing commercial relationships, and from the mobile design work we undertake on behalf of our customers.

Targets for end of FY 2018

- Registered users expected to grow to 200 million.
- At least £2.50 ARPU per annum – comprising subscription revenue and transaction-based revenue.
- Sustainable gross margin above 70% with EBITDA margin of at least 30%.

Our strategy

ACCELERATING USER ADOPTION

In March 2014, the Group announced the move to Monitise 2.0. Monitise 2.0 is the next phase in the Monitise journey, characterised by an acceleration to a subscription model and an evolved product architecture, which most appropriately enables Monitise to scale the Group and capitalise on both the Mobile Money opportunity and the foundations it has built over the previous 10 years.

Why now?

- Mobile banking use is growing strongly and set to overtake internet banking. Already banks that have implemented a mobile-first approach are seeing significantly more mobile transactions than all other channels put together.
- Mobile banking is moving from the early-adopter to the mass-market phase of growth. This will impact how banks buy Mobile Money services as they move away from expensive, slow, in-house development.
- High frequency of use of mobile banking applications means that the banks represent a formidable audience and marketing channel.
- Significant convergence in the Mobile Money landscape as financial institutions, retail, mobile, online advertising and social media meet.

Our focus

Lower the financial and technical barriers to entry for customers to access our products and services.

- Minimise up-front licence or integration costs.
- Accelerate the development of the Monitise Central Platform ('MCP') – the open-API interface technology platform that will materially speed up the onboarding of banks and other customers.
- Enable channel partners, such as IBM, to sell our product, further driving reach and growth, through our standard platform approach.

Our commercial model

Move to subscription model

Until now, Monitise's business model has usually included up-front licence and/or integration revenue. The shift to a purer subscription business model with minimal up-front licence or integration costs lowers financial barriers to adoption. Monitise substitutes the up-front fee for a per-user subscription fee, or share of commerce related revenue. The revised business model and offering should result in an accelerated sales process to banks and payment providers, both for the Monitise direct sales team as well as Monitise's channel partners.

The commercial model will map out as follows against our principal product categories:

- Bank Anywhere will be delivered on a subscription basis with Monitise typically receiving a per-user-per-annum fee.
- Pay Anyone may be delivered on a subscription basis. Examples include bill payments and account transfers, where Monitise does not charge on a transaction basis, but gets paid through additional per-user-per-annum fees. Monitise may also be paid on a percent or per-transaction basis, for example for services such as Mobile Phone Top-Up.
- Buy Anything is transaction based, with Monitise charging a lead-generation fee for introducing content providers (typically brands and retailers) to customers' end users – often on a targeted basis. This revenue is then shared with the customer who provided the end-user audience.

Our operating model

Move to a standard product set and an API-based based product architecture

We are making it easier for financial institutions, payment companies, mobile operators, retailers and network partners to connect to Monitise. We are focusing on delivering a standard 'bank', 'pay' and 'buy' product set available through our Monitise Central Platform with its open-API architecture. The aim is to cut down the time it takes to onboard customers to our platform and reduce the level of systems integration work Monitise has to undertake, thereby accelerating the rate of end-user adoption. As part of the Group's evolving capabilities, content and service providers, including new industry schemes, can also connect directly to the published open APIs of the Central Platform.

No disruption to existing customers

Existing customers will continue to be served by the Monitise Enterprise and Vantage platforms which will automatically connect to Monitise Central Platform features as they are rolled out. Augmentation products such as Alerting+ and Offers+ are being rolled out ahead of the MCP launch.

Monitise Central Platform ('MCP') – central product logic and network connectivity with standard API connections to customer back-end systems.

Monitise Enterprise Platform ('MEP') and **Monitise Vantage Platform ('MVP')** – historic Monitise platforms with customised connectivity into customer back-end systems. Connect to MCP for seamless provision of new services.

A new product architecture

Where mobile banking is heading

PAST

Mobile as a differentiator

PRESENT

Mobile as a cost cutter and highest volume channel

FUTURE

New revenue streams, new customer relationships

Chief Executives' review with Alastair Lukies and Elizabeth Buse

Alastair Lukies, Chief Executive Officer, Monitise plc

Elizabeth Buse, Chief Executive Officer, Monitise Group

Summary for the year

- Revenue grew 31%, rising to £95.1 million from £72.8 million.
- Further growth in live transactions, with 4.0 billion transactions on an annualised basis to the end of June 2014, compared with 2.4 billion a year ago.
- New milestone in the Group's Telefónica partnership with the launch of Yaap Shopping, a European mobile commerce collaboration between financial institutions and telecom operators.
- IBM partnership expanded into a multi-year global alliance to deliver cloud-based Mobile Money solutions.

Overview

This past year was an important and transformational period for Monitise. The underlying performance reflects the proactive, decisive and bold steps we have taken to transition the business to a product-led, subscription-based business.

Monitise operates in a rapidly evolving industry where most medium to large banks around the world have at least first-generation mobile solutions. However, the majority still view mobile as just a front end to their internet banking capabilities and do not have SME or segmented offerings or technology platforms architected to extend beyond their legacy internal capabilities. Many are only just beginning to see the revenue-enhancing opportunities arising from leveraging mobile as a direct customer engagement channel.

Across the industry, banks are investing more in mobile. This reflects a much wider trend as digital and financial services converge at an accelerating rate. CTOs, CIOs and CMOs of leading financial services companies are seeing first-hand how interoperable, well designed mobile services enable them to deepen customer relationships, unlock commercial benefits and reflect the growing appetite consumers have to use mobile banking services significantly more than online banking.

The fast-evolving landscape evidenced by the convergence of the digital and financial worlds is a huge opportunity for Monitise. In early September we saw a very important mobile platform, iOS, enter the mobile payment world with Apple Pay which adds another potential payment method to complement the many payment schemes and infrastructures that Monitise already agnostically connects to.

On 24 March 2014, major existing shareholders and new partner MasterCard took part in a fully underwritten placing that raised gross proceeds of approximately £109 million as part of the Group's transition to a product-led and subscription-based business model. The Group's relationship with MasterCard continues to develop, with a number of initiatives in the pipeline.

> "We have established ourselves to be the leading global trusted service partner via our platform, products and approach to innovation.

SUPPORTING YAAP
A pioneering joint venture between Telefónica, Santander and CaixaBank

Yaap is the first-ever European alliance between banks and telecommunications operators – its main objective is the creation of innovative digital services that improve people's daily lives.

Yaap Shopping is its first service
Monitise is the technology partner behind Yaap Shopping, a virtual mobile commerce service in which thousands of retailers in Spain can generate revenue through digital interaction with consumers via offers, discounts and loyalty programmes within a state-of-the-art, cloud-based mobile commerce system. It also gives consumers the ability to buy on the move from local retailers that they use every day.

Connecting the ecosystem of consumers, merchants and banks
Monitise technology enabled this groundbreaking collaboration.

Consumers get offers that are relevant to how, where and when they shop. Merchants drive more traffic to their stores. Banks and acquirers provide an enhanced service for their clients.

Monitise delivered mobile iOS, Android and web services for consumers. For retailers, Monitise's merchant portal tools enable the provision and management of discounts and offers.

Early launch and impact
Valladolid and Palma de Mallorca were the first cities to launch Yaap Shopping, where there are already more than 200 participating businesses. Other Spanish cities will be joining in upcoming months.

Chief Executives' review continued

A platform for growth

We have established ourselves to be the leading global, trusted service partner via our platform, products and approach to innovation.

We have structured the Group to better serve the needs of partners and clients, and deliver against the ambitious targets we have for the year ahead and beyond. Our goals will be achieved by increasing our business footprint, expanding our product set, simplifying our deployment model and adding new sales channels.

Monitise began collaborating with IBM in September 2013. In March 2014, Monitise announced its intention to accelerate its transition to a purer product business. In July, the Group provided details of a new multi-year alliance with IBM. On 27 August 2014, IBM and Monitise announced a global digital commerce and resourcing alliance. As part of the collaboration, IBM's global go-to-market investment of dedicated resources and promotional initiatives, globally and in-region, will pair with Monitise staff to pursue Mobile Money opportunities.

While commercial opportunities will initially be targeted at financial institutions, the alliance will also address the needs of mobile network operators, retailers and any industry vertical requiring simple API connectivity to mobile payment and commerce functionality and content. The collaboration will substantially increase Monitise's ability to handle larger custom projects globally, in addition to implementing standardised solutions. Equally, the resources will enhance IBM's ability to deliver Monitise-based Mobile Money solutions to customers.

UK and Europe

During the financial year, the Group's technology supported the commercial launch of Yaap Shopping, the Spanish mobile commerce service launched by the alliance of Telefónica, Santander and CaixaBank. Yaap Shopping enables retailers in Spain to generate revenue through digital interaction with consumers via offers, discounts and loyalty programmes within a state-of-the-art, cloud-based mobile commerce system. Yaap represents the first time in Europe that financial institutions and telecom operators have joined to innovate together in the creation of new digital services. More than 200 businesses are already participating in the scheme. Monitise's involvement with the agreement follows on from a five-year alliance formed with Telefónica, announced on 1 July 2013.

Monitise continues to work with Visa Europe to deploy mobile services to its 3,000+ member banks and financial institutions across 37 countries. Monitise also extended its commercial contract with RBS, which now has more than 3 million users of services developed by Monitise.

During the first half, Monitise entered into a five-year Mobile Money partnership with a leading UK bank and financial services company to design, build and manage new banking, payments and shopping services. The new partnership, worth several million pounds, includes provisions for revenue sharing arising from retail offers generated via the Group's growing mobile commerce network.

In the UK, mobile banking services for Clydesdale Bank and Yorkshire Bank were launched, generating strong customer adoption rates across iPhone, Android and BlackBerry devices.

The global mobile innovation and design agency Grapple Mobile Ltd, which was acquired in September 2013, has been successfully integrated into Monitise Create within the Group's Content business.

Among its increasing portfolio of clients, Monitise Create has been working with hotel group Premier Inn to develop new 'Hub' hotels where guests can manage their entire stay, as well as control room temperature, lighting and meals, via their mobiles. The 'Hub by Premier Inn' hotels, blending innovation and style, start opening later this year. During the year, the division also announced it had developed Samsung's 'My Galaxy', an application designed to help users get the most from their smartphones, including content and ticket offers, and iOS and Android apps to support fundraisers who want to 'give on the go' for Virgin Money Giving.

During the second half, Eurasian Bank launched its groundbreaking new mobile banking service, designed and developed by Monitise Create. The full-service, multi-language mobile banking app is available on iPhone and Android for the bank's customer base that will exceed one million this year, with iPad and Windows Phone versions to follow.

Monitise announced the acquisition of the Markco Media business on 26 June 2014, instantly enhancing the Group's international mobile commerce network. Most of the assets acquired are B2C based, and include a growing number of B2B white-label initiatives including UK mobile network operator EE and MasterCard. While the majority of revenues are UK based, the acquired business has operations in markets including the US, France, Germany and Brazil.

Create and the former Markco Media business have both been integrated into the Content division, which is focused on continuing to source content to augment Monitise's Buy Anything mobile commerce products comprising offers, discount and loyalty programmes. The retailer network within the Group business already has connections to 60,000+ brands and retailers across dozens of industry verticals such as restaurants, music and media, DIY, travel, health and beauty and utilities. Brands within the network include Burger King, Pizza Hut, Sky, Spar, B&Q, Tesco, ticketmaster, M&S, Home Depot, Target, Waterstone's, Boots, The Body Shop, Primark, iTunes, Nintendo and many more.

On 3 February 2014, Monitise announced the acquisition of Turkish Mobile Money innovator Pozitron. Following the acquisition, Monitise now works with three out of the five largest banks in the country. The Group has announced First Gulf Bank as its first customer in the UAE and mobile banking solutions developed from the company's Istanbul-based operations are now running in not only Turkey, but also the UAE, Saudi Arabia and Qatar. Monitise has carried out design and development work with Ziraat Bank, IşBank, Yapı Kredi Bank and Turkcell.

During the period, a web-based digital wallet – BKM Express – that Monitise helped to develop for Turkey's national switch was extended to iOS, Android and mobile web HTML5. The service supports e-commerce and mcommerce payments and mobile person-to-person money transfers, only storing partial credit card information to deliver unparalleled security. Thanks to the participation of the country's major banks, the service covers 97% of Turkey's cards and has over 350,000 consumer members. Over 650 merchants support payment by BKM Express.

The Turkey-based team also helped to launch a 'branchless banking' service, Nuvo, for Yapı Kredi Bank, one of Turkey's largest banks, and generated record adoption rates for its Pegasus Airlines service, the most downloaded travel app in Turkey's App Store. The app has led to more than 100,000 ticket sales so far during 2014. Elsewhere in the travel industry, the Group has been working with Turkish Airlines to develop new mobile services for the country's national carrier. The app, which allows travellers to book flights, check in, track flights and timetables, has already had more than one million downloads.

> "Our achievements underscore the merits of our unique network approach to Mobile Money.

BKM EXPRESS
Making Turkey's national digital wallet available on mobile

Monitise developed BKM Express – a web-based digital wallet – for Turkey's national switch in 2012, bringing it to mobile as apps for iOS, Android and mobile web HTML5 in 2013. The service supports e-commerce & mcommerce payments and mobile person-to-person money transfers, only storing partial credit card information to deliver unparalleled security.

Delivering a vision of a 'cashless society'
The digital wallet removes the need for cardholders to share their card details when they shop online or via mobile, eliminating what had been a major roadblock in Turkey's path to becoming a 'cashless society'. Users can also make money transfers using only the recipient's mobile number.

A single platform to boost mobile commerce
Thanks to the participation of the country's major banks, the service covers 97% of Turkey's cards and has over 350,000 consumer members. Over 650 merchants support payment by BKM Express, and in 2014 the service was named 'Technology Project of the Year' by The Banker.

Chief Executives' review continued

> "The fast-evolving landscape evidenced by the convergence of the digital and financial worlds is a huge opportunity for Monitise.

UK and Europe continued
Monitise has built on Pozitron's existing relationship with Intel Corporation, which dates back to 2012. Over the past several months, this has centred on integrating Intel's Identity Protection Technology ('IPT') into mobile and PC hardware. On 26 June 2014, customers of IşBank, the largest bank in Turkey, were able for the first time to perform transactions without typing a one-time password by using a mobile banking app that Monitise helped to develop running Intel Atom™ processors.

Americas
The Group's business in the Americas, where it has been operating since 2007, is anchored in its direct customer relationships, including eight of the top 20 North American financial institutions, and partnerships with businesses such as Visa Inc. and FIS.

While the Americas saw a decline in development and integration work in the period, the product portfolio was expanded with the launch of the industry-leading Vantage platform. This is an on-premise technology platform providing financial institutions in the Americas with the ability to rapidly deliver differentiated and world-class Bank Anywhere mobile capabilities, while enabling Pay Anyone and Buy Anything services to be delivered through the cloud to generate new revenue streams.

Alerting+ was also launched during the period. Alerting+ is a next-generation app messaging platform designed to help financial institutions connect more effectively with their customers – whether they are on smartphones, feature phones or tablets. The solution goes well beyond routine SMS notifications to include real-time mobile conversations between a financial institution and customer.

In addition to core infrastructure offerings, Monitise continued to expand its technological innovation by bringing best-in-class user experience and mobile strategy design services into North America via Monitise Create. U.S. Bank, a top five financial institution in the US, became Create's first customer in the Americas.

Among new customer wins and service enhancements during the period were U.S. Bank, Desjardins, American Savings Bank, Webster Bank, First Interstate Bank and Card Services for Credit Unions.

India
During the year, Movida, Monitise's 50/50 Joint Venture with Visa Inc. in India, signed up ICICI bank, India's largest private bank, to make the Movida mobile payments functionalities available to its customers. The service is now live and available to ICICI bank customers. Movida can be accessed through SMS, IVR, web, USSD and the Android platform for smartphones. Movida is also live in the region with HDFC Bank, India's second-largest private bank.

Asia Pacific
Monitise took full ownership of its two joint ventures in Asia Pacific during the period to help streamline the business in order to capitalise on commercial opportunities in the region.

During the year, Monitise launched a Chinese language version of its Mobile Money capabilities with the rollout of Easy TopUp for PCCW-HKT customers in Hong Kong. Bank of China (Hong Kong) was the launch bank for the service. Additional banks are set to roll out the solution, including one of the largest financial institutions in Hong Kong.

New functionality was also added to Monitise's BBM Money service, developed for BlackBerry in conjunction with PermataBank, in September 2013. The service now includes bill pay and cardless cash withdrawals. There are further plans to extend the service in Indonesia which will be announced in due course.

Industry recognition
During the year, Monitise was proud to have been again recognised internationally for its ongoing innovations in digital banking, payments and commerce products and services. Among these Monitise was:

- Rated in the top three of Forbes' World's Most Innovative Growth Companies.
- Named High Performing New Business Partner at the 2014 IBM Choice Awards.
- Crowned Peer-to-Peer winner in the Emerging Payments Awards for its Indonesian BlackBerry Messenger payments service.
- Recognised as a Best-in-Class provider across all categories in a global CEB TowerGroup report.
- Ranked in the top 15 of Deloitte's Technology Fast 50 for the third year running.
- Following the year-end, recognised with six international awards for its products and business success. These were: overall winner of The Banker's Technology Project of the Year, three awards at the Best in Biz International Awards and the Juniper Research Future Mobile Award for Mobile Payments.

Taken together, these achievements underscore the merits of our unique network approach to Mobile Money.

Summary and outlook
The Group's transition to its product-led, subscription-based business and continually growing pipeline of mobile banking, payments and commerce opportunities underlines management's confidence. The Company's revenue and profit guidance remains unchanged:

- Revenue growth of at least 25% in FY 2015.
- Continued investment in the Group's global infrastructure with FY 2015 capex estimated at £35–45 million.
- The Group becoming EBITDA profitable in FY 2016, with revenue growth accelerating.
- The following longer-term guidance for 2018 being maintained:
  - 200 million registered users at £2.50 ARPU.
  - EBITDA margin of at least 30%.
  - Sustainable gross margin above 70%.
- Monitise continues to consider a move to a main London Stock Exchange listing.

Amid our drive to further develop our platform technology, we enter the new financial year energised and focused on enhancing our market-leading position for the benefit of all key stakeholders.

Alastair Lukies
Monitise plc Chief Executive Officer

Elizabeth Buse
Monitise Group Chief Executive Officer

CLYDESDALE BANK AND YORKSHIRE BANK

Mobile banking successes

Monitise began working with the banks in 2013 focusing on building an intuitive and widely accessible mobile banking solution. The mobile banking app is available across iPhone, Android and BlackBerry handsets and, for customers without smartphones, a series of text-based services including scheduled and on-demand balance alerts and mini statements is on offer.

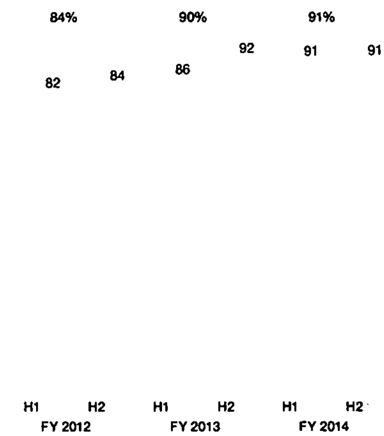
Ease of registration
Clydesdale Bank and Yorkshire Bank took the innovative approach of enabling any customer with a current account to be able to register for mobile banking; they do not necessarily need to be registered for internet or telephone banking.

Delivering high engagement and usage
Within three months of launch Clydesdale Bank and Yorkshire Bank experienced significant and rapid user adoption, seeing customers interact with their app two or more times a day.

Chief Financial Officer's review with Brad Petzer

Strong user generated margin maintained (%)

User generated*



* User generated includes product licences.

Brad Petzer, Monitise Group Chief Financial Officer

Summary for the year

- Revenue grew 31%, rising to £95.1 million from £72.8 million.
- Group EBITDA* loss was £31.4 million for the year (FY 2013: £19.3 million). The increase in loss, in line with management expectations, was driven by investment in product and sales in particular in the second half of the year as the strategy to accelerate user growth was put in place.
- Adjusted** loss for the year was £43.7 million (FY 2013: £32.8 million) and adjusted loss per share was 2.6p (FY 2013: 2.4p). Statutory loss after tax in the year was £60.1 million (FY 2013: £51.3 million), with loss per share at 3.6p (FY 2013: 3.8p).
- Group net cash of £146 million as at 30 June 2014 (FY 2013: £86 million) provides balance sheet strength to execute against our strategy.

* EBITDA is defined as operating profit/loss before exceptional items, depreciation, amortisation, impairments and share-based payment charges.

** Adjustments comprise share-based payments, exceptional items, impairments and acquisition related amortisation. A reconciliation is provided in note 28.

Financial summary

The year to 30 June 2014 was a year of continued revenue growth for Monitise, a period in which the Group announced its transition to a subscription business model with limited up-front licence or integration costs.

Revenue

Revenue in FY 2014 grew by 31% to £95.1 million from £72.8 million in FY 2013. After strong triple-digit percentage growth in FY 2013, user generated revenue growth slowed to 17% at £50.6 million, 53% of the Group total. Development & integration revenue by contrast accelerated 51% to £44.5 million reflecting first phases of work on large contracts including Telefónica.

User generated revenue comprised £19.3 million of product licence revenue (FY 2013: £13.7 million) and £31.3 million of subscription revenue (FY 2013: £29.7 million). Subscription revenue in H2 FY 2014 was £15.0 million and £16.3 million in H1 FY 2014. The temporary half-on-half decline in subscription revenue is primarily attributable to the renewal of certain commercial terms which secure longer-term user generated revenue.

Monitise is very focused on raising end-user count and subscription revenue through new wins and raising penetration at existing customers, in all geographies. We expect subscription revenue growth to accelerate later in FY 2015.

On a geographic basis, UK revenue rose 54% to £57.8 million, reflecting wins and the development & integration revenue growth. Americas revenue declined 9%, principally due to a decline in development & integration revenue. The strength of Sterling compared to the US Dollar also had a small negative impact on reported US revenue.

Gross margin

User generated margin remained strong at 91% compared to 90% in FY 2013. High margin licence revenue comprised 38% of user generated revenue in FY 2014 compared to 32% in FY 2013.

Group gross margin was 69% (FY 2013: 76%). The gross margin performance reflects development & integration margin of 43% in FY 2014 (FY 2013: 55%), with the decline due to the impact of certain large contracts, where bulk price commitments were made on development work. Barring other very large contract work, we anticipate that the development & integration gross margin in the medium term will be sustained at around 50%.

"The year to 30 June 2014 was a year of continued revenue growth for Monitise, a period in which the Group announced its transition to a subscription business model with limited up-front licence or integration costs.

EBITDA
The Group EBITDA loss was £31.4 million in FY 2014 compared to £19.3 million in FY 2013.

In line with the Group's strategy we continue to invest globally ahead of the growing opportunities in the Mobile Money market. Operating costs of £96.8 million (FY 2013: £74.5 million) reflect growing headcount, including the enlarged cost base of the Group following the Grapple and Pozitron acquisitions, as well as increased sales, IT and corporate costs, as we continue to scale the business. These investments form part of the investment in productising our platform. We expect cost growth half-on-half to slow and plateau in the next few reporting periods.

Other movements
Depreciation, amortisation and impairments
Depreciation was £4.0 million in the period (FY 2013: £3.3 million). Amortisation of £15.7 million (FY 2013: £11.8 million) includes amortisation of acquired intangible assets of £8.2 million and capitalised development costs of £5.0 million. In addition, a £4.2 million impairment was recorded relating to previously capitalised development spend, acquired technology and goodwill.

Share-based payments
The share-based payment charge of £9.8 million in the period (FY 2013: £5.3 million) includes share-based remuneration components relating to the acquisition of Grapple and Pozitron and Group employee share options grants. The rise in share-based payments is mainly driven by the requirement to include certain acquisition earn-out related share-based payments in the income statement.

Exceptionals
£1.9 million of exceptional costs were recorded in the year, largely reflecting acquisition-related expenses.

In addition, the Group recorded a one-off profit of £7.7 million in respect of the acquisition of the remaining issued share capital in its Joint Ventures, Monitise Asia Pacific Limited and PT AGIT Monitise Indonesia.

Loss before tax
Group loss before tax was £63.4 million, compared to a loss in FY 2013 of £51.1 million.

Tax
A tax credit of £3.4 million was recorded in the year (FY 2013: £0.3 million charge) principally relating to non-cash movements on the unwinding of deferred tax recognised on acquired intangible assets. The Group has an unrecognised deferred tax asset of approximately £61.0 million that is available for offset against future taxable profits of the companies in which the losses arose.

Attributable loss
The reported loss for FY 2014 was £60.1 million (FY 2013: £51.3 million). On an adjusted basis excluding share-based payments, exceptional items, impairments and acquisition-related amortisation, the attributable loss was £43.7 million (FY 2013: £32.8 million). The increased loss was largely driven by growth in headcount and the impact of the acquisitions in the year.

Loss per share
The basic and diluted loss per share was 3.6p (FY 2013: 3.8p). On an adjusted basis excluding share-based payments, exceptional items, impairments and acquisition-related amortisation, basic and diluted loss per share was 2.6p compared to 2.4p in FY 2013.

Cash flow and funds
The Group ended the year with a strong balance sheet, holding £146.0 million of net cash at 30 June 2014 compared to £66.2 million at 31 December 2013 and £85.6 million at 30 June 2013. Free cash outflow excluding exceptional items, funding and acquired cash was £63.9 million, compared to £35.9 million in FY 2013, in line with our planned investments. This was balanced by a net £105.6 million (FY 2013: £117.3 million) equity fundraise in the year, driving an increase in cash and short-term investments of £60.8 million in the year, compared to £67.2 million in FY 2013.

Joint Venture funding, comprising investments and loans, totalled £3.4 million in the year, down from £4.0 million in FY 2013. The reduction is principally driven by the buyout of the Monitise Asia Pacific Joint Venture in October 2013.

Capital spending, as guided, increased from £14.2 million to £26.1 million as the Group accelerated its investment in the productisation of its technology platform. Capital spending included £4.8 million (FY 2013: £5.1 million) of tangible asset purchases and £21.3 million (FY 2013: £9.1 million) of intangible purchases and capitalisation.

Post balance sheet events
On 27 August 2014, the Group entered into an alliance with IBM to combine the best of both companies' mobile banking, payments and commerce technology. As part of the collaboration, IBM's global go-to-market investment of dedicated resources and promotional initiatives will pair with the Group's staff to pursue Mobile Money opportunities.

As part of this agreement, teams from the Group's UK development and integration business, known as Professional Services, will be transferred to IBM, who will, in turn, deliver services back to the Group. The transfer will involve UK employees representing approximately 20% of the Group's global employee base. All Group contracts and client relationships, intellectual property, commitments and delivery remain unchanged.

Brad Petzer
Monitise Group Chief Financial Officer

Risk management and principal risks

The Board has overall responsibility for managing risk. Risks are formally identified and recorded in a risk register, which is reviewed by the Board at each meeting. Risks are prioritised according to likelihood and impact, and the register records current mitigating controls to reduce risk, together with any required actions to further reduce risk to appropriate levels.

For the most important risks, the Board reviews detailed action plans to manage risk.

The Audit & Risk Committee, comprising Non-Executive Directors, continually monitors and promotes the highest standards of integrity, financial reporting, risk management and internal control. They are supported by the SVP – Risk, Governance and Business Optimisation, who reports to the Committee and leads the internal audit and risk function. Any weaknesses in controls to manage risk are reported to the Committee and corrective action taken.

The Executive Directors are closely involved in the day to day management of the business and oversee a wide range of controls, including financial, operational and compliance controls, together with risk management. The Group Management Committee ('GMC') meets regularly to make executive decisions. The GMC comprises the Group CEO, the Chief Financial Officer, the Chief People & Business Officer, the President Americas, the President EMEA & AP and the Chief Content Officer.

The Group has established a Risk, Controls & Improvement Committee, comprising key senior managers. This committee complements the work of the Audit & Risk Committee, overseeing development of the control environment, reviewing risk registers, reviewing action plans to manage risks and ensuring key messages around risk management are communicated throughout the business.

The internal audit function sets its plan so as to align with the business' key risk areas. There are also other assurance processes embedded in the business. Where appropriate, we engage specialist external assurance providers to supplement internal assurance. We undergo external assessments of our security arrangements.

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

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

Board

- Executive oversight of risk and internal controls
- Sets strategic objectives
- Receives and reviews risk register
- Receives and reviews key outputs from Audit & Risk Committee

Audit & Risk Committee

- Reviews the Group's financial controls and other internal control systems
- Reviews risk management processes
- Reviews the outputs and effectiveness of the internal audit function
- Reviews progress on implementing control improvements to manage risk

Risk, Controls & Improvement Committee

- Facilitates production of functional risk registers
- Prioritises actions to improve controls
- Ensures risk management is embedded and understood throughout the business

Assurance processes

- Embedded assurance processes to ensure risk is managed
- Internal audit
- External audit
- Specialist external reviews

The operations of the Group and implementation of the Group's strategy involve a number of risks and uncertainties, the principal of which are described in the table below. Controls to reduce risk are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK	IMPACT	MITIGATING CONTROLS
Strategic		
The Group is reliant on a number of key customer and partner relationships with banks, payment processors and mobile operators.	The loss of a contract with these partners could have a significant impact on the Group's financial performance.	Our focus on first class relationship management and service with our existing customers and partners is absolute. Monitise continues to grow its customer base organically and through acquisition. Our growing network of strategic alliances, coupled with the evolution of our product offerings discussed below, will accelerate our diversification of the customer base.
The risk that the Group fails to keep pace with changes in the marketplace in which it operates. This is characterised by rapid technological change, frequent introductions of new services and products and evolving industry standards.	Product becomes less attractive to end users, leading to loss of market share.	We continue to push forward the boundaries of mobile money through innovation. During the year, Yaap Shopping, a joint venture between CaixaBank, Santander and Telefónica, launched its mcommerce platform, developed by Monitise. We announced in March that we will be making it easier for customers to connect to our expanding range of services through global rollout of the Monitise Central Platform. This, combined with the development of powerful data analytics, will ensure Monitise stays at the forefront of the markets in which we operate.
There is a risk that existing competitors or a new entrant to the market could pose a competitive threat.	Loss of market share and failure to grow in line with our business plan.	Regular reviews of competitor activity are undertaken to ensure that we maintain our leading position in Mobile Money markets.
Operational and Financial		
There is a risk that Executive Directors and senior management may leave the Group. These individuals have significant experience within the Group and the sectors in which we operate and may be difficult to replace.	Loss of market and business development skills, leading to inability to grow in line with our business plan.	We continue to bring in new executives throughout the business to enhance our breadth and depth of talent across all regions. Executive remuneration plans, incorporating long-term incentives, help to mitigate this risk. Focus is placed on succession planning to ensure strength in depth to cover all key functional areas as practical, to ensure that no single individual is irreplaceable.
There is a risk that technical staff with specialist skills in product development may leave the Group.	Loss of technical skills, leading to difficulties in continuing to develop and manage our product.	The Group has a training and development programme which aims to provide staff with personal and professional progression, together with competitive remuneration packages. We partner with external service providers who bring additional expertise in both our existing and target markets. Similarly, we bring in specialist expertise through our bolt-on acquisitions.
The risk that our product does not operate satisfactorily due to software or other issues.	Damage to reputation.	Software is rigorously tested by our technology teams before going live. This includes sophisticated checks to ensure end user data security. The operation of the product is subject to ongoing monitoring to ensure it operates optimally.
The risk that data centres hosting our product platform fail.	Product becomes unavailable to users. Damage to reputation.	We use multiple hosting centres and continually review and refine our disaster recovery planning.
The risk that we may not have sufficient funds to finance future growth.	Failure to achieve our growth plans.	The Group operates a robust budgeting process. A rolling forecast is also maintained, and progress against budget is monitored regularly together with detailed trend analysis of revenue flows and consumer uptake.

Corporate social responsibility

TECHNOLOGY AND EXPERTISE FOR SOCIAL, ENVIRONMENTAL AND BUSINESS IMPACT

CSR at Monitise is underpinned by our corporate governance, code of ethics and business conduct. Through our CSR programme, we seek to use our technology, expertise and partnerships for social, environmental and business impact. Our long-term success depends not only on our business growth but also on helping to provide a brighter future for the communities where we live and work, and for our people themselves.

People

Our continued success depends on our ability to recruit and retain talented, highly skilled and committed people. The Group provides competitive reward and benefit packages, supported by appropriate training and personal development programmes, and ways to encourage and reward outstanding performance. The Group regularly communicates with employees on matters that affect them, consulting them or their representatives to ensure that their views are taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as we believe a common understanding by all employees of the financial and economic factors which affect the Group plays a major role in maintaining our growth and success. Senior executives regularly hold interactive sessions with staff to discuss relevant developments in different parts of the business and future activity.

Staff can also participate directly in the success of the Group through a variety of employee share option schemes. The establishment last year of staff social committees has enabled our people to participate in a wide variety of social events including fundraising for local charities.

The Group is committed to maintaining a safe and healthy working environment and ensuring the health, safety and welfare of all employees, customers and the general public. There were no significant accidents in the workplace during the year. Benefits for the health and wellbeing of staff vary by office, but include private medical insurance, employee assistance programmes, subsidised gym membership and, in some cases, access to fitness advice and training programmes.

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

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

The environment

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.

Society and communities

In developing our 'bank anywhere, pay anyone, buy anything' range of services, we are committed to ensuring that these services are equally available to all citizens. We work actively with government, regulators, consumer organisations and other relevant stakeholders to ensure our products and services are relevant to disadvantaged and financially excluded citizens and communities.

The Group continues to develop programmes to work with and support national and local charities. As part of this development, a more structured approach to charitable donations has now been adopted, whereby the Group supports two main charities (currently Get Ahead Charitable Trust and MyBnk), and staff in the Group's offices decide on local charities to support. In addition, two volunteering days per year are now available for staff to develop and strengthen links with local communities by sharing their skills, expertise and time with community organisations. The overall objective is not just to provide funding, but to work actively within the societies where we operate to achieve a positive social impact by helping disadvantaged citizens, developing entrepreneurial skills and supporting the careers of young people in the technology sector.

During the year, the Group made charitable donations of £50,750 (2013: £24,347) to a variety of charities. No political donations were made (2013: nil).

WORKING WITH MYBNK

Monitise is working with MyBnk, a charity delivering financial education and enterprise experiences directly to 11–25 year olds in schools and youth organisations.

The funding provided to MyBnk enabled them to deliver 17 half-day workshops to 425 11–18 year olds designed to equip them with the tools and knowledge to manage money as they move into adulthood.

In addition Monitise hosted 12 young people on a MyBnk Entrepreneurial course in its Gresham Street offices to give them an understanding of the 'working world' and to set them stretching challenges with a reward of providing work experience for the winning team.

“ Was very helpful. I wish we learned about these things more often rather than pointless form time periods.

Board of Directors

EXECUTIVES

1 **Alastair Lukies**

2 **Elizabeth Buse**

3 **Lee Cameron**

4 **Brad Petzer**

Our business is managed by our Board of Directors ('the Board'). Biographical details of the Directors as at 12 September 2014 are as follows:

1 Alastair Lukies (40)
CEO, Monitise plc

Alastair has a proven track record of turning visions and concepts into real businesses. He founded Monitise in 2003. Three years later, Monitise was recognised as a 'Technology Pioneer' by the World Economic Forum and in June 2007 Alastair led the company's demerger from Morse and listing on the LSE's AIM market.

In January 2014, Alastair was appointed as a business ambassador for the financial services industry by the UK Government. He was named Non-Executive Chairman of fintech industry body Innovate Finance, at its launch in August 2014. Alastair was awarded a CBE for services to mobile banking and charity in June 2014 and was named Entrepreneur of the Year at the 2011 Growing Business Awards.

Prior to conceiving, financing and successfully building Monitise, Alastair was a co-founder of epolitix.com, the portal for Westminster, Whitehall and the devolved institutions. Alastair leads key relationships with partners, industry stakeholders and major shareholders, plus corporate development for the global Monitise business.

2 Elizabeth Buse (53)
CEO, Monitise Group

Elizabeth leads Monitise's day-to-day operations, including technology, product, sales and marketing. A seasoned payments executive, Elizabeth joined Monitise in June 2014, having held various executive positions at Visa Inc. from 1998 to 2014, most recently running its international operations as Executive Vice President of Solutions. Prior to that she was Visa Inc.'s Group President of Asia Pacific, Central Europe, Middle East and Africa; Global Head of Product; Executive Vice President of Product Development and Management; and Executive Vice President of Emerging Markets & Technologies, leading all aspects of product strategy, development and growth.

Prior to joining Visa in 1998, Elizabeth served as Vice President of Strategic Initiatives for the Electronic Funds Division of First Data Corp. Elizabeth also serves as a Director at International Museum of Women and was a Director of Artio Global Investors Inc. from September 2009 to January 2013.

3 Lee Cameron (43)
Deputy CEO & Chief Commercial Officer

Lee is Deputy Chief Executive Officer and Chief Commercial Officer at Monitise and has been a member of the Group's Board since 2008. He is responsible for Monitise's legal and commercial activities and oversees the company's corporate development and M&A strategy. Lee has been associated with Monitise since its foundation and joined as a full-time employee in 2006 as General Counsel.

Called to the Bar in 1998, Lee later transferred to become a solicitor and was Legal Director at Morse plc, a FTSE 250 technology company, prior to joining Monitise. With extensive global experience in managing commercial and corporate cross-border transactions, Lee ensures Monitise continues to maximise the value of its Mobile Money network to the benefit of all participants.

4 Brad Petzer (41)
Chief Financial Officer

Brad joined Monitise as Chief Financial Officer in 2013. He previously worked at TelecityGroup plc, a FTSE 250 company, where he was the Group's Financial Controller. At Telecity Brad supported the business through its Main Market listing on LSE and was responsible for the Group's reporting, planning, policies, risk and control.

Prior to Telecity, Brad held senior finance roles at Create Services, an online credit card provider and part of Lloyds Banking Group, and other technology companies. He is a qualified Chartered Accountant.

Board of Directors continued

NON-EXECUTIVES

5 **Peter Ayliffe**

6 **David Dey**

7 **Amanda Burton**

8 **Paulette Garafalo**

9 **Tom Houghton**

10 **Sushovan Hussain**

11 **Colin Tucker**

12 **Tim Wade**

5 Peter Ayliffe (61)
Chairman and Non-Executive Director

Peter Ayliffe was President and Chief Executive Officer of Visa Europe from March 2006 to September 2013, where he was responsible for Visa's European business in 37 countries, accounting for some 30% of the worldwide expenditure on Visa cards. Prior to Visa Europe, Peter spent over 30 years in retail banking. He was a main Board Director with responsibility for Retail Banking at Lloyds TSB, one of the UK's leading banks. During this time, Peter was a Director on the Visa Europe Board and a Director on the Visa International Board. He is currently President of the Chartered Management Institute and also on the Board of the Coventry Building Society and Pennies, the digital charity box.

Peter chairs the Monitise Nominations Committee.

6 David Dey (76)
Senior Independent Non-Executive Director

After a long career with IBM in the US, France and the UK, David joined The Plessey Company and ran their telecoms division. In 1987 he joined the Board of British Telecom where he stayed for four years, leaving to set up Energis to compete with BT and Mercury. For the past 11 years David has chaired a number of start-up companies in telecoms, software and other industry sectors.

David sits on the Monitise Audit & Risk Committee as well as the Remuneration Committee and Nominations Committee.

7 Amanda Burton (55)
Independent Non-Executive Director

Amanda Jane Burton has been Global Chief Operating Officer at Clifford Chance LLP since 2010. She was appointed to the Board of Galliford Try Plc in July 2005 as Independent Non-Executive Director and has been Senior Independent Director and Chairman of the Remuneration Committee since 2008. Amanda was previously a Non-Executive Director of Fresca Group Limited and a Director of Meyer International plc and Chairman of its Timber Group. Amanda is also a Trustee of the Battersea Dogs and Cats Home.

Amanda sits on Monitise's Remuneration Committee.

8 Paulette Garafalo (58)
Independent Non-Executive Director

Paulette Garafalo is President of Brooks Brothers international, wholesale and manufacturing, and has been since 2010. She was previously CEO of the Americas at the luxury retailer Bally and held the position of CEO and Group President of the luxury apparel brand Hickley Freeman.

9 Tom Houghton (55)
Non-Executive Director

Tom heads the Core Payments division of the business at Visa Europe. He joined Visa in 2011 as its Head of Processing, which accounts for 35% of the business' overall revenue. Tom has spent a lifetime working in the payments industry, starting out in the retail sector. He worked for a major US merchant retailer running development and deployment for in-store point-of-sale systems, merchandising, inventory, and distribution applications. He then moved to electronic payments group ACI Worldwide, where he spent 21 years in a variety of roles in both North America and Europe, leading product management, product development, customer support, sales and services divisions.

10 Sushovan Hussain (50)
Independent Non-Executive Director

Sushovan, a qualified accountant, served as President and previously Chief Financial Officer of Autonomy, from June 2001 until May 2012, and brings with him a wealth of listed company experience as well as a strong track record in growing a technology business. Prior to joining Autonomy, Sushovan worked for LASMO, one of the world's largest independent oil and gas exploration companies, where he held a number of senior international financial positions, including a focus on acquisitions and divestments.

Sushovan sits on Monitise's Remuneration Committee.

11 Colin Tucker (69)
Independent Non-Executive Director

Colin has 30 years' experience in the telecommunications and electronics industries. He was Deputy Chairman of Hutchison 3G and was Technical Director of Orange for 10 years. Prior to joining the Monitise Board in 2007, he was a Board Director of Morse plc.

Colin chairs the Monitise Remuneration Committee and sits on the Audit & Risk Committee and Nominations Committee.

12 Tim Wade (54)
Independent Non-Executive Director

Tim, a qualified lawyer and accountant, is an Independent Non-Executive Director of Friends Life. He is a Non-Executive Director of Macquarie Bank International Limited and ACE Europe Insurance, where he chairs the Audit Committee for both, and Access Bank UK Limited, where he chairs the Credit Committee. He is also the Chairman of the national charity Coeliac UK.

Tim chairs the Monitise Audit & Risk Committee and sits on the Remuneration Committee.

Corporate governance

Corporate governance compliance statement

The Group seeks to comply with the provisions and principles of good corporate governance and code of best practice as set out in the UK Corporate Governance Code (the 'Code') in so far as it is practicable for a group of its size and structure. As the Group is quoted on the AIM Market of the London Stock Exchange, it is not required to comply with the principles of corporate governance as set out in the Code.

Responsibilities across our governance framework
Monitise's commitment to best practice in corporate governance is key to maximising the shareholder value that can be generated over the long term. Our corporate governance structure is founded on this basis and accordingly, responsibilities are allocated between our Board, its Committees, the Executive Directors and other managers and functional heads. **See figure 1**.

Board and Committees composition
The Board currently consists of four Executive Directors and eight Non-Executive Directors. The membership of the Board and Committees is set out in the table below.

It is the Group's policy to ensure that the number of Executive Directors does not exceed the number of Independent Non-Executive Directors.

The Board ensures that there is a Non-Executive Director appointed as the Senior Independent Director. This position is currently held by David Dey, who will be retiring at the AGM on 4 November 2014.

The composition of the Board is regularly reviewed to ensure that it is of an appropriate size, scale and balance as the Group continues to expand and considers its plans for the future. Since the date of the last annual report, one Executive Director and five Non-Executive Directors have been appointed. In the same period, one Executive Director and four Non-Executive Directors left the Board. There is a process for the appointment of new Directors, run by the Nominations Committee, involving preparing a description of the role and capabilities required for any particular Board appointment and identifying and nominating for approval by the Board candidates to fill Board vacancies as they arise.

		Board	Audit & Risk	Remuneration	Nominations
Executive Directors					
A Lukies	Chief Executive Officer, plc	Member	–	–	–
E Buse[1]	Chief Executive Officer, Group	Member	–	–	–
L Cameron	Deputy CEO and Chief Commercial Officer	Member	–	–	–
B Petzer	Chief Finance Officer	Member	–	–	–
Non-Executive Directors					
P Ayliffe	Non-Executive Director	Chairman	–	–	Chairman
D Dey	Independent Non-Executive Director	Member	Member	Member	Member
A Burton[2]	Independent Non-Executive Director	Member	–	Member	–
P Garafalo[3]	Independent Non-Executive Director	Member	–	–	–
T Houghton[4]	Non-Executive Director	Member	–	–	–
S Hussain	Independent Non-Executive Director	Member	–	Member	–
C Tucker	Independent Non-Executive Director	Member	Member	Chairman	Member
T Wade	Independent Non-Executive Director	Member	Chairman	Member	–

[1] E Buse was appointed as an Executive Director on 4 June 2014.
[2] A Burton was appointed as an Independent Non-Executive Director on 4 June 2014.
[3] P Garafalo was appointed as an Independent Non-Executive Director on 4 June 2014.
[4] T Houghton was appointed as a Non-Executive Director on 29 April 2014.

Figure 1

Monitise plc Board

Responsible for the overall management and strategy of our organisation and our business

Audit & Risk Committee

Remuneration Committee

Nominations Committee

Executive Directors

Day-to-day management of our business and operations, and responsibility for monitoring detailed performance of all aspects of our business

Changes in Executive and Non-Executive Directors since the date of the last annual report are summarised below.

Executive Directors

- Elizabeth Buse was appointed to the Board as co-CEO on 4 June 2014.
- Mike Keyworth, CIO, resigned from the Board on 1 September 2014.

Non-Executive Directors

- Victor Dahir was appointed on 5 September 2013, pursuant to the subscription agreement entered into between the Company and Visa International Service Association, replacing Ellen Richey. Victor resigned from the Board on 29 August 2014.
- Duncan McIntyre resigned from the Board on 30 September 2013, with Peter Ayliffe taking over his role as Chairman on 1 October 2013.
- Steve Chambers was appointed on 17 October 2013 pursuant to the subscription agreement entered into between the Company and Visa Europe Ltd. Steve resigned from the Board on 31 March 2014 and was replaced by Tom Houghton on 29 April 2014.
- Amanda Burton and Paulette Garafalo were appointed as Independent Non-Executive Directors on 4 June 2014.

Information regarding Non-Executive Directors' emoluments has been disclosed further in the Directors' remuneration report on page 35.

Board leadership

Chairman and Chief Executive Officer

Clarity of the responsibilities of and constructive working relationships amongst our Directors is at the heart of achieving the Board's maximum potential. Most important in this are the responsibilities of and clarity between the roles of the Chairman and the Co-Chief Executive Officers. As recommended by the UK Code, there is a clear division of responsibilities between these roles. **See figure 2 overleaf.**

Corporate governance continued

Figure 2

Chairman

The Chairman is primarily responsible for the leadership of the Board and ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy and overall objectives.

Co-Chief Executive Officer (CEO, plc)

The CEO, plc is primarily responsible for driving key relationships with partners and industry stakeholders, corporate development and engagement with major shareholders.

Co-Chief Executive Officer (CEO, Group)

The CEO, Group is primarily responsible for executive management of Monitise's day-to-day operations, overseeing technology, product, sales, marketing and all other operational functions.

Monitise plc Board

Senior Independent Director ('SID')

The SID provides a sounding board for the Chairman and serves as an intermediary for the other Directors as necessary.

Company Secretary

The Company Secretary attends all the Board and Committee meetings and reports to the Chairman. He keeps the Board and its Committees fully informed and aware of governance matters.

Board effectiveness

Board meetings and attendance

The full Board convenes at least six times a year. Further meetings and conference calls are held as and when necessary. These meetings, together with any Committee meetings, are generally held at the Company's offices in London. Once a year, the Board meets for a full-day strategy meeting at a different location.

Attendance by individual directors at the main meetings of the Board. **See figure 3.**

Matters reserved for the Board

The principal matters reserved for the Board include:

- setting the Group strategy;
- approving the annual operating and capital expenditure budgets and material changes to them;
- reviewing the Group structure and capital requirements;
- supervising the Group's operations and financial performance;
- approving major acquisitions;
- ensuring a satisfactory dialogue takes place with the shareholders;
- approving appointments to the Board;
- approving the annual and interim financial statements; and
- appointment and removal of the Company Secretary.

Rotation of Directors

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

Conflicts of interest

Where there is a conflict of interest, the relevant Director is required to declare this conflict of interest and, where appropriate, abstain from voting on any resolutions connected with it.

Relationship with shareholders

Monitise has a designated investor relations team, which acts as the primary day-to-day point of contact with the investment community and is responsible for maintaining Monitise's ongoing relations with investors and shareholders. As part of its investor relations engagement activity Monitise regularly participates at investment conferences in the UK, US and Europe, providing an additional forum to engage directly with the investment community outside of the financial results and one-to-one investor meetings.

The Company's website, **www.monitise.com**, is regularly updated to keep the shareholders fully informed.

Figure 3

Board meetings and attendance

	23 July 2013	3 September 2013	17 October 2013	18 December 2013	18 February 2014	29 April 2014	26 June 2014
Alastair Lukies	●	●	●	●	●	●	●
Elizabeth Buse[1]	O	O	O	O	O	O	●
Lee Cameron	●	●	●	●	●	●	●
Mike Keyworth[2]	●	●	●	●	●	●	●
Brad Petzer[1]	●	●	●	●	●	●	●
Peter Ayliffe	●	●	●	●	●	●	●
Duncan McIntyre[3]	●	●	O	O	O	O	O
David Dey	●	●	●	●	●	●	●
Amanda Burton[4]	O	O	O	O	O	O	●
Victor Dahir[5]	O	●	●	●	●	●	●
Paulette Garafalo[6]	O	O	O	O	O	O	●
Tom Houghton[7]	O	O	O	O	O	●	●
Sushovan Hussain	●	●	●	●	●	Δ	●
Ellen Richey[8]	●	O	O	O	O	O	O
Colin Tucker	●	●	●	Δ	●	●	●
Tim Wade	●	●	●	●	●	●	●

Attended ● Did not attend Δ Not applicable O

[1] E Buse was appointed to the Board as co-CEO on 4 June 2014.

[2] M Keyworth resigned as a Director on 1 September 2014.

[3] D McIntyre resigned as a Director on 30 September 2013.

[4] A Burton was appointed to the Board as an Independent Non-Executive Director on 4 June 2014.

[5] V Dahir was appointed to the Board as a Non-Executive Director on 5 September 2013 and resigned on 29 August 2014.

[6] P Garafalo was appointed to the Board as an Independent Non-Executive Director on 4 June 2014.

[7] T Houghton was appointed to the Board as a Non-Executive Director on 29 April 2014.

[8] E Richey resigned as a Director on 5 September 2013.

Report of the Audit & Risk Committee

Audit & Risk Committee – Chairman's message

The Committee remains focused on ensuring that Monitise's internal controls (including financial controls) and risk management systems evolve and mature in line with changes in the Company's structure as it continues along its growth path. As part of this journey, investment in both finance and risk functions has continued this year and significant benefits have been seen, with particularly pleasing progress in embedding both formal and informal risk management structures across the business.

Tim Wade, Independent Non-Executive Director

Introduction
The Audit & Risk Committee ('ARC') is appointed by the Board and is formed of Non-Executive Directors of the Company. It assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls.

ARC composition
The Audit & Risk Committee is chaired by Tim Wade and its members are David Dey and Colin Tucker. **See figure 1**. The biographies of the members are provided on page 25.

Meeting and attendance FY 2014
The details of the attendance at Audit & Risk Committee meetings during the year are given below. **See figure 2**. The Committee's terms of reference are available for public inspection at the Company's registered office. These terms of reference set out the Committee's responsibility for promoting the highest standards of integrity, financial reporting, risk management and internal controls. The meetings of the Committee are normally also attended by the Chairman, the co-Chief Executive Officers, Chief Financial Officer, Chief Commercial Officer, SVP – Risk, Governance and Business Optimisation, Company Secretary and the external auditors.

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

Figure 1

Audit & Risk Committee

Tim Wade (Chairman)
David Dey (Member)
Colin Tucker (Member)

Figure 2

Audit & Risk Committee attendance

	22 July 2013	3 September 2013	12 February 2014	29 April 2014	24 June 2014
Tim Wade	●	●	●	●	●
David Dey	●	●	●	●	●
Colin Tucker	●	●	●	●	●

Attended ● Did not attend Δ Not applicable O

Activities during the year

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

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

Internal control and risk management

The Board has overall responsibility for managing risk. Risks are formally identified and recorded in a risk register, which is reviewed by the Board at each meeting. Risks are prioritised according to likelihood and impact, and the register records current mitigating controls to reduce risk, together with any required actions to further reduce risk to appropriate levels. This process is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Executive Directors are closely involved in the day-to-day management of the business and oversee a wide range of controls, including financial, operational and compliance controls, together with risk management. The Group Management Committee ('GMC') meets regularly to make executive decisions. The GMC comprises the Group CEO, the Chief Financial Officer, the Chief People & Business Officer, the President Americas, the President EMEA & AP and the Chief Content Officer.

More details on principal risks identified can be found in the principal risks and uncertainties section on pages 18 and 19.

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

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

The Committee continues to monitor and review the effectiveness of the Group's internal control and risk management systems.

Internal audit function

Internal audit provides an independent and objective assurance activity, designed to add value and improve the Group's control systems and operations. It provides a systematic and disciplined approach to the evaluation and improvement of the effectiveness of the risk management, control and governance processes implemented by management.

The function was enhanced during the year and is headed by the SVP – Risk, Governance and Business Optimisation, who reports to the CFO and Audit & Risk Committee. The SVP – Risk, Governance and Business Optimisation attends all Audit & Risk Committee meetings, and meets the Committee Chairman at least once a year without executive management being present.

External auditor

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

Tim Wade
Chairman of the Audit & Risk Committee
12 September 2014

Report of the Nominations Committee

Nominations Committee – Chairman's message

The Committee has taken several steps this year to strengthen the Board, seeking to ensure that we have in place an appropriate mix of high-calibre individuals with diverse skills, knowledge and experience to effectively guide Monitise along its growth path. I am delighted that at the same time we have also been able to improve the diversity of the Board.

Peter Ayliffe, Chairman and Non-Executive Director

Introduction

The Nominations Committee is appointed by the Board and its remit includes: the structure, size and composition of the Board as a whole; the overall leadership needs of the organisation; consideration of succession planning for Directors; and the search for and selection of suitable candidates for the appointment of replacement or additional Directors.

Committee composition

The Nominations Committee is chaired by Peter Ayliffe and its members are David Dey and Colin Tucker. **See figure 1**. The biographies of the members are provided on page 25.

Meeting and attendance FY 2014

The details of the attendance at Nominations Committee meetings during the year are given below. **See figure 2**. The Committee meets as required to initiate the selection process of, and make recommendations to, the Board with regard to the appointment of new Directors. The Committee's terms of reference are available for public inspection at the Company's registered office.

Role and responsibility of the Nominations Committee

- considering the size, structure and composition of the Board of the Company;
- reviewing senior management succession plans, retirements and appointments of additional and replacement Directors;
- approving changes to the boards of the various subsidiary companies in the Group;
- making appropriate recommendations so as to maintain an appropriate balance of skills and experience on the Board; and
- considering gender diversity across and at different levels of the Group.

Figure 1

Nominations Committee

Peter Ayliffe (Chairman)
David Dey (Member)
Colin Tucker (Member)

Figure 2

Nominations Committee attendance

	3 September 2013	17 October 2013	10 January 2014	29 April 2014	22 May 2014
Peter Ayliffe[1]	○	●	●	●	●
Duncan McIntyre[2]	●	○	○	○	○
David Dey	●	●	●	●	●
Colin Tucker	●	●	●	●	●

Attended ● Did not attend Δ Not applicable ○

[1] Peter Ayliffe was appointed as Non-Executive Chairman on 1 October 2013.
[2] Duncan McIntyre resigned from the Board on 30 September 2013.

Appointment of new Directors

Elizabeth Buse **Amanda Burton** **Paulette Garafalo** **Tom Houghton**

Appointment of new Directors

During the year, the Committee met and made recommendations to the Board regarding the appointment of Victor Dahir, Tom Houghton and Steve Chambers as Non-Executive Directors, Amanda Burton and Paulette Garafalo as Independent Non-Executive Directors, and Elizabeth Buse as an Executive Director and co-CEO.

The appointment of Victor Dahir was made pursuant to the subscription agreement entered into between the Company and Visa International Services Association. The appointments of both Steve Chambers and, following his resignation, Tom Houghton, were made pursuant to the subscription agreement entered into between the Company and Visa Europe Ltd.

Elizabeth Buse, as a former Non-Executive Director of the Company, was well known to the Committee and was selected to take the role of co-CEO alongside Alastair Lukies.

As part of the process for recruiting additional Independent Non-Executive Directors, the Committee appointed a specialist recruitment consultancy firm to assist the Board. Suitable candidates were put forward and Amanda Burton and Paulette Garafalo were selected as the best fit for the roles.

Appointment of new Chairman

The Committee also met and recommended to the Board that Peter Ayliffe move from his role as Non-Executive Director to be appointed Non-Executive Chairman following the resignation of Duncan McIntyre.

Biographies of all Directors are included on pages 23 and 25.

Diversity policy

Diversity within our Board is essential in maximising its effectiveness as it enriches debates, business planning and problem solving. We approach diversity in its widest sense so as to recruit the best talent available, based on merit and assessed against objective criteria of skills, knowledge, independence and experience. Its primary objective is to ensure that Monitise maintains the strongest possible leadership. Following recent appointments, there are currently three women on our Board.

Board and Committee evaluation

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

Re-election to the Board

Following the evaluation of the Board, I can confirm as Chairman that the performance of all our Non-Executive Directors continues to be effective and to demonstrate appropriate commitment to their roles. Our new co-CEO Elizabeth Buse along with Amanda Burton, Paulette Garafalo and Tom Houghton are due to stand for election at the AGM, and Sushovan Hussain and Timothy Wade retire by rotation and are eligible to stand for re-election at the AGM.

Peter Ayliffe
Chairman
12 September 2014

Directors' remuneration report

Remuneration Committee – Chairman's message

The Remuneration Committee is responsible for setting the individual remuneration of the Executive Directors within the framework of the remuneration policy of the Company. The Strategic Report and Chairman's Statement summarise the progress that has been achieved this year, as well as the changes in organisational structure with the introduction of a co-CEO.

The Remuneration Committee considers that, in this year of change, the remuneration of the Executives for the year appropriately reflects the Group having achieved a leading position in the Mobile Money space and the continuing growth over the past year.

Colin Tucker, Chairman of the Remuneration Committee

Introduction

The Company discloses the following information on Directors' remuneration mindful of Rule 19 of the AIM Rules and the fact that, as the Company is quoted on the Alternative Investment Market ('AIM'), it is not required to comply with the Main Market UK Listing Rules or those aspects of the Companies Act applicable to listed companies regarding the disclosure of Directors' remuneration.

Committee composition

The Remuneration Committee is chaired by Colin Tucker and its members are David Dey, Tim Wade, Sushovan Hussain and Amanda Burton **see figure 1**. The biographies of the Committee members are provided on page 25.

Meeting and attendance FY 2014

The details of the attendance at Remuneration Committee meetings during the year are given below **see figure 2**. The Committee's terms of reference are available for public inspection at the Company's registered office.

Role and responsibility of the Remuneration Committee

The Remuneration Committee has specific responsibility for advising the Group's Board on the remuneration and other benefits of Executive Directors, overseeing remuneration and benefits of other senior executives, an overall policy in respect of remuneration of all other employees of the Group and establishing the Group's policy with respect to employee share option schemes.

Advisors to the Remuneration Committee

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

The co-Chief Executives, Group HR Director and Company Secretary also provided advice and support to the Committee, with none being present for discussions relating to their own remuneration.

Figure 1

Remuneration Committee

Colin Tucker (Chairman)
David Dey (Member)
Tim Wade (Member)
Sushovan Hussain (Member)
Amanda Burton[1] (Member)

Figure 2

Remuneration Committee attendance

	27 August 2013	3 September 2013	18 February 2014	29 April 2014	24 June 2014
Colin Tucker	●	●	●	●	●
David Dey	●	●	●	●	●
Sushovan Hussain	●	●	●	Δ	●
Tim Wade	●	●	●	●	●
Amanda Burton[1]	O	O	O	O	●

Attended ● Did not attend Δ Not applicable O

[1] Amanda Burton was appointed to the Remuneration Committee on 4 June 2014.

Remuneration policy

The Executive remuneration policy is to ensure that the remuneration of Executive Directors and senior executives properly reflects their duties and responsibilities and is sufficient to recruit, retain and motivate high-quality executive talent, whilst aligning the interests of senior executives as closely as possible with the interests of shareholders. The remuneration of the Executive Directors has been structured to provide a significant performance-related element linked to share price growth and the achievement of stretching performance targets.

The Committee intends to keep the remuneration policy regularly under review to ensure that remuneration is aligned with the overall strategic objectives of the Group.

Executive Directors' remuneration

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

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

Activities during the year

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

- review of Executive remuneration strategy and policy;
- approval of bonuses for the Executive Directors;
- review of proposals for, and grant of, share options under the Monitise Performance Share Plan;
- review of the various share option schemes;
- granting options to employees under the Company's Sharesave Scheme; and
- approval of the vesting of awards under the Monitise Performance Share Plan.

During the year, the Committee granted exceptional bonuses to Alastair Lukies and Lee Cameron in recognition of their contribution towards development of the Company since its foundation and success in delivering new strategic relationships.

Non-Executive Directors

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

The remuneration of the Executive and Non-Executive Directors is as follows:

	Salary and fees		Bonus		Benefits in kind		Pension		Total	
Directors' emoluments	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Executive Directors										
A Lukies	**330**	300	**819**	300	**1**	1	**17**	15	**1,167**	616
E Buse[1]	**29**	–	**13**	–	**–**	–	**1**	–	**43**	–
L Cameron	**250**	230	**413**	230	**1**	1	**13**	12	**677**	473
M Keyworth[2]	**243**	159	**109**	159	**2**	2	**12**	8	**366**	328
B Petzer	**200**	45	**90**	32	**1**	–	**9**	2	**300**	79
Independent Non-Executive Directors										
D Dey	**50**	50	**–**	–	**–**	–	**–**	–	**50**	50
A Burton[3]	**4**	–	**–**	–	**–**	–	**–**	–	**4**	–
P Garafalo[4]	**4**	–	**–**	–	**–**	–	**–**	–	**4**	–
S Hussain	**50**	50	**–**	–	**–**	–	**–**	–	**50**	50
C Tucker	**50**	50	**–**	–	**–**	–	**–**	–	**50**	50
T Wade	**50**	50	**–**	–	**–**	–	**–**	–	**50**	50
Non-Executive Directors										
P Ayliffe[5]	**124**	–	**–**	–	**–**	–	**–**	–	**124**	–
D McIntyre[6]	**71**	233	**–**	–	**–**	1	**–**	–	**71**	234
S Chambers[7]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
V Dahir[8]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
T Houghton[9]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
E Richey[10]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total remuneration	**1,455**	1,167	**1,444**	721	**5**	5	**52**	37	**2,956**	1,930

1 E Buse was appointed to the Board as an Executive Director on 4 June 2014.
2 M Keyworth resigned as an Executive Director on 1 September 2014.
3 A Burton was appointed to the Board as a Non-Executive Director on 4 June 2014.
4 P Garafalo was appointed to the Board as a Non-Executive Director on 4 June 2014.
5 P Ayliffe took on the role of Non-Executive Chairman on 1 October 2013, *previously receiving no remuneration as a Non-Executive Director.*
6 D McIntyre resigned as Non-Executive Chairman effective from 30 September 2013.
7 S Chambers was appointed to the Board as a Non-Executive Director on 17 October 2013 and resigned on 31 March 2014.
8 V Dahir was appointed to the Board as a Non-Executive Director on 5 September 2013 and resigned on 29 August 2014.
9 T Houghton was appointed to the Board as a Non-Executive Director on 29 April 2014.
10 E Richey resigned as a Non-Executive Director effective from 5 September 2013.

During the year certain share options vested (see note 24) and the Directors exercised options as summarised in the table below. From these exercises, A Lukies made a pre-tax gain of £2,455,655, L Cameron made a pre-tax gain of £1,786,866 and M Keyworth made a pre-tax gain of £1,528,555. No exercises were made in the prior year.

Directors' remuneration report continued

Share incentives

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

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

Legacy plans

Monitise has the following three legacy plans and the Committee does not intend to grant further awards to employees under any of these plans (more details are included in note 24 of the financial statements):

- Enterprise Management Incentive Plan;
- Monitise Rollover Plan; and
- Clairmail 2004 Share Option Plan (the Group assumed the pre-existing options granted to Clairmail Inc. as part of the acquisition agreement. These options have been converted into options over Monitise plc shares. Awards that are capable of exercise under this plan remain outstanding for certain participants).

Current plans:

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

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

Director	Date of grant	Market value at date of grant	Options held at 1 July 2013	Granted/ (exercised) in the year	Options held at 30 June 2014	Exercise price	Earliest exercise date	Expiry date
Performance Share Plan								
A Lukies	Oct 2008	6.10p	6,000,000	–	6,000,000	1.00p	Oct 2009–Oct 2013	Oct 2018
	Mar 2010	16.30p	2,000,000	(2,000,000)	–	1.00p	Mar 2013	Mar 2020
	Sep 2010	23.00p	3,000,000	(3,000,000)	–	1.00p	Sep 2013	Sep 2020
	Sep 2011[1]	36.50p	2,000,000	–	2,000,000	1.00p	Sep 2014	Sep 2021
	Sep 2012[2]	37.50p	2,000,000	–	2,000,000	32.75p	Sep 2015	Sep 2022
	Dec 2012[3]	33.75p	12,000,000	–	12,000,000	1.00p	Dec 2015–Dec 2017	Dec 2022
	Sep 2013[4]	51.50p	–	4,000,000	4,000,000	1.00p	Sep 2016	Sep 2023
E Buse	Jun 2014[6]	66.50p	–	5,000,000	5,000,000	1.00p	Jun 2017	Jun 2024
L Cameron	Oct 2008	6.10p	300,000	–	300,000	1.00p	Oct 2009–Oct 2013	Oct 2018
	Sep 2009	12.30p	638,268	(638,238)	–	1.00p	Sep 2012	Sep 2019
	Mar 2010	16.30p	1,000,000	(1,000,000)	–	1.00p	Mar 2013	Mar 2020
	Sep 2010	23.00p	2,000,000	(2,000,000)	–	1.00p	Sep 2013	Sep 2020
	Sep 2011[1]	36.50p	1,500,000	–	1,500,000	1.00p	Sep 2014	Sep 2021
	Sep 2012[2]	37.50p	1,000,000	–	1,000,000	32.75p	Sep 2015	Sep 2022
	Dec 2012[3]	33.75p	4,000,000	–	4,000,000	1.00p	Dec 2015–Dec 2017	Dec 2022
	Sep 2013[4]	51.50p	–	1,000,000	1,000,000	1.00p	Sep 2016	Sep 2023
M Keyworth	Oct 2008	6.10p	200,000	–	200,000	1.00p	Oct 2009–Oct 2013	Oct 2018
	Sep 2009	12.30p	612,316	(612,316)	–	1.00p	Sep 2012	Sep 2019
	Mar 2010	16.30p	1,000,000	(1,000,000)	–	1.00p	Mar 2013	Mar 2020
	Sep 2010	23.00p	1,500,000	(1,500,000)	–	1.00p	Sep 2013	Sep 2020
	Sep 2011[1]	36.50p	1,500,000	–	1,500,000	1.00p	Sep 2014	Sep 2021
	Sep 2012[2]	37.50p	1,000,000	–	1,000,000	32.75p	Sep 2015	Sep 2022
	Dec 2012[3]	33.75p	4,000,000	–	4,000,000	1.00p	Dec 2015–Dec 2017	Dec 2022
	Sep 2013[4]	51.50p	–	800,000	800,000	1.00p	Sep 2016	Sep 2023
B Petzer	Sep 2013[5]	51.50p	–	4,000,000	4,000,000	1.00p	Sep 2016–Sep 2018	Sep 2023
Sharesave Scheme								
A Lukies	Oct 2011	34.00p	31,690	–	31,690	28.4p	Dec 2014	Jun 2015
L Cameron	Oct 2011	34.00p	31,690	–	31,690	28.4p	Dec 2014	Jun 2015
M Keyworth	Oct 2011	34.00p	31,690	–	31,690	28.4p	Dec 2014	Jun 2015

The performance conditions applicable to each unvested option award are summarised below.

1 Sept 2011: three year nominal value award conditional on employment over the three year period.
2 Sept 2012: three year market price linked award conditional on employment over the three year period.
3 Dec 2012: three year performance condition based on 55p share price target. Equal vesting on the third, fourth and fifth anniversaries of the award.
4 Sept 2013: three year award with performance condition based on 70p share price target.
5 Sept 2013: Award subject to same performance condition as December 2012 grant but options vesting in equal tranches on the third, fourth and fifth anniversaries of the award (i.e. September 2016, September 2017 and September 2018).
6 Jun 2014: three year award with performance condition based on 68p share price target.

Refer to note 24 to the financial statements for further information on the performance conditions of share schemes grants issued in the current and comparative years, and refer to prior years' annual reports for details for all option awards in prior periods. For performance conditions of older options see prior years' annual reports.

The market price of the Company's Ordinary shares at 30 June 2014 was 51.75p (as at 28 June 2013: 34.5p) and the range of market prices during the year was 35.25p to 80.0p (2013: 25.5p to 43.25p).

Colin Tucker
Chairman of the Remuneration Committee
12 September 2014

Directors' report

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2014.

This Directors' Report contains certain statutory, regulatory and other information and incorporates, by reference, the Strategic Report and Governance Reviews included earlier in this document.

Strategic Report

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

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

Content	Section	Page
A detailed review of the Group's business and future developments	Chairman's statement and overview	2
	Strategic report	6
Principal risks	Principal risks and uncertainties	18
Environmental matters, employee information and social and community issues	Corporate social responsibility report	20
Corporate governance	Corporate governance review	26

Results and dividends

Details of the results are set out in the Consolidated Statement of Comprehensive Income on page 41. The Directors do not recommend the payment of a dividend (2013: £nil).

Directors and Directors' interests

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

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
A Lukies	P Ayliffe	D Dey
E Buse[1]	D McIntyre[3]	A Burton[7]
L Cameron	V Dahir[4]	S Chambers[8]
M Keyworth[2]	T Houghton[5]	P Garafalo[9]
B Petzer	E Richey[6]	S Hussain
		C Tucker
		T Wade

[1] E Buse was appointed to the Board as co-CEO on 4 June 2014.
[2] M Keyworth resigned as an Executive Director on 1 September 2014.
[3] D McIntyre resigned as Non-Executive Chairman on 30 September 2013.
[4] V Dahir was appointed to the Board as a Non-Executive Director on 5 September 2013 and resigned from the Board on 29 August 2014.
[5] T Houghton was appointed to the Board as a Non-Executive Director on 29 April 2014.
[6] E Richey resigned as a Non-Executive Director on 5 September 2013.
[7] A Burton was appointed to the Board as an Independent Non-Executive Director on 4 June 2014.
[8] S Chambers was appointed to the Board as a Non-Executive Director on 17 October 2013 and resigned from the Board on 31 March 2014.
[9] P Garafalo was appointed to the Board as an Independent Non-Executive Director on 4 June 2014.

Directors' report continued

Directors and Directors' interests continued

The Directors who held office at the end of the financial year had the following interests in the £0.01 Ordinary shares of the Company according to the register of Directors' interests:

	30 June 2014 Number of shares	30 June 2013 Number of shares
A Lukies	**777,592**	2,593,062
E Buse[1]	**–**	–
L Cameron	**38,880**	554,306
M Keyworth	**78,650**	636,877
B Petzer	**17,857**	17,587
P Ayliffe	**250,000**	–
D Dey	**656,888**	656,888
A Burton[2]	**158,449**	–
V Dahir[3]	**60,000**	–
P Garafalo[4]	**–**	–
T Houghton[5]	**–**	–
S Hussain	**368,400**	368,400
C Tucker	**363,635**	363,635
T Wade	**100,000**	100,000

1 E Buse was appointed to the Board as co-CEO on 4 June 2014.
2 A Burton was appointed to the Board as an Independent Non-Executive Director on 4 June 2014.
3 V Dahir was appointed to the Board as a Non-Executive Director on 5 September 2013 and resigned from the Board on 29 August 2014.
4 P Garafalo was appointed to the Board as an Independent Non-Executive Director on 4 June 2014.
5 T Houghton was appointed to the Board as a Non-Executive Director on 29 April 2014.

Directors' beneficial interests in the share options of the Company are given in the Directors' Remuneration Report on page 36.

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.

Substantial shareholdings

As at 11 September 2014, the Company had been notified in accordance with the Disclosure and Transparency Rules of the UK Listing Authority of the following interests in 3% or more of its issued Ordinary share capital:

Shareholders	%	Number of Ordinary shares
Omega Advisors, Inc.	11.3	221,940,965
Norges Bank	7.1	140,000,000
Visa Europe Ltd	5.9	115,750,000
Visa Inc.	5.5	107,393,000

Political and Charitable Donations

The Company's Political and Charitable donations are disclosed in the Corporate Social Responsibility Report on page 20.

Research and development

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

Key Performance Indicators

Key Performance Indicators are used to measure and control both financial and operational performance. Revenues, margins, costs and cash are trended to ensure plans are on track and corrective actions are taken where necessary. Growth in number of users is a key operational metric and service performance is also monitored and tracked, as is progress in product development and deployment through measurement against agreed milestones. Key Performance Indicators are discussed within the Strategic Report.

Financial instruments

The Group's financial instruments primarily comprise cash balances, loans, trade receivables and payables arising from its operations. The Group also entered into derivative transactions such as forward foreign exchange contracts during the year to hedge its exposures to foreign currency fluctuations. Such transactions are expected to increase in line with the growth in overseas business going forward and will form a core part of the Group's foreign exchange management process. The Group's policy and year-end position regarding financial instruments has been fully disclosed in note 3 to the financial statements.

Annual General Meeting

The Annual General Meeting will be held at the offices of FTI Consulting, North Entrance, 200 Aldersgate, Aldersgate Street, London EC1A 4HD on 4 November 2014 at 2.00 pm GMT.

Going concern

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

Post balance sheet events

On 27 August 2014, the Group entered into an alliance with IBM to combine the best of both companies' mobile banking, payments and commerce technology. As part of the collaboration, IBM's global go-to-market investment of dedicated resources and promotional initiatives will pair with the Group's staff to pursue Mobile Money opportunities.

As part of this agreement, teams from the Group's UK development and integration business, known as Professional Services, will be transferred to IBM, who will, in turn, deliver services back to the Group. The transfer will involve UK employees representing approximately 20% of the Group's global employee base. All Group contracts and client relationships, intellectual property, commitments and delivery remain unchanged.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ('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 the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

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

Independent auditors

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

Statement regarding the disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006, each Director who held office at the date of approval of this Directors' Report confirms that:

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

Approved by the Board and signed on behalf of the Board.

Tom Spurgeon
Company Secretary
12 September 2014

Independent auditors' report to the members of Monitise plc

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2014 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Company financial statements (the 'financial statements'), which are prepared by Monitise plc, comprise:

- the Consolidated and Company Statements of Financial Position as at 30 June 2014;
- the Consolidated Statements of Comprehensive Income for the year then ended;
- the Cash Flow Statements for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 September 2014

Consolidated statement of comprehensive income for the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Revenue	5	**95,101**	72,796
Cost of sales		**(29,722)**	(17,588)
Gross profit		**65,379**	55,208
Operating costs before depreciation, amortisation, impairments and share-based payments[1]		**(96,748)**	(74,513)
EBITDA[2]		**(31,369)**	(19,305)
Depreciation, amortisation and impairments[1]		**(23,924)**	(16,147)
Operating loss before share-based payments and exceptional items		**(55,293)**	(35,452)
Share-based payments[1]	24	**(9,802)**	(5,333)
Exceptional gain/(loss) on acquisition of subsidiary	29	**7,692**	(1,444)
Other exceptional items[1]	6	**(1,909)**	(4,210)
Operating loss	6	**(59,312)**	(46,439)
Finance income	8	**522**	390
Finance costs	8	**(2,398)**	(563)
Share of post-tax loss of joint ventures	14	**(2,251)**	(4,440)
Loss before income tax		**(63,439)**	(51,052)
Income tax	9	**3,370**	(251)
Loss for the year attributable to the owners of the parent		**(60,069)**	(51,303)
Other comprehensive (expense)/income that may be reclassified subsequently to profit or loss:			
Currency translation differences on consolidation		**(13,494)**	2,468
Total comprehensive expense for the year attributable to the owners of the parent		**(73,563)**	(48,835)
Loss per share attributable to owners of the parent during the year (expressed in pence per share):			
– basic and diluted	10	**(3.6)**	(3.8)

[1] Total operating costs after depreciation, amortisation, impairments, share-based payments and exceptional expenses (including one-off costs of £112,000 (2013: £222,000) included in exceptional gain/(loss) on acquisition of subsidiary) are £132,495,000 (2013: £100,425,000).

[2] 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 30).

The notes on pages 47 to 80 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 30 June 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**10,136**	8,049
Intangible assets	12	**287,238**	192,648
Investments in joint ventures	14	**529**	–
Deferred tax assets	21	**–**	44
		297,903	200,741
Current assets			
Trade and other receivables	15	**37,207**	17,363
Current tax assets		**241**	–
Cash and cash equivalents	16	**146,828**	86,770
		184,276	104,133
Total assets		**482,179**	304,874
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(64,796)**	(36,782)
Current tax liabilities		**(209)**	(160)
Provisions	19	**(313)**	(1,858)
Financial liabilities	20	**(7,758)**	(936)
		(73,076)	(39,736)
Non-current liabilities			
Investments in joint ventures	14	**–**	(498)
Other payables	18	**(4,403)**	(2,333)
Provisions	19	**–**	(6,308)
Financial liabilities	20	**(7,676)**	(880)
Deferred tax liabilities	21	**(13,828)**	(14,170)
Total liabilities		**(98,983)**	(63,925)
Net assets		**383,196**	240,949
EQUITY			
Capital and reserves attributable to owners of the parent			
Ordinary shares	23	**19,448**	15,630
Ordinary shares to be issued	23	**2,511**	–
Share premium	23	**336,990**	216,594
Foreign exchange translation reserve	23	**(10,771)**	2,723
Other reserves	23	**217,041**	130,747
Accumulated losses		**(182,023)**	(124,745)
Total equity		**383,196**	240,949

These financial statements on pages 41 to 80 were approved and authorised for issue by the Board of Directors on 12 September 2014 and were signed on its behalf by:

Alastair Lukies
co-Chief Executive Officer

Brad Petzer
Chief Financial Officer

Company Number: 06011822

The notes on pages 47 to 80 are an integral part of these consolidated financial statements.

Company statement of financial position as at 30 June 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	13	**247,444**	160,251
		247,444	160,251
Current assets			
Trade and other receivables	15	**264,085**	174,258
Cash and cash equivalents	16	**95,604**	41,451
		359,689	215,709
Total assets		**607,133**	375,960
LIABILITIES			
Current liabilities			
Trade and other payables	18	**(18,825)**	(1,922)
Financial liabilities	20	**(7,476)**	(662)
		(26,301)	(2,584)
Non-current liabilities			
Other payables	18	**–**	(85)
Financial liabilities	20	**(7,080)**	–
Total liabilities		**(33,381)**	(2,669)
Net assets		**573,752**	373,291
EQUITY			
Capital and reserves attributable to owners of the parent			
Ordinary shares	23	**19,448**	15,630
Ordinary shares to be issued	23	**2,511**	–
Share premium	23	**336,990**	216,594
Other reserves	23	**234,605**	152,384
Accumulated losses		**(19,802)**	(11,317)
Total equity		**573,752**	373,291

These financial statements on pages 41 to 80 were approved and authorised for issue by the Board of Directors on 12 September 2014 and were signed on its behalf by

Alastair Lukies
co-Chief Executive Officer

Brad Petzer
Chief Financial Officer

Company Number: 06011822

The notes on pages 47 to 80 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 30 June 2014

	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 £'000
Balance at 1 July 2012		10,170	15,615	101,336	109,172	(25,321)	10,458	(76,533)	255	145,152
Loss for the year		–	–	–	–	–	–	(51,303)	–	(51,303)
Other comprehensive income		–	–	–	–	–	–	–	2,468	2,468
Total comprehensive (expense)/income		–	–	–	–	–	–	(51,303)	2,468	(48,835)
Issue of Ordinary shares (net of expenses)	23,29	4,754	–	113,323	17,600	–	–	–	–	135,677
Issue of Ordinary shares relating to prior year business combinations	23,29	473	(15,615)	–	15,142	–	–	–	–	–
Recognition of warrants	23	–	–	–	–	–	–	1,965	–	1,965
Share-based payments	24	–	–	–	–	–	4,822	–	–	4,822
Exercise of share options	23	233	–	1,935	–	–	(1,126)	1,126	–	2,168
Balance at 30 June 2013		15,630	–	216,594	141,914	(25,321)	14,154	(124,745)	2,723	240,949
Balance at 1 July 2013		**15,630**	**–**	**216,594**	**141,914**	**(25,321)**	**14,154**	**(124,745)**	**2,723**	**240,949**
Loss for the year		–	–	–	–	–	–	(60,069)	–	(60,069)
Other comprehensive expense		–	–	–	–	–	–	–	(13,494)	(13,494)
Total comprehensive expense		–	–	–	–	–	–	(60,069)	(13,494)	(73,563)
Issue of Ordinary shares (net of expenses)	23,29	3,030	–	104,435	79,340	–	–	–	–	186,805
Issue of Ordinary shares relating to prior year business combinations	23,29	9	–	–	285	–	(109)	–	–	185
Shares to be issued on acquisition	23,29	–	2,511	–	–	–	–	–	–	2,511
Issue of Ordinary shares relating to exercise of warrants	23	490	–	15,158	–	–	–	–	–	15,648
Share-based payments	24	–	–	–	–	–	9,569	–	–	9,569
Exercise of share options	23	289	–	803	–	–	(2,791)	2,791	–	1,092
Balance at 30 June 2014		**19,448**	**2,511**	**336,990**	**221,539**	**(25,321)**	**20,823**	**(182,023)**	**(10,771)**	**383,196**

The notes on pages 47 to 80 are an integral part of these consolidated financial statements.

Company statement of changes in equity for the year ended 30 June 2014

	Note	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 £'000
Balance at 1 July 2012		10,170	15,615	101,336	109,172	8,765	(9,446)	–	235,612
Loss for the year and total comprehensive expense	30	–	–	–	–	–	(6,953)	–	(6,953)
Issue of Ordinary shares (net of expenses)	23,29	4,754	–	113,323	17,600	–	–	–	135,677
Issue of Ordinary shares relating to prior year business combinations	23,29	473	(15,615)	–	15,142	–	–	–	–
Recognition of warrants	23	–	–	–	–	–	1,965	–	1,965
Share-based payments	24	–	–	–	–	1,972	2,850	–	4,822
Exercise of share options	23	233	–	1,935	–	(267)	267	–	2,168
Balance at 30 June 2013		15,630	–	216,594	141,914	10,470	(11,317)	–	373,291
Balance at 1 July 2013		**15,630**	**–**	**216,594**	**141,914**	**10,470**	**(11,317)**	**–**	**373,291**
Loss for the year and total comprehensive expense	30	–	–	–	–	–	(15,349)	–	(15,349)
Issue of Ordinary shares (net of expenses)	23,29	3,030	–	104,435	79,340	–	–	–	186,805
Issue of Ordinary shares relating to prior year business combinations	23,29	9	–	–	285	(109)	–	–	185
Shares to be issued on acquisition	23,29	–	2,511	–	–	–	–	–	2,511
Issue of Ordinary shares relating to exercise of warrants	23	490	–	15,158	–	–	–	–	15,648
Share-based payments	24	–	–	–	–	4,315	5,254	–	9,569
Exercise of share options	23	289	–	803	–	(1,610)	1,610	–	1,092
Balance at 30 June 2014		**19,448**	**2,511**	**336,990**	**221,539**	**13,066**	**(19,802)**	**–**	**573,752**

The notes on pages 47 to 80 are an integral part of these consolidated financial statements.

Cash flow statements for the year ended 30 June 2014

	Note	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash flows used in operating activities					
Cash used by operations	26	**(34,784)**	(17,063)	**(65,819)**	(1,139)
Exceptional expenses		**(1,592)**	(6,733)	**(1,443)**	-
Net income tax received/(paid)		**415**	(462)	**-**	-
Net cash used in operating activities		**(35,961)**	(24,258)	**(67,262)**	(1,139)
Investing activities					
Cash acquired on acquisition of subsidiary net of cash consideration paid	29	**4,179**	749	**(1,079)**	-
Investments in joint ventures	14	**(3,437)**	(2,590)	**-**	-
Loan to joint venture parties and subsidiaries		**-**	(1,400)	**-**	(79,228)
Interest received		**331**	237	**188**	144
Purchases of property, plant and equipment		**(4,819)**	(5,071)	**-**	-
Purchase and capitalisation of intangible assets		**(21,330)**	(9,087)	**-**	-
Net cash used in investing activities		**(25,076)**	(17,162)	**(891)**	(79,084)
Financing activities					
Proceeds from issuance of Ordinary shares (net of expenses)		**105,571**	117,267	**105,571**	117,267
Share options and warrants exercised		**16,740**	2,168	**16,740**	2,168
Interest paid		**(231)**	(339)	**(5)**	-
Proceeds from long-term borrowings		**-**	139	**-**	-
Repayments of long-term borrowings		**-**	(10,376)	**-**	-
Repayments of finance lease liabilities		**(231)**	(191)	**-**	-
Net cash from financing activities		**121,849**	108,668	**122,306**	119,435
Net increase in cash and cash equivalents		**60,812**	67,248	**54,153**	39,212
Cash and cash equivalents at beginning of the year		**86,770**	19,566	**41,451**	2,239
Effect of exchange rate changes		**(754)**	(44)	**-**	-
Cash and cash equivalents at end of the year	16	**146,828**	86,770	**95,604**	41,451

The notes on pages 47 to 80 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 30 June 2014

1. General information

Monitise plc ('the Company'), and its subsidiaries (together 'the Group') is a technology group delivering mobile banking, payments and commerce networks worldwide. The Group is headquartered in the UK, operates ventures in the UK, US, Turkey, Asia Pacific and India and continues to expand internationally.

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

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been applied consistently unless otherwise stated. They are the same as those used in preparing the consolidated financial statements at 30 June 2013.

2.1. Basis of preparation

The consolidated financial statements of Monitise plc have been prepared on a going concern basis in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('IFRS as adopted by the EU'), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified, where applicable, by the revaluation of financial assets and financial liabilities (including derivatives) at fair value through profit or loss.

The 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).

2.1.1. New standards and interpretations

The following amendments to standards have been applied for the first time for the financial year beginning 1 July 2013 do not have a material impact:

	Effective date
Amendment to IAS 12 "Income taxes" on deferred tax	1 January 2013
IFRS 13 "Fair Value Measurements"	1 January 2013
IAS 19 "Employee benefits" (revised 2011)	1 January 2013
Amendment to IFRS 1 "First Time Adoption" on government grants	1 January 2013
Amendments to IFRS 7 on financial instruments asset and liability offsetting	1 January 2013
Annual improvements 2011	1 January 2013
Amendment to IAS 36 "Impairment of Assets" on recoverable amount disclosures	1 January 2014

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2014:

	Effective date
IFRS 10 "Consolidated financial statements"	1 January 2014
IFRS 11 "Joint arrangements"	1 January 2014
IFRS 12 "Disclosures of interests in other entities"	1 January 2014
IAS 27 (revised 2011) "Separate Financial Statements"	1 January 2014
IAS 28 (revised 2011) "Associates and Joint Ventures"	1 January 2014
Amendments to IFRS 10, 11 and 12 on transition guidance	1 January 2014
IFRIC 21 "Levies"	1 January 2014
Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities	1 January 2014
Amendments to IAS 32 on financial instruments asset and liability offsetting	1 January 2014
Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" on novation of derivatives and hedge accounting	1 January 2014

The Directors do not anticipate that the adoption of any of the above standards, amendments or interpretations will have a material impact on the Group's financial statements on initial application.

The following new standards, amendments to standards and interpretations have been issued but will not be effective until financial years beginning on or after 1 July 2015:

	Effective date (subject to EU endorsement)
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2014
IAS 28 "Investments in Associates and Joint Ventures" (revised 2011)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Annual improvements 2012 and 2013	1 July 2014
Amendment to IFRS 11 "Joint Arrangements on Acquisition of an Interest in a Joint Operation"	1 January 2016
Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets" on depreciation and amortisation	1 January 2016
IFRS 15 "Revenue from Contracts with Customers"	1 January 2017

The Group is currently assessing the impact of the other standards listed above on its results, financial position and cash flows.

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.

Notes to the consolidated financial statements for the year ended 30 June 2014

2. Summary of significant accounting policies continued

2.2. Consolidation

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

a) Subsidiaries

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

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

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

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

b) Joint venture arrangements

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2.3. Revenue

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

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

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

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

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

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

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

2.4. Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. At 30 June 2014, the Group has one operating segment. The operating segment's operating results are reviewed regularly by the Board of Directors in order to make decisions about resources to be allocated to the segment and to assess its performance.

2.5. Property, plant and equipment

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

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

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

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

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

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

2.6. Goodwill

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

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

Goodwill is not subject to amortisation but is tested at least annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment (see note 2.8). On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the Statement of Comprehensive Income on disposal.

Notes to the consolidated financial statements for the year ended 30 June 2014

2. Summary of significant accounting policies continued

2.7. Other intangible assets

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

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

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

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

2.8. Impairment of non-financial assets

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

2.9. Financial instruments

Financial assets

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

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

The Group's financial assets are disclosed in notes 15, 16 and 22. Impairment testing of trade receivables is described in note 15.

Financial liabilities

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

Financial liabilities are described in further detail in note 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.

The fair value of forward foreign exchange contracts is determined using market rates at the reporting date.

2. Summary of significant accounting policies continued

2.10. Trade receivables

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

2.11. Cash and cash equivalents

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

2.12. Short-term investments

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

2.13. Share capital

Ordinary shares are classified as equity.

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

2.14. Shares to be issued

Deferred consideration or shares to be issued at the balance sheet date in respect of business combinations in the form of a fixed number of shares are recorded in equity as shares to be issued at fair value at the acquisition date.

2.15. Merger reserve

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

2.16. Trade payables

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

2.17. Borrowings

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

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

2.18. Current and deferred income tax

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 30 June 2014

2. Summary of significant accounting policies continued

2.19. Employee benefits

a) Pension obligations

The Group operates defined contribution plans.

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

b) Share-based compensation

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

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

2.20. Leases

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

2.21. Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

c) Group companies and joint ventures

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

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

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

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

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

2.22. Investments

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

2.23. Government grants

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

2. Summary of significant accounting policies continued

2.24. Provisions

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

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

2.25. Exceptional items

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

2.26. Non-GAAP financial measures

The Group uses alternative non-Generally Accepted Accounting Practice ('non-GAAP') financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures are important and should be considered alongside the IFRS measures. EBITDA is stated before exceptional items, impairments and share-based payment charges. A reconciliation of adjusted loss and adjusted loss per share are set out in note 28.

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 expand its operations in multiple geographies, including operations already in place in the US and joint ventures in India and Asia Pacific which will have an increasing impact on the Group's financial risk factors. So far, there have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

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

- trade and other receivables;
- cash at bank;
- trade and other payables;
- finance leases;
- forward exchange contracts; and
- loans.

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 Financial Officer through which it evaluates any risk exposures with a view to minimising any potential adverse effects on the Group's financial performance. The Group has used derivative financial instruments to hedge foreign currency risk exposures as its activities expand. 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.

Notes to the consolidated financial statements for the year ended 30 June 2014

3. Financial risk management continued
3.1. Financial risk factors continued
(b) Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

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

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

	30 June 2014			
	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	**50,964**	**25**	**–**	**–**
Financial liabilities at fair value through profit or loss	**7,476**	**7,080**	**–**	**–**
Finance leases	**366**	**318**	**362**	**–**

	30 June 2013			
	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	21,875	842	85	–
Financial liabilities at fair value through profit or loss	682	–	–	–
Finance leases	366	366	680	–

(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 percentage point decrease in the average interest rate during the year would have resulted in an increase in post-tax loss for the year of £434,000 (2013: increase of £247,000) and a decrease in equity of £434,000 (2013: decrease of £247,000).

(ii) Currency risk
The Group currently operates internationally primarily through its subsidiaries in the US and has material US Dollar denominated contracts and a material Euro denominated contract operated from the UK. The Group also has operations in Turkey, Asia Pacific and a joint venture in India. As a result, although the Group's main exposure to foreign exchange risk has historically arisen from the US Dollar, there is an increasing exposure to the Euro and other currencies as the Group continues to expand internationally. 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 joint ventures to settle liabilities denominated in their functional currency (currently primarily US Dollar) with the funds obtained from the joint venture partners 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 as stated above, overall foreign currency risk remains low but is expected to increase in the future. The Group currently considers derivative forward exchange contracts where appropriate to hedge foreign currency risk on certain forecast and recognised assets and liabilities.

A 3% appreciation in the average 2014 US Dollar exchange rate would have decreased the Group's loss after tax by £207,000 (2013: decrease of £182,000). At 30 June 2014, the effect on retained earnings of a 3% appreciation in the closing US Dollar exchange rate would be an increase of £605,000 (2013: increase of £78,000). The effect on the foreign exchange reserve of a 3% appreciation in the closing US Dollar exchange rate would be an increase of £300,000 (2013: increase of £6,811,000).

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 is 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 is 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 estimate of likely future developments within the business (including events subsequent to the year end; see note 31) 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 have assessed expected contribution to be generated from these assets and deemed that no adjustment is required to the carrying value of the assets, except where disclosed in note 12. The recoverable amount of the assets has been determined based on value in use calculations which require the use of estimates and judgements. Management reviews the assets for impairment on a regular basis.

4.5. Impairment of assets

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

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

4.6. Deferred tax

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

4.7. Acquisition accounting and goodwill

Where the Group undertakes business combinations, the cost of acquisition is allocated to identifiable net assets and contingent liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. Identifiable net assets are valued using external valuation providers and involve an element of judgement related to projected results. Fair values that are stated as provisional are not finalised at the reporting date and final fair values may be determined that are materially different from the provisional values stated.

Notes to the consolidated financial statements for the year ended 30 June 2014

4. Critical accounting estimates and judgements continued

4.8. Fair value estimation for financial instruments

The fair value of financial instruments that are not traded in an active market, for example over-the-counter derivatives and contingent consideration liabilities, are estimated using valuation techniques. 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. Holding trade receivables and payables at their amortised cost less impairment provision for trade receivables is deemed to approximate their fair values.

4.9. 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, as set out further in note 19.

5. Segmental information

Reportable segment

Monitise's operating segment is reported based on the information reviewed by the chief operating decision maker for the purposes of allocating resources and assessing performance. The Board of Directors is the Group's chief operating decision maker. Revenue has been allocated to geographical segments based upon the location of the customer.

The Board of Directors considers revenue, cost of sales, operating costs, exceptional costs and a measure of adjusted EBITDA of the Group as a whole when assessing the performance of the business and making decisions about the allocation of resources. In addition, the Board reviews revenue split by products and geographies to assist with the allocation of resources. Accordingly, the Group had one reportable operating segment for the year ended 30 June 2014. The operating segment derives revenues from delivering mobile banking, payments and commerce networks worldwide.

The results from continuing operations, in the format as provided to the Board, has not been reproduced below and can be found in the Statement of Comprehensive Income on page 41.

There are no differences in the measurement of the reportable segment's results and the Group's results in both the current and prior year.

Entity-wide disclosures

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

Geographical disclosures

	Revenues		Non-current assets	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
United Kingdom	**57,779**	37,506	**112,595**	46,284
Americas	**29,228**	32,249	**133,640**	154,413
Rest of World	**8,094**	3,041	**51,668**	–
Total	**95,101**	72,796	**297,903**	200,697

Products and services

	Revenues	
	2014 £'000	2013 £'000
Product licences	**19,329**	13,744
Subscription and transaction revenue	**31,231**	29,649
User generated revenue	**50,560**	43,393
Development and integration services	**44,541**	29,403
Total	**95,101**	72,796

Product licences are sales where the customer has the ability to exploit the licensed functionality upon delivery and include certain term-based and perpetual licences (see note 2.3 for further information).

Revenues derived from single customers whose revenues are 10% or greater than overall Group revenues are given below:

	Revenues	
	2014 £'000	2013 £'000
External customer A	**10,898**	12,059
External customer B	**19,641**	10,822
External customer C	**12,181**	14,262

6. Operating loss

This is stated after charging/(crediting):

Group	Note	2014 £'000	2013 £'000
Employee benefit expense	25	**75,491**	55,042
Depreciation	11	**4,032**	3,326
Amortisation	12	**15,741**	11,848
Impairment of intangible assets	12	**4,151**	973
Profit on disposal of property, plant and equipment		**(361)**	–
Net foreign currency differences		**1,462**	(638)
Operating lease expense		**4,232**	3,279

Other exceptional items comprise:

	Note	2014 £'000	2013 £'000
Acquisition related expenses	29	**2,518**	642
Release of contingent consideration		**(609)**	–
Restructuring and property		**–**	1,633
Litigation and other corporate costs		**–**	1,935
		1,909	4,210

Litigation and other corporate costs primarily comprise legal costs and the recognition of provisions relating to litigation as more fully described in note 19. These are classed as exceptional due to their size and non-operating nature.

One-off restructuring and property expenses are classed as exceptional as they largely relate to integration of acquisitions and wider Group restructuring and relocation.

Included with the Operating loss is an amount in respect of research and development of £31,871,000 (2013: £28,006,000).

Non-recurring acquisition related expenses relate to the acquisitions described in note 29, together with costs incurred for aborted acquisitions.

The release of contingent consideration relates to an over-provision of such consideration in prior years.

7. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

Group	2014 £'000	2013 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	**85**	83
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	**238**	213
Total audit fees	**323**	296
Other services		
Audit-related assurance services	**31**	25
Tax compliance services	**149**	88
Tax advisory services	**474**	157
Other assurance services	**36**	10
Other non-audit services	**29**	–
Total other services	**719**	280
Total fees	**1,042**	576

Notes to the consolidated financial statements for the year ended 30 June 2014

8. Finance income and expenses

Group	2014 £'000	2013 £'000
Finance income		
Interest income on short-term deposits	**434**	390
Fair value gains on financial instruments	**88**	–
	522	390
Finance costs		
Interest payable on overdrafts and loans	**(30)**	(511)
Interest payable on finance leases	**(112)**	(84)
Fair value losses on financial instruments	**–**	(22)
Unwind of discount on financial instruments	**(1,480)**	(54)
Net foreign exchange (losses)/gains on financing activities	**(776)**	108
	(2,398)	(563)
	(1,876)	(173)

9. Income tax

Recognised in the Statement of Comprehensive Income

	Note	2014 £'000	2013 £'000
Current tax:			
Current tax, overseas withholding and other taxes		**(268)**	(231)
Adjustments in respect of prior years		**829**	–
Total current tax		**561**	(231)
Deferred tax:			
Origination and reversal of temporary differences	21	**2,809**	(20)
Total deferred tax		**2,809**	(20)
Total tax credit/(charge) in the Statement of Comprehensive Income		**3,370**	(251)

Reconciliation of effective tax rate

During the year, the UK main corporation tax rate changed from 23% to 21% and was effective from 1 April 2014. The main corporation tax rate will reduce to 20% effective from 1 April 2015. Both changes in the tax rate were substantively enacted on 2 July 2013 and accordingly the Group's losses for this accounting period are taxed at an effective rate of 22.5%.

The credit for the year is lower (2013: lower) than the standard rate of corporation tax in the UK 22.5% (2013: 23.75%). The differences are explained below:

	Note	2014 £'000	2013 £'000
Loss before income tax		**(63,439)**	(51,052)
Tax calculated at UK effective tax rate of 22.5% (2013: 23.75%)		**(14,274)**	(12,125)
Effects of:			
Expenses not deductible for tax purposes		**2,855**	3,685
Income not subject to tax		**(1,731)**	(1,592)
Change in unrecognised deferred tax assets		**12,080**	8,040
Use of losses for which a deferred asset has not previously been recognised		**(169)**	–
Overseas withholding and other taxes		**263**	231
Remeasurement of deferred tax for changes in tax rates	21	**(313)**	(106)
Effect of different tax rates of subsidiaries operating in other jurisdictions		**(1,758)**	1,063
Joint ventures' results reported net of tax		**506**	1,055
Adjustments in respect of prior years		**(829)**	–
Total tax in the Statement of Comprehensive Income		**(3,370)**	251

10. Loss per share

Basic and diluted

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

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

	2014			2013		
	Loss for the year £'000	**Weighted average number of shares (thousands)**	**Loss per share (pence)**	Loss for the year £'000	Weighted average number of shares (thousands)	Loss per share (pence)
Losses attributable to owners of the parent	**(60,069)**	**1,687,414**	**(3.6)**	(51,303)	1,350,300	(3.8)

11. Property, plant and equipment

Group	Note	Office equipment £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost:					
As at 1 July 2012		203	6,642	654	7,499
Exchange differences		4	14	2	20
Additions		456	2,674	2,547	5,677
Acquisition		22	49	–	71
Disposals		(14)	(523)	(9)	(546)
As at 30 June 2013		671	8,856	3,194	12,721
Accumulated depreciation:					
As at 1 July 2012		44	1,816	18	1,878
Exchange differences		3	10	1	14
Charge		236	2,733	357	3,326
Disposals		(14)	(523)	(9)	(546)
As at 30 June 2013		269	4,036	367	4,672
Net book value:					
As at 1 July 2012		159	4,826	636	5,621
As at 30 June 2013		402	4,820	2,827	8,049
Cost:					
As at 1 July 2013		671	8,856	3,194	12,721
Exchange differences		(12)	(63)	(8)	(83)
Additions		22	3,565	1,878	5,465
Acquisition	29	485	241	73	799
Disposals		(41)	(3,213)	–	(3,254)
As at 30 June 2014		**1,125**	**9,386**	**5,137**	**15,648**
Accumulated depreciation:					
As at 1 July 2013		269	4,036	367	4,672
Exchange differences		(18)	(52)	(7)	(77)
Charge		206	3,389	437	4,032
Disposals		(41)	(3,074)	–	(3,115)
As at 30 June 2014		**416**	**4,299**	**797**	**5,512**
Net book value:					
As at 1 July 2013		402	4,820	2,827	8,049
As at 30 June 2014		**709**	**5,087**	**4,340**	**10,136**

The Company does not have any property, plant or equipment.

Notes to the consolidated financial statements for the year ended 30 June 2014

11. Property, plant and equipment continued

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

	2014			2013		
	Computer equipment £'000	**Leasehold improvements £'000**	**Total £'000**	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost	**280**	**1,022**	**1,302**	280	1,022	1,302
Accumulated depreciation	**(140)**	**(217)**	**(357)**	(47)	(87)	(134)
Net book value as at 30 June	**140**	**805**	**945**	233	935	1,168

The Group leases various leasehold improvements and computer equipment under non-cancellable finance lease arrangements (see note 20). The lease terms are between three and five years.

12. Intangible assets

Group	Note	Goodwill £'000	Customer contracts £'000	Intellectual property rights £'000	Acquired technology £'000	Purchased and acquired software licences £'000	Capitalised development costs £'000	Total £'000
Cost:								
As at 1 July 2012		118,168	26,965	222	11,920	3,993	12,263	173,531
Exchange differences		2,857	701	–	283	–	33	3,874
Additions		–	–	–	–	2,288	6,586	8,874
Acquisitions		16,638	–	–	6,422	264	–	23,324
Disposals		–	–	–	–	(356)	–	(356)
As at 30 June 2013		137,663	27,666	222	18,625	6,189	18,882	209,247
Accumulated amortisation and impairment:								
As at 1 July 2012		–	737	183	–	1,184	1,839	3,943
Exchange differences		–	112	–	76	–	3	191
Charge		–	3,441	32	3,004	1,475	3,896	11,848
Impairment		–	–	–	–	–	973	973
Disposals		–	–	–	–	(356)	–	(356)
As at 30 June 2013		–	4,290	215	3,080	2,303	6,711	16,599
Net book value:								
As at 1 July 2012		118,168	26,228	39	11,920	2,809	10,424	169,588
As at 30 June 2013		137,663	23,376	7	15,545	3,886	12,171	192,648
Cost:								
As at 1 July 2013		137,663	27,666	222	18,625	6,189	18,882	209,247
Exchange differences		(13,135)	(2,866)	–	(1,204)	(20)	(116)	(17,341)
Additions		–	–	–	–	11,452	17,617	29,069
Acquisitions	29	76,282	16,984	55	8,022	128	–	101,471
Disposals		–	–	–	–	(763)	–	(763)
As at 30 June 2014		**200,810**	**41,784**	**277**	**25,443**	**16,986**	**36,383**	**321,683**
Accumulated amortisation and impairment:								
As at 1 July 2013		–	4,290	215	3,080	2,303	6,711	16,599
Exchange differences		–	(624)	–	(623)	(13)	(23)	(1,283)
Charge		–	4,452	7	3,616	2,637	5,029	15,741
Impairment		1,546	–	–	476	–	2,129	4,151
Disposals		–	–	–	–	(763)	–	(763)
As at 30 June 2014		**1,546**	**8,118**	**222**	**6,549**	**4,164**	**13,846**	**34,445**
Net book value:								
As at 1 July 2013		137,663	23,376	7	15,545	3,886	12,171	192,648
As at 30 June 2014		**199,264**	**33,666**	**55**	**18,894**	**12,822**	**22,537**	**287,238**

The Company does not have any intangible assets.

12. 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. Monitise has three cash-generating units at 30 June 2014, being the mBanking CGU, mCommerce CGU and Create CGU. These CGUs are based on product offerings.

The CGUs identified in the current year are the same as those identified in the prior year, however, the grouping of MEP and MVP CGUs has been renamed mBanking. In addition, two new CGUs have been identified, being mCommerce and Create.

The carrying amounts of goodwill at 30 June are allocated to CGUs as follows:

	2014 £'000	2013 £'000
mBanking CGU	**158,437**	121,025
mCommerce CGU	**16,327**	–
Create CGU	**24,500**	–
Unallocated at 30 June	**–**	16,638
	199,264	137,663

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.

As a result of a post-acquisition review of acquisitions made during the year ended 30 June 2013, the goodwill and other acquired intangible assets, which were previously unallocated to a CGU, have been adjusted down to their fair value in the current financial year.

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 have 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.

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

	2014			2013
	mBanking CGU	mCommerce CGU	Create CGU	mBanking CGU
Long-term growth rate	**2.00%**	**2.00%**	**2.00%**	2.10%
Discount rate	**11.00%**	**11.00%**	**11.00%**	11.67%
Medium-term revenue growth rate	**27–57%**	**132–182%**	**15–30%**	25–41%

Sensitivity analysis

The Group has conducted a sensitivity analysis on the carrying value of each of the CGUs. There are no reasonably possible changes in the key assumptions that would cause the carrying value of the mCommerce and Create CGUs to exceed their recoverable amounts. For the mBanking CGU an 80% reduction in the medium-term revenue growth rate would cause the carrying value of goodwill to equal its recoverable amount.

Based on the result of the value in use calculations undertaken, the Directors conclude that the recoverable amount of goodwill in the mBanking, mCommerce and Create CGUs exceeds its carrying value.

Notes to the consolidated financial statements for the year ended 30 June 2014

13. Investments in subsidiaries

Company only	2014 £'000	2013 £'000
As at 1 July	**160,251**	139,186
Acquisitions	**97,135**	18,822
Group restructuring	**(15,196)**	(607)
Capital contributions relating to share-based payments	**5,254**	2,850
As at 30 June	**247,444**	160,251

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, and this cost is tested periodically for impairment.

See note 29 for details of acquisitions of subsidiaries.

Group restructuring relates to the hive-down of acquisitions to a subsidiary undertaking during the year.

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 are set out below.

Name	Country of incorporation (or registration) and operation	Proportion of voting rights and ordinary share capital held	Nature of business
Direct subsidiary undertakings:			
Monitise Group Limited	United Kingdom	100%	Intermediate holding company
Monitise Emerging Markets Limited	United Kingdom	100%	Intermediate holding company
Pozitron Yazilim A.S.	Turkey	100%	Mobile phone banking, payments and commerce services
PT AGIT Monitise Indonesia	Indonesia[1]	100%	Mobile phone banking, payments and commerce services
Monitise Asia Pacific Limited	Hong Kong[1]	100%	Mobile phone banking, payments and commerce services
The Global Voucher Group Limited	United Kingdom	100%	Digital marketing solutions
Indirect subsidiary undertakings:			
Monitise Europe Limited	United Kingdom	100%	Mobile phone banking, payments and commerce services
Monitise International Limited	United Kingdom	100%	Mobile phone banking, payments and commerce services
Monitise Americas, Inc.	USA	100%	Mobile phone banking, payments and commerce services
Monitise Singapore Pvt Ltd	Singapore	100%	Mobile phone banking, payments and commerce services
Monitise Create Limited	United Kingdom	100%	Mobile innovation and design agency
Grapple Mobile USA, Inc.	USA	100%	Mobile innovation and design agency
Mobile Money Network Limited	United Kingdom	100%	Mobile phone commerce services
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 Limited	United Kingdom	100%	Intermediate holding company
Last Second Ticketing Ltd	United Kingdom	100%	Digital marketing solutions
Vouchacha Ltd	United Kingdom	100%	Digital marketing solutions
The Monitise Employee Benefit Trust	Channel Islands	100%	Employee-based trust
Monilink Ltd	United Kingdom	100%	Non-trading
Grapple Mobile Limited	United Kingdom	100%	Non-trading
eMerit Solutions (UK) Ltd	United Kingdom	100%	Non-trading
Monitise Africa (UK) Limited	United Kingdom	100%	Non-trading
Monitise Nominees Limited	United Kingdom	100%	Non-trading
Monitise Americas, LLC	USA	100%	Non-trading
Monitise Solutions (HK) Ltd	Hong Kong	100%	Non-trading
Monitise Hong Kong Ltd	Hong Kong	100%	Non-trading

[1] Includes indirect holdings.

14. Investments in joint ventures

Group	2014 £'000	2013 £'000
As at 1 July	**(498)**	36
Additional investments	**3,108**	4,535
Share of losses	**(2,251)**	(3,049)
Acquisition of joint venture	**1,960**	–
Acquisition of remaining interest in joint venture	**(1,631)**	(1,946)
Exchange differences	**(159)**	(74)
As at 30 June	**529**	(498)

The Group equity accounted the results of PT AGIT Monitise Indonesia ('PTMI') until 26 June 2014 and Monitise Asia Pacific Limited ('MAP') until 21 October 2013, thereafter consolidating 100% of the companies in line with the increased shareholding. In the comparative period, the Group equity accounted the results of Mobile Money Network Limited ('MMN') until 10 December 2012, thereafter consolidating 100% of the company in line with its increased shareholding.

The carrying amount of the investment comprises the cost of the investment together with the Group's share of post-acquisition losses. Prior to the acquisition of MAP, losses in relation to MAP in excess of the carrying amount of the investment of £281,000 (2013: £1,236,000) were recognised against long-term loans to joint ventures. These loans were capitalised as part of the acquisition of MAP in October 2013. During the year ended 30 June 2013, prior to the acquisition of MMN, losses in relation to MMN in excess of the carrying amount of the investment of £1,391,000 were recognised against long-term loans to joint ventures. These loans were capitalised as part of the acquisition of MMN.

Monitise Asia Pacific Limited

On 6 April 2010, the Group entered into an agreement to set up a joint venture in the Asia Pacific region with First Eastern (Holdings) Limited via Monitise Cyprus Holdings No. 1 Limited, an intermediate Group holding company. On 21 October 2013, the Group acquired the remaining 50% of the issued share capital in Monitise Asia Pacific Limited from the joint venture partners. See note 29 for further details.

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 provides 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.

PT AGIT Monitise Indonesia

On 28 July 2011, the Group entered into an agreement to set up a joint venture in Indonesia with PT Astra Graphia Information Technology, via Monitise Asia Pacific Limited, an intermediate Group holding company, purchasing a 49% share in PT AGIT Monitise Indonesia, a company incorporated in Indonesia. On 26 June 2014, the Group acquired the remaining 51% of the issued share capital in this joint venture from its joint venture partner. See note 29 for further details.

The Group's total interest in its joint ventures is as follows:

	2014 £'000	2013 £'000
Assets		
Non-current assets	**507**	1,490
Current assets	**599**	103
	1,106	1,593
Liabilities		
Current liabilities	**(19)**	(1,284)
	(19)	(1,284)
Net assets	**1,087**	309
Revenue	**30**	75
Expenses	**(2,265)**	(4,388)
Interest income	**–**	2
Interest expense	**(16)**	(129)
Loss after income tax	**(2,251)**	(4,440)

Loss after income tax is stated after any provisions for unrealised profit.

Notes to the consolidated financial statements for the year ended 30 June 2014

15. Trade and other receivables

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Due within one year				
Trade receivables	**18,997**	9,226	**–**	–
Less: provision for impairment of trade receivables	**(615)**	(273)	**–**	–
Trade receivables – net	**18,382**	8,953	**–**	–
Other taxes and social security	**1,956**	–	**48**	3
Other receivables	**1,691**	326	**1,009**	16
Accrued income	**10,358**	6,787	**74**	22
Prepayments	**4,820**	1,297	**26**	15
Amounts due from group undertakings	**–**	–	**262,928**	174,202
Prepayments and other receivables	**18,825**	8,410	**264,085**	174,258
Total trade and other receivables due within one year	**37,207**	17,363	**264,085**	174,258

The maximum exposure to credit risk at 30 June 2014 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 £4,896,000 (2013: £3,882,000) which relates to payments for a product licence sold during the year.

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 and is due within one year.

Trade receivables are considered impaired if they are not considered recoverable. As at 30 June, trade receivables of £4,926,000 (2013: £4,436,000) 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:

	2014 Trade receivables £'000	2014 Impairment provision £'000	2013 Trade receivables £'000	2013 Impairment provision £'000
Current and not impaired	**13,456**	**–**	4,517	–
Up to 3 months	**3,711**	**(438)**	3,278	(18)
3 to 6 months	**735**	**–**	610	(54)
Over 6 months	**1,095**	**(177)**	821	(201)
	18,997	**(615)**	9,226	(273)

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

	2014 £'000	2013 £'000
Pounds Sterling	**26,285**	7,321
US Dollars	**5,835**	5,311
Turkish Lira	**2,516**	–
Euros	**2,087**	4,039
Indonesian Rupiah	**282**	–
Canadian Dollars	**123**	682
Hong Kong Dollars	**52**	10
Singapore Dollars	**27**	–
	37,207	17,363

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

	2014 £'000	2013 £'000
As at 1 July	**273**	41
Provision for receivables impairment	**342**	232
As at 30 June	**615**	273

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

16. Cash and cash equivalents

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Cash at bank and in hand	**146,828**	86,770	**95,604**	41,451

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 £1,473,000 (2013: £2,118,000) was recognised and costs of £nil (2013: £nil) were recharged to Movida India Private Limited. The Group provided a capital contribution of £2,044,000 (2013: £1,965,000). The outstanding receivable balance at 30 June 2014 was £1,589,000 (2013: £1,543,000) in trade receivables.

Monitise Asia Pacific Limited

Up to 21 October 2013, the Group had a 50% interest in a joint venture, Monitise Asia Pacific Limited. During the year, revenue of £3,083,000 (2013: £830,000) was recognised and costs of £nil (2013: £619,000) were recharged to Monitise Asia Pacific Limited. The Group provided a capital contribution of £nil (2013: £625,000). The outstanding receivable balance at 30 June 2014 was £nil (2013: £958,000) in trade receivables.

PT AGIT Monitise Indonesia

Up to 26 June 2014, the Group had a 49% interest in a joint venture, PT Agit Monitise Indonesia. During the year, revenue of £285,000 (2013: £nil) was recognised. The Group provided a capital contribution of £1,064,000 (2013: £nil). The outstanding receivable balance at 30 June 2014 was £nil (2013: £nil) in trade receivables.

Key management personnel

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

	2014 £'000	2013 £'000
Short-term employee benefits	**7,480**	5,413
Post-employment benefits	**169**	106
Share-based payments	**1,792**	2,581
	9,441	8,100

Details regarding Directors' emoluments can be found in the Directors' remuneration report on pages 34 to 36.

Company

Subsidiaries

The Company was recharged £13,627,000 (2013: £8,067,000) by subsidiaries for administration costs incurred on its behalf. Amounts receivable from subsidiaries total £262,928,000 (2013: £174,202,000), which are short term. Transactions with subsidiaries are carried out on an arm's-length basis.

18. Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Due within one year				
Trade payables	**15,603**	8,005	**–**	–
Other taxes and social security	**2,584**	4,082	**–**	–
Accruals	**27,452**	13,008	**3,839**	1,384
Deferred income	**11,248**	10,825	**–**	–
Other payables	**7,909**	862	**4,883**	538
Amounts due to group undertakings	**–**	–	**10,103**	–
Other payables due within one year	**49,193**	28,777	**18,825**	1,922
Trade and other payables due within one year	**64,796**	36,782	**18,825**	1,922
Due after one year				
Other payables	**25**	927	**–**	85
Deferred income	**4,378**	1,406	**–**	–
Other payables due after one year	**4,403**	2,333	**–**	85
Total trade and other payables	**69,199**	39,115	**18,825**	2,007

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

Notes to the consolidated financial statements for the year ended 30 June 2014

19. Provisions

Group	Provisions for litigation £'000
As at 1 July 2013	8,166
Additional provision in the year	313
Reclassification of provision in the year	(4,672)
Utilisation of provision	(2,692)
Exchange differences	(802)
As at 30 June 2014	**313**

	2014 £'000	2013 £'000
Due within one year	**313**	1,858
Due after one year	**–**	6,308

The above provisions represent amounts for certain legal claims. The Group was previously defending a number of its customers in the US against claims for patent infringements arising out of its customers' use of Monitise's technology, which have been settled or discontinued. The provision was made on the acquisition of Monitise Americas, Inc., (formerly Clairmail, Inc.) and, under the terms of the acquisition agreement, the outstanding amount may be due to the former shareholders and has, therefore, been reclassified to other payables.

The remaining provision for litigation costs is likely to be incurred within the next 12 months and, due to the nature of these claims, uncertainties exist around the timing and amounts to be incurred.

20. Financial liabilities

		Group		Company	
	Note	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Due within one year					
Financial liabilities at fair value through profit or loss	22	**7,476**	682	**7,476**	662
Finance leases		**282**	254	**–**	–
Financial liabilities due within one year		**7,758**	936	**7,476**	662
Due after one year					
Financial liabilities at fair value through profit or loss		**7,080**	–	**7,080**	–
Finance leases		**596**	880	**–**	–
Financial liabilities due after one year		**7,676**	880	**7,080**	–
Total financial liabilities		**15,434**	1,816	**14,556**	662

At 30 June 2014, the Group had no forward foreign exchange contracts (2013: sell €10 million in July 2013 hedging exposure on receivables denominated in Euros). The Group did not apply hedge accounting to these contracts and as such they were revalued to fair value through profit or loss.

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

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

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

	Future minimum lease payments		Present value of minimum lease payments	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Less than one year	**366**	366	**282**	254
Between one and five years	**680**	1,046	**596**	880
	1,046	1,412	**878**	1,134
Less: future finance charges	**(168)**	(278)	**–**	–
Present value of minimum lease payments	**878**	1,134	**878**	1,134

21. Deferred tax

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

Group	Note	2014 £'000	2013 £'000
As at 1 July		**(14,126)**	(12,244)
On acquisition	29	**(3,230)**	(1,477)
Credit/(charge) to consolidated Statement of Comprehensive Income		**2,809**	(20)
Credit/(charge) to Other Comprehensive Income:			
– exchange differences		**719**	(385)
As at 30 June		**(13,828)**	(14,126)

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	2014 Tax losses £'000	2013 Tax losses £'000
Deferred tax assets		
As at 1 July	**3,236**	2,578
Credit to consolidated Statement of Comprehensive Income	**1,923**	3,192
Utilisation of losses	**–**	(2,584)
Effect of change in tax rates	**(366)**	50
As at 30 June	**4,793**	3,236

		2014			2013		
Group	Note	Acquisition related intangible assets £'000	Capitalised development costs £'000	Total £'000	Acquisition related intangible assets £'000	Capitalised development costs £'000	Total £'000
Deferred tax liabilities							
As at 1 July		**14,170**	**3,192**	**17,362**	14,822	–	14,822
On acquisition	29	**3,230**	**–**	**3,230**	1,477	–	1,477
(Credit)/charge to consolidated Statement of Comprehensive Income		**(2,539)**	**1,966**	**(573)**	(2,458)	3,192	734
Effect of change in tax rates		**(314)**	**(365)**	**(679)**	(56)	–	(56)
Exchange differences		**(719)**	**–**	**(719)**	385	–	385
As at 30 June		**13,828**	**4,793**	**18,621**	14,170	3,192	17,362

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:

	2014 £'000	2013 £'000
Deferred tax assets	**–**	44
Deferred tax liabilities	**(13,828)**	(14,170)
	(13,828)	(14,126)

Notes to the consolidated financial statements for the year ended 30 June 2014

21. Deferred tax continued

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

	2014			2013		
	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	**–**	**4,793**	**4,793**	44	3,192	3,236
Deferred tax liabilities	**(3,021)**	**(15,600)**	**(18,621)**	(3,752)	(13,610)	(17,362)
	(3,021)	**(10,807)**	**(13,828)**	(3,708)	(10,418)	(14,126)

The amount of unutilised trading tax losses at 30 June 2014 for which a deferred tax asset has been recognised is £nil (2013: £193,000).

The Group has an unrecognised deferred tax assets of approximately £61,000,000 (2013: £56,000,000) 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.

During the year, the UK main corporation tax rate changed from 23% to 21% and was effective from 1 April 2014. The main corporation tax rate will reduce to 20% effective from 1 April 2015. Both changes in the tax rate were substantively enacted on 2 July 2013 and, therefore, the deferred tax balances have been measured at the rates that will apply when they are expected to unwind.

22. Financial instruments

Accounting classification of financial assets and liabilities

Group	Loans and receivables £'000	Fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
As at 30 June 2014				
Cash and cash equivalents	146,828	–	–	146,828
Trade and other receivables excluding non-financial assets	20,073	–	–	20,073
Trade and other payables excluding non-financial liabilities	–	–	(26,121)	(26,121)
Contingent consideration liabilities	–	(14,556)	–	(14,556)
Finance lease liabilities	–	–	(878)	(878)
Total	**166,901**	**(14,556)**	**(26,999)**	**125,346**
As at 30 June 2013				
Cash and cash equivalents	86,770	–	–	86,770
Trade and other receivables excluding non-financial assets	9,279	–	–	9,279
Trade and other payables excluding non-financial liabilities	–	–	(13,876)	(13,876)
Forward exchange contracts	–	(20)	–	(20)
Contingent consideration liabilities	–	(662)	–	(662)
Finance lease liabilities	–	–	(1,134)	(1,134)
Total	96,049	(682)	(15,010)	80,357

Company	Loans and receivables £'000	Fair value through profit and loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
As at 30 June 2014				
Cash and cash equivalents	95,604	–	–	95,604
Trade and other receivables excluding non-financial assets	263,937	–	–	263,937
Trade and other payables excluding non-financial liabilities	–	–	(10,103)	(10,103)
Contingent consideration liabilities	–	(14,556)	–	(14,556)
Total	**359,541**	**(14,556)**	**(10,103)**	**334,882**
As at 30 June 2013				
Cash and cash equivalents	41,451	–	–	41,451
Trade and other receivables excluding non-financial assets	174,218	–	–	174,218
Trade and other payables excluding non-financial liabilities	–	–	(623)	(623)
Contingent consideration liabilities	–	(662)	–	(662)
Total	215,669	(662)	(623)	214,384

22. Financial instruments continued

Fair value hierarchy

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

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

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

Level 3: inputs for the asset or liability that are not based on observable market data.

	2014				2013			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Group								
As at 30 June								
Forward exchange contracts	**–**	**–**	**–**	**–**	–	(20)	–	(20)
Contingent consideration liabilities	**–**	**–**	**(14,556)**	**(14,556)**	–	–	(662)	(662)
Total	**–**	**–**	**(14,556)**	**(14,556)**	–	(20)	(662)	(682)
Company								
As at 30 June								
Contingent consideration liabilities	**–**	**–**	**(14,556)**	**(14,556)**	–	–	(662)	(662)

Level 3 financial instruments

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

	2014 £'000	2013 £'000
As at 1 July	**662**	–
Acquisitions	**14,556**	662
Payment of contingent consideration	**(53)**	–
Change in fair value recognised in the consolidated Statement of Comprehensive Income	**(609)**	–
As at 30 June	**14,556**	662

A reduction of over 24% of expected revenue performance would be required to cause any reduction in the above liability.

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 2012	1,016,978,056	10,170	101,336
Issue of new shares	522,673,602	5,227	118,847
Exercise of share options and warrants	23,302,452	233	1,935
Cost of share issue	–	–	(5,524)
As at 1 July 2013	1,562,954,110	15,630	216,594
Issue of new shares	303,923,296	3,039	123,260
Exercise of share options and warrants	77,928,776	779	803
Cost of share issue	–	–	(3,667)
As at 30 June 2014	**1,944,806,182**	**19,448**	**336,990**

Notes to the consolidated financial statements for the year ended 30 June 2014

23. Ordinary shares, share premium and other reserves continued

Reconciliation of shares issued

	Number of shares	Ordinary shares £'000	Ordinary shares to be issued £'000	Share premium £'000	Merger reserve £'000	Total £'000
As at 1 July 2012	1,016,978,056	10,170	15,615	101,336	109,172	236,293
August 2012 placing	81,000,000	810	–	21,640	–	22,450
December 2012 placing	333,333,333	3,334	–	91,483	–	94,817
Acquisition of Mobile Money Network Limited	55,678,699	557	–	–	16,147	16,704
Acquisition of eMerit Solutions Ltd	4,724,409	47	–	–	1,453	1,500
Employee share-based payment exercises	23,302,452	233	–	1,935	–	2,168
Share-based payments to non-employees	618,473	6	–	200	–	206
Issue of shares relating to prior year business combinations	47,318,688	473	(15,615)	–	15,142	–
As at 1 July 2013	1,562,954,110	15,630	–	216,594	141,914	374,138
March 2014 placing	160,643,031	1,607	–	103,964	–	105,571
Issue of shares relating to warrants	49,000,000	490	–	15,158	–	15,648
Acquisition of Monitise Asia Pacific Limited	20,000,000	200	–	–	11,650	11,850
Acquisition of Monitise Create Limited (formerly Grapple Mobile Limited)	28,640,748	286	–	–	12,889	13,175
Acquisition of Pozitron Yazilim A.S.	35,925,589	359	–	–	23,531	23,890
Acquisition of Markco Media	43,729,676	437	2,511	–	24,051	26,999
Acquisition of PT AGIT Monitise Indonesia	12,949,339	130	–	–	7,219	7,349
Employee share-based payment exercises	28,928,776	289	–	803	–	1,092
Share-based payments to non-employees	1,107,663	11	–	471	–	482
Issue of shares relating to prior year business combinations	927,250	9	–	–	285	294
As at 30 June 2014	**1,944,806,182**	**19,448**	**2,511**	**336,990**	**221,539**	**580,488**

Share capital and share premium

In March 2014, the Group issued 160,643,031 new Ordinary shares through a placing with MasterCard and certain institutional investors.

During the prior year, the Group issued shares to satisfy the following warrants to Visa Europe Limited:

- warrants over 43 million Ordinary shares of 1p each in the Company at a price of 36.25p per Ordinary share; and
- warrants over 6 million Ordinary shares of 1p each in the Company at a price of 1p per Ordinary share, being the nominal value.

During the current year, 77,928,776 (2013: 23,302,452) new Ordinary shares were issued as part of an exercise of share options and warrants (see note 24), and a further 1,107,663 (2013: 618,473) new Ordinary shares were issued to non-employees in lieu of services provided to the Group.

See note 29 for further information on the above acquisitions.

Other reserves

The merger reserve of £221,539,000 (2013: £141,914,000) 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 (2013: £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 share-based payment reserve at 30 June 2014 is £20,823,000 (2013: £14,154,000) and is discussed in detail in note 24.

For the purposes of presentation on the Consolidated and Company Statements 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 payment 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:

	2014 £'000	2013 £'000
Equity-settled share-based payments	**9,569**	4,822
Share issue charges to non-employees in lieu of services provided to the Group	**233**	511
Total	**9,802**	5,333

Included within the equity-settled share-based payment charge above is a charge relating to share-based payments to former owners of eMerit Solutions Ltd, Monitise Create Limited, Pozitron Yazilim A.S. and The Global Voucher Group Limited (Markco Media) – see note 29 for further details on acquisitions during the year.

Sharesave Scheme ('SAYE')

The Monitise Sharesave Scheme enables UK staff to acquire shares in the Company through monthly savings of up to £250 over a three year period, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares. For the option to vest, staff must remain as employees of Monitise over a three year period.

Performance Share Plan ('PSP')

A Performance Share Plan is in place. Up to 25 March 2010, options over shares were awarded conditional on the achievement of performance conditions with vesting after three or five years subject to the staff remaining employed by the Group. On 25 March 2010, shareholders approved a change in the plan rules, allowing for share options also to be issued under this plan with no performance conditions, such that for the option to vest, staff must remain as employees of Monitise over a three year period.

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

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

	2014		2013	
Group	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
As at 1 July	**103,789,002**	**6.8p**	95,506,553	9.1p
Granted	**36,413,092**	**2.6p**	43,878,616	7.6p
Exercised	**(28,803,464)**	**5.1p**	(23,302,452)	9.3p
Lapsed	**(7,260,960)**	**15.8p**	(12,293,715)	14.9p
As at 30 June	**104,137,670**	**6.3p**	103,789,002	6.8p

The weighted average share price at the date of exercise for options exercised during the year was 52.3p (2013: 35.5p). At 30 June 2014, 15,281,909 options were exercisable (2013: 23,364,008). The weighted average exercise price of exercisable options was 12.6p (2013: 6.6p). Options outstanding at 30 June 2014 have a range of exercise prices of 1.0p to 45.6p (2013: 1.0p to 33.0p).

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.

Notes to the consolidated financial statements for the year ended 30 June 2014

24. Share-based payments continued
Equity-settled share-based payment plans continued
Performance conditions
Except as detailed in the table below for certain options issued, vesting of the Performance Share Plan is dependent on performance conditions based on achievement of share price targets. The Remuneration Committee also reserves the right to reduce the number of Ordinary shares over which awards vest if overall financial performance is not adequately reflected in the share price.

The following table gives the assumptions made during the year ended 30 June 2014 and the comparative year:

Scheme name	PSP	PSP	PSP	PSP	PSP
Grant date	4 Jun 2014	14 Apr 2014	14 Apr 2014	10 Mar 2014	10 Mar 2014
Share price at issue date	66.5p	58.3p	58.3p	78.0p	78.0p
Exercise price	1.0p	1.0p	1.0p	1.0p	1.0p
Fair value per option	44.2p	34.1p	25.7p	77.0p	77.0p
Number granted	5,000,000	1,000,000	1,330,000	166,667	166,667
Valuation method	Monte Carlo	Monte Carlo	Monte Carlo	Black Scholes	Black Scholes
Vesting hurdles	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above	Staff must remain as employees of Monitise for the options to vest	Staff must remain as employees of Monitise for the options to vest
Risk free rate used in valuation	1.11%	0.98%	0.98%	1.00%	0.65%
Expected dividend yield used in valuation	–	–	–	–	–
Volatility used in valuation	50%	50%	50%	50%	50%
Expected life (years)	3.00	2.89	2.89	3.00	3.00
Expected exercise date used in valuation	4 Jun 2017	4 Mar 2017	4 Mar 2017	10 Mar 2017	10 Mar 2016

Scheme name	PSP	PSP	PSP	PSP	Sharesave	PSP	PSP
Grant date	10 Mar 2014	4 Mar 2014	2 Dec 2013	11 Nov 2013	31 Oct 2013	12 Sep 2013	12 Sep 2013
Share price at issue date	78.0p	78.8p	54.5p	54.8p	55.5p	56.0p	56.0p
Exercise price	1.0p	1.0p	1.0p	1.0p	45.6p	1.0p	1.0p
Fair value per option	77.0p	46.5p	31.3p	31.5p	22.7p	56.0p	55.7p
Number granted	166,667	1,247,500	875,000	202,500	1,282,986	333,333	333,333
Valuation method	Black Scholes	Monte Carlo	Monte Carlo	Monte Carlo	Black Scholes	Black Scholes	Black Scholes
Vesting hurdles	Staff must remain as employees of Monitise for the options to vest	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above	Staff must remain as employees of Monitise and continue to contribute for the options to vest	Staff must remain as employees of Monitise for the options to vest	Staff must remain as employees of Monitise for the options to vest
Risk free rate used in valuation	0.41%	1.00%	0.71%	0.71%	0.77%	0.99%	0.60%
Expected dividend yield used in valuation	–	–	–	–	–	–	–
Volatility used in valuation	50%	50%	50%	50%	50%	50%	50%
Expected life (years)	3.00	3.00	2.77	2.83	3.09	3.00	3.00
Expected exercise date used in valuation	10 Mar 2015	4 Mar 2017	12 Sep 2016	12 Sep 2016	1 Dec 2016	12 Sep 2016	12 Sep 2015

24. Share-based payments continued
Equity-settled share-based payment plans continued
Performance conditions continued

Scheme name	PSP	PSP	PSP	PSP	PSP	PSP	PSP
Grant date	12 Sep 2013	12 Sep 2013	5 Sep 2013	5 Sep 2013	5 Sep 2013	5 Sep 2013	12 Apr 2013
Share price at issue date	56.0p	56.0p	51.5p	51.5p	51.5p	51.5p	35.5p
Exercise price	1.0p	1.0p	1.0p	1.0p	1.0p	1.0p	1.0p
Fair value per option	55.3p	32.2p	27.5p	31.4p	31.4p	31.9p	18.6p
Number granted	333,333	11,648,000	7,300,000	1,666,667	1,666,667	1,666,667	1,989,000
Valuation method	Black Scholes	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Vesting hurdles	Staff must remain as employees of Monitise for the options to vest	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above
Risk free rate used in valuation	0.38%	0.71%	0.80%	1.50%	1.03%	0.63%	0.31%
Expected dividend yield used in valuation	–	–	–	–	–	–	–
Volatility used in valuation	50%	50%	50%	77%	51%	49%	45%
Expected life (years)	3.00	3.00	3.00	4.30	3.30	2.40	3.00
Expected exercise date used in valuation	12 Sep 2014	12 Sep 2016	5 Sep 2016	21 Dec 2017	21 Dec 2016	20 Jan 2016	12 Apr 2016

Scheme name	PSP	PSP	PSP	PSP	Sharesave	PSP	PSP
Grant date	21 Dec 2012	21 Dec 2012	21 Dec 2012	14 Dec 2012	29 Oct 2012	25 Oct 2012	7 Sep 2012
Share price at issue date	33.8p	33.8p	33.8p	32.0p	37.0p	37.8p	37.5p
Exercise price	1.0p	1.0p	1.0p	1.0p	29.0p	1.0p	32.8p
Fair value per option	13.8p	13.7p	13.6p	15.2p	14.6p	21.1p	13.2p
Number granted	6,666,667	6,666,667	6,666,667	7,825,000	1,964,615	4,675,000	4,000,000
Valuation method	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes
Vesting hurdles	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above	Share price linked as set out above	Staff must remain as employees of Monitise and continue to contribute for the options to vest	Share price linked as set out above	Staff must remain as employees of Monitise for the options to vest
Risk free rate used in valuation	0.41%	0.41%	0.41%	0.39%	0.41%	0.34%	0.17%
Expected dividend yield used in valuation	–	–	–	–	–	–	–
Volatility used in valuation	45%	45%	45%	45%	45%	45%	45%
Expected life (years)	5.00	4.00	3.10	3.00	3.09	3.00	3.00
Expected exercise date used in valuation	21 Dec 2017	21 Dec 2016	21 Dec 2015	14 Dec 2015	1 Dec 2015	25 Oct 2015	7 Sep 2015

Notes to the consolidated financial statements for the year ended 30 June 2014

25. Employee benefit expense and Directors' emoluments

Group	2014 £'000	2013 £'000
Employees (including Directors)		
Wages and salaries	**61,955**	44,895
Social security costs	**6,882**	4,570
Share-based payments	**5,505**	4,822
Other pension costs	**1,149**	755
	75,491	55,042
Monthly average number of employees (including Directors)		
Management and administration	**110**	80
Sales and technical	**834**	480
	944	560

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

Company

Directors' emoluments	2014 £'000	2013 £'000
Aggregate emoluments	**2,904**	1,974
Gain made on exercise of share options	**5,771**	–
Pension contributions	**52**	37
	8,727	2,011

Emoluments of the highest paid Director	2014 £'000	2013 £'000
Aggregate emoluments, including £2,456,000 (2013: £nil) in respect of gain made on exercise of share options	**3,606**	601
Pension contributions	**17**	15
Total	**3,623**	616

The number of Directors who are accruing benefits under defined contribution schemes is five (2013: four). Further information in respect of individual Director emoluments is given in the Directors' remuneration report on pages 34 to 36.

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Loss before income tax	**(63,439)**	(51,052)	**(15,349)**	(6,953)
Adjustments for:				
Depreciation	**4,032**	3,326	**–**	–
Amortisation and impairments	**19,892**	12,821	**–**	–
Share-based payments	**9,802**	5,333	**4,315**	1,972
(Profit)/loss on acquisition of subsidiaries	**(7,692)**	1,444	**–**	–
Profit on disposal of property, plant and equipment	**(361)**	–	**–**	–
Finance costs/(income) – net	**1,876**	173	**(354)**	(1,367)
Exceptional costs	**1,909**	4,210	**7,088**	2,608
Share of post-tax loss of joint ventures	**2,251**	4,440	**–**	–
Operating cash flows before movements in working capital	**(31,730)**	(19,305)	**(4,300)**	(3,740)
(Increase)/decrease in receivables	**(11,858)**	(2,517)	**(72,828)**	22
Increase in payables	**16,168**	5,611	**11,309**	2,579
Decrease in provisions	**(7,364)**	(852)	**–**	–
Cash used in operations	**(34,784)**	(17,063)	**(65,819)**	(1,139)

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:

	2014 £'000	2013 £'000
Within 1 year	**3,101**	1,696
Within 2 to 5 years	**16,516**	8,558
After 5 years	**3,836**	5,472
Total	**23,453**	15,726

The Group had no capital commitments at the end of the year for capital expenditure contracted for but not provided for in the financial statements.

Legal contingencies

Except as set out below and in note 19, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings and the Directors are not aware of any such proceedings pending or threatened by or against the Group during the 12 months preceding the date of these financial statements which may have or have had, in the recent past, a significant effect on the financial position or profitability of the Group.

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

Guarantees

As part of the joint venture arrangements entered into by the Group and in other agreements, there are a number of operational and financial guarantees given by certain subsidiary companies on behalf of other subsidiary entities as part of the contractual terms of the joint venture agreements.

Certain guarantees have also been given by parent companies on behalf of subsidiaries as part of facility arrangements.

As part of the joint venture arrangements, the Group is also committed to provide funding with the joint venture partners in line with the agreed business plans.

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

28. Reconciliation of GAAP to non-GAAP items

Group	**2014 £'000**	2013 £'000
Loss after income tax	**(60,069)**	(51,303)
Share-based payments	**9,802**	5,333
Exceptional (gain)/loss on acquisition of subsidiary	**(7,692)**	1,444
Other exceptional items	**1,909**	4,210
Impairments	**4,151**	973
Acquisition related amortisation	**8,185**	6,555
Adjusted loss for the year	**(43,714)**	(32,788)

	2014			2013		
	Adjusted loss for the year £'000	**Weighted average number of shares (thousands)**	**Adjusted loss per share (pence)**	Adjusted loss for the year £'000	Weighted average number of shares (thousands)	Adjusted loss per share (pence)
Adjusted loss for the year	**(43,714)**	**1,687,414**	**(2.6)**	(32,788)	1,350,300	(2.4)

Notes to the consolidated financial statements for the year ended 30 June 2014

29. Acquisitions

Monitise Create Limited (formerly Grapple Mobile Limited)

On 4 September 2013, the Group acquired the entire issued share capital of Grapple Mobile Limited ('Create') for a total potential consideration of £39,100,000. The consideration used for the purposes of acquisition accounting of £27,614,000 is satisfied by the issuance of 28,640,748 shares in Monitise plc, cash and the fair value of contingent consideration payable.

The remaining amount of contingent consideration relates to potential amounts payable in Monitise plc shares or cash at Monitise's option. The value of contingent consideration is dependent on Create achieving revenue and margin targets following the acquisition and has been calculated using the share price at the date of acquisition.

The amounts payable to former owners of Create are only payable should they remain employees of the Group for the relevant period and if Create achieves certain revenue and margin targets. In accordance with IFRS 3, these amounts have been excluded from the calculation of goodwill and are expensed as share-based payments over the period of service.

Grapple Mobile Limited changed its trading name to Monitise Create Limited on acquisition. Create is a full-service solution company that designs and builds mobile apps.

Create contributed revenue of £7,238,000 and a loss after tax of £682,000 to the Group for the period from acquisition to 30 June 2014. If the acquisition had occurred on 1 July 2013, combined Group revenue and loss after tax for the year would have been £96,040,000 and £60,037,000.

The Group made this acquisition in order to benefit from the front-end design talent and capabilities of the Create team. This opportunity does not wholly translate into separately identifiable intangible assets, but represents synergies expected from integrating Create's offering and expertise within the Monitise offering.

Costs relating to the acquisition of £472,000 have been recognised in the Consolidated Statement of Comprehensive Income within 'Other exceptional items'.

The Directors have made a provisional assessment of the fair values of the assets and liabilities, pending finalisation of external valuation of intangible assets. The final amounts may be materially different from the provisional amounts stated. The fair values will be finalised during the year following acquisition.

The acquisition had the following effect on the Group's assets and liabilities:

	Provisional fair value £'000
Property, plant and equipment	96
Intangible assets	1,764
Cash	2,207
Trade and other receivables	4,199
Other acquired net liabilities	(4,746)
Deferred tax liability	(406)
Total	**3,114**
Provisional consideration	27,614
Provisional fair value of net assets acquired	(3,114)
Provisional goodwill recognised	**24,500**
Provisional consideration satisfied by:	
– Issuance of shares	13,175
– Cash consideration	1,079
– Fair value of contingent consideration	13,360
	27,614

No adjustments for accounting policy alignments were required.

£1,764,000 of customer related intangible assets were capitalised as part of the acquisition of Create and will be amortised over one to five years. A deferred tax liability of £406,000 on the capitalisation of the intangible assets has been created on acquisition.

The calculation of provisional fair values of consideration, assets and liabilities such as goodwill and intangible assets as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows delivering from or accruing to those assets and liabilities.

Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows. Final fair values may differ materially from those provisional values stated.

29. Acquisitions continued

Monitise Asia Pacific Limited

On 21 October 2013, the Group acquired the remaining 50% of the issued share capital in its joint venture, Monitise Asia Pacific Limited ('MAP'), from its joint venture partner for a consideration of £11,850,000 paid by the issuance of 20,000,000 shares in Monitise plc. MAP provides mobile banking, payments and commerce networks in the Asia Pacific region.

Of the total consideration payable, £4,738,000 was deemed to be settlement of a pre-existing relationship and has not been included in the calculation of goodwill. The settlement of the pre-existing relationship is included within 'Exceptional profit on acquisition' in the Consolidated Statement of Comprehensive Income. The settlement amount was valued using a royalty-based method. The total consideration paid for 50% of MAP was therefore £7,112,000.

MAP contributed revenue of £906,000 and a loss after tax of £885,000 to the Group for the period from acquisition to 30 June 2014. If the acquisition had occurred on 1 July 2013, combined Group revenue and loss after tax for the year would have been £95,043,000 and £60,495,000.

The Group made this acquisition in order to gain full control of MAP and, consequently, has greater flexibility in entering the Asia Pacific market. This opportunity does not wholly translate into separately identifiable intangible assets, but represents much of the assessed value within MAP and the opportunity within the Asia Pacific market, supporting the recognised goodwill.

The amount of the equity interest held by the Group in MAP immediately before the acquisition had a provisional fair value of £7,112,000 and resulted in a gain on provisional fair valuation of £7,528,000. The gain on acquisition, net of the settlement of the pre-existing relationship, was therefore £2,738,000. Offset against this was £52,000 of acquisition related costs. The total amount has been recognised in the Consolidated Statement of Comprehensive Income as an exceptional gain on acquisition.

The Directors have made a provisional assessment of the fair values of the assets and liabilities, pending finalisation of external valuation of intangible assets. The final amounts may be materially different from the provisional amounts stated. The fair values will be finalised in the year following acquisition.

The acquisition had the following effect on the Group's assets and liabilities:

	Provisional fair value £'000
Property, plant and equipment	4
Intangible assets	898
Investment in joint venture	1,960
Cash	430
Other acquired net liabilities	(1,288)
Deferred tax liability	(148)
Total	**1,856**
Provisional fair value of 50% interest previously held	7,112
Provisional consideration	7,112
Provisional fair value of net assets acquired	(1,856)
Provisional goodwill recognised	**12,368**
Provisional consideration satisfied by:	
– Issuance of shares	11,850
– Less: settlement of pre-existing relationship	(4,738)
	7,112

No adjustments for accounting policy alignments were required.

£898,000 of customer related intangible assets were capitalised as part of the acquisition of MAP and will be amortised over one to five years. A deferred tax liability of £148,000 on the capitalisation of the intangible assets has been created on acquisition.

The calculation of provisional fair values of consideration, assets and liabilities such as goodwill and intangible assets as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows delivering from or accruing to those assets and liabilities.

Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows. Final fair values may differ materially from those provisional values stated.

Notes to the consolidated financial statements for the year ended 30 June 2014

29. Acquisitions continued
Pozitron Yazilim A.S.
On 31 January 2014, the Group acquired the entire issued share capital of Pozitron Yazilim A.S. ('Pozitron') for a total potential consideration of £60,210,000. The consideration used for the purposes of acquisition accounting of £23,890,000 is satisfied by the issuance of 35,925,589 Ordinary shares in Monitise plc and the potential value of contingent remuneration payable.

The amounts payable to former owners of Pozitron are only payable should they remain employees of the Group for the relevant period and if Pozitron achieves certain revenue and margin targets. In accordance with IFRS 3, these amounts have been excluded from the calculation of goodwill and are expensed as share-based payments over the period of service.

Pozitron is an internationally recognised company based in Turkey delivering mobile money solutions.

Pozitron contributed revenue of £2,321,000 and a profit after tax of £129,000 to the Group for the period from acquisition to 30 June 2014. If the acquisition had occurred on 1 July 2013, combined Group revenue and loss after tax for the year would have been £98,978,000 and £58,560,000.

The Group made this acquisition in order to accelerate Monitise's Mobile Money capabilities in Europe and the Middle East. This opportunity does not wholly translate into separately identifiable intangible assets, but represents synergies expected from integrating Pozitron's offering and expertise within the Monitise offering.

Costs relating to the acquisition of £587,000 have been recognised in the Consolidated Statement of Comprehensive Income within 'Other exceptional items'.

The Directors have made a provisional assessment of the fair values of the assets and liabilities, pending finalisation of external valuation of intangible assets. The final amounts may be materially different from the provisional amounts stated. The fair values will be finalised during the year following acquisition.

The acquisition had the following effect on the Group's assets and liabilities:

	Provisional fair value £'000
Property, plant and equipment	260
Intangible assets	9,402
Cash	2,032
Trade and other receivables	1,370
Trade and other payables	(62)
Total	**13,002**
Provisional consideration	23,890
Provisional fair value of net assets acquired	(13,002)
Provisional goodwill recognised	**10,888**
Provisional consideration satisfied by:	
– Issuance of shares	23,890
	23,890

No adjustments for accounting policy alignments were required.

The intangible assets capitalised as part of the acquisition of Pozitron can be analysed as follows:

	£'000
Customer relationships – amortised over seven years	6,887
Technology related intangibles – amortised over five years	2,504
	9,391

The calculation of provisional fair values of consideration, assets and liabilities such as goodwill and intangible assets as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows delivering from or accruing to those assets and liabilities.

Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows. Final fair values may differ materially from those provisional values stated.

29. Acquisitions continued

Markco Media

On 26 June 2014, the Group acquired The Global Voucher Group Limited including the trade and certain assets and liabilities of Markco Media ('Markco'), and the entire issued share capital of Vouchacha Ltd and Last Second Ticketing Ltd for a total potential consideration of £54,400,000. The initial consideration used for the purposes of acquisition accounting of £26,361,000 is satisfied by the issuance of 43,729,676 Ordinary shares in Monitise plc, a further 4,484,635 shares, which have been held back for a period of two years, and the fair value of contingent consideration payable.

The remaining amounts are payable to the former owner of Markco based on the achievement of certain revenue targets, as long as he remains an employee of the Group. In accordance with IFRS 3, these amounts have been excluded from the calculation of goodwill and are expensed as share-based payments over the period of service.

The revenue and loss after tax contributed by Markco to the Group for the period from acquisition to 30 June 2014 was immaterial. If the acquisition had occurred on 1 July 2013, combined Group revenue and loss after tax for the year would have been £100,716,000 and £59,804,000.

The Group made this acquisition in order to bring connections to thousands of brands and retailers to augment the Buy Anything product family, and to accelerate Monitise's mCommerce capabilities. This opportunity does not wholly translate into separately identifiable intangible assets, but represents synergies expected from integrating Markco's offering and expertise within the Monitise offering.

Costs relating to the acquisition of £654,000 have been recognised in the Consolidated Statement of Comprehensive Income within 'Other exceptional items'.

The Directors have made a provisional assessment of the fair values of the assets and liabilities, pending finalisation of external valuation of intangible assets. The final amounts may be materially different from the provisional amounts stated. The fair values will be finalised during the year following acquisition.

The acquisition had the following effect on the Group's assets and liabilities:

	Provisional fair value £'000
Property, plant and equipment	65
Intangible assets	11,308
Cash	(20)
Trade and other receivables	1,465
Corporation tax	46
Trade and other payables	(580)
Deferred tax liability	(2,250)
Total	**10,034**
Provisional consideration	26,361
Provisional fair value of net assets acquired	(10,034)
Provisional goodwill recognised	**16,327**
Provisional consideration satisfied by:	
– Issuance of shares and shares to be issued	26,999
– Cash adjustment to consideration in respect of working capital	(638)
	26,361

No adjustments for accounting policy alignments were required.

The intangible assets capitalised as part of the acquisition of Markco can be analysed as follows:

	£'000
Customer relationships – amortised over three to ten years	5,734
Technology related intangibles – amortised over five years	5,518
	11,252

A deferred tax liability of £2,250,000 on the capitalisation of the intangible assets has been created on acquisition.

The calculation of provisional fair values of consideration, assets and liabilities such as goodwill and intangible assets as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows delivering from or accruing to those assets and liabilities.

Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows. Final fair values may differ materially from those provisional values stated.

Notes to the consolidated financial statements for the year ended 30 June 2014

29. Acquisitions continued

PT AGIT Monitise Indonesia

On 26 June 2014, the Group acquired the remaining 51% of the issued share capital in its joint venture, PT AGIT Monitise Indonesia ('PTMI'), from its joint venture partner, Astra Graphia Information Technology ('AGIT'), for a consideration of £7,349,000 paid by the issuance of 12,949,339 shares in Monitise plc. Monitise Indonesia provides mobile banking, payments and commerce networks in Indonesia.

The Group made this acquisition in order to gain full control of PTMI and, consequently, capitalise on the global mobile money opportunity in Indonesia. This opportunity does not wholly translate into separately identifiable intangible assets, but represents much of the assessed value within PTMI and the opportunity within the Indonesian market, supporting the recognised goodwill.

PTMI contributed revenue of £8,000 and a loss after tax of £84,000 to the Group for the period from acquisition to 30 June 2014. If the acquisition had occurred on 1 July 2013, the effect on combined Group revenue and loss after tax for the year would have been immaterial.

The amount of the equity interest held by the Group in PTMI immediately before the acquisition had a provisional fair value of £7,061,000 and resulted in a gain on provisional fair valuation of £4,594,000. Offset against this was £60,000 of acquisition related costs. The total amount has been recognised in the Consolidated Statement of Comprehensive Income as 'Exceptional gain on acquisition'.

The Directors have made a provisional assessment of the fair values of the assets and liabilities, pending finalisation of external valuation of intangible assets. The final amounts may be materially different from the provisional amounts stated. The fair values will be finalised in the year following acquisition.

The acquisition had the following effect on the Group's assets and liabilities:

	Provisional fair value £'000
Property, plant and equipment	374
Intangible assets	1,817
Cash	609
Trade and other receivables	217
Trade and other payables	(380)
Deferred tax liability	(426)
Total	**2,211**
Provisional fair value of 49% interest previously held	7,061
Provisional consideration	7,349
Provisional fair value of net assets acquired	(2,211)
Provisional goodwill recognised	**12,199**
Provisional consideration satisfied by:	
– Issuance of shares	7,349
	7,349

No adjustments for accounting policy alignments were required.

£1,703,000 of customer related intangible assets were capitalised as part of the acquisition of PTMI and will be amortised over one to five years. A deferred tax liability of £426,000 on the capitalisation of the intangible assets has been created on acquisition.

The calculation of provisional fair values of consideration, assets and liabilities such as goodwill and intangible assets as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows delivering from or accruing to those assets and liabilities.

Judgement is also involved in selecting appropriate discount rates for determining the present value of those future cash flows. Final fair values may differ materially from those provisional values stated.

30. 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 £15,349,000 (2013: £6,953,000).

31. Post balance sheet events

On 27 August 2014, the Group entered into an alliance with IBM to combine the best of both companies' mobile banking, payments and commerce technology. As part of the collaboration, IBM's global go-to-market investment of dedicated resources and promotional initiatives will pair with the Group's staff to pursue Mobile Money opportunities.

As part of this agreement, teams from the Group's UK development and integration business, known as Professional Services, will be transferred to IBM, who will, in turn, deliver services back to the Group. The transfer will involve UK employees representing approximately 20% of the Group's global employee base. All Group contracts and client relationships, intellectual property, commitments and delivery remain unchanged.

Company information

Registered office	95 Gresham Street London EC2V 7NA
Broker	**Canaccord Genuity Limited** 88 Wood Street London EC2V 7QR
Independent auditors	**PricewaterhouseCoopers LLP** Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Registrars	**Equiniti** Aspect House Spencer Road Lancing West Sussex BN99 6DA