

# monitise™

**Monitise plc**

Annual Report and Accounts 2010



## Global Headquarters

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**Forward Looking Statements**

This document 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 document 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.



**Duncan McIntyre**  
Chairman

**Monitise has transformed its financial position over the past year. We have undertaken successful fund raisings and emerged with a strong balance sheet that will now fund us through to cash break-even.**

Our strategy to broaden our product range in our live operations by launching new products with global alliance partners including Visa, and to invest in selected markets globally has been well advanced and has created a very attractive development path.

Our European business will achieve month on month cash breakeven by December 2010 and our North America business is developing on a similar track. Revenues are accelerating as we attract new customers and they use more of our premium services. Our cost structures in the UK and North America are now fully aligned to revenue growth.

Our investments in new territories globally are directed at high growth territories in partnership with key players and we confidently expect those investments to follow a similar commercial path as in the UK and North America.

We have welcomed new, talented people to our Board, strengthened our management team and continue to be supported by an expert team.

## Overview

Monitise's user base continues its strong growth with an improving mix of customers. The Company currently has well in excess of 2 million registered customers, having more than doubled the number of registered customers since October 2009. The current growth rate is in the region of 100,000 per month. We are seeing improved revenue per customer; in particular, smartphone users are an increasing segment of our customer base and they are both using a wider range of our services and using those services more frequently.

Full year revenues were £6.0 million, an increase of 125% from £2.7 million in FY09. Monitise continues to perform well with revenues in the second half of FY10 of £4.3 million, an increase of 170% from £1.6 million in the second half of FY09. All revenue streams are growing with transactional revenues, in particular, growing rapidly at £2.9 million in FY10, representing an increase of 490% from £0.5 million in FY09\*.

Cost levels in the second half of the year include increased investment in the technology platform and costs of supporting our international growth. The adjusted operating loss for the full year, excluding share based payments and the exceptional gain made on taking 100% ownership of our UK joint venture, was £14.3 million\* (2009: £12.0 million).

The strong demand for the higher value services, driven in part by the launch of the Company's smartphone platform in November 2009, has meant that the high value "advanced" segment now represents 28% of our customer base, compared to 23% reported for the half year results, with an accompanying impetus to both revenues and underlying gross margin. The launch by Visa of a smartphone application, produced under our Global Alliance Agreement, together with other impending partner product launches are expected to boost user numbers substantially during FY11.



Post the year-end we secured investment of £32.4 million, before expenses, by a subscription for new ordinary shares by Visa International and First Eastern and a placing of new shares with new and existing institutional investors.

The fund raising is expected to enable the Group to become cash generative without the need for further equity funding.

\* Growth in transactional revenues and an increased cost base from acquiring full ownership of Monitise Europe (formerly Monilink) in August 2009 are discussed further in the Financial Review.

## Live Operations

### Monitise Europe

During the financial year Monitise acquired full ownership of its UK operations, Monilink - formerly a 50/50 joint venture with VocaLink. The business has been fully absorbed and rebranded as Monitise Europe.

Monitise Europe has already achieved coverage which gives access to its technology to more than 55% of the UK retail banking market. Revenues have grown rapidly during FY10 and are currently at an annualised run rate close to £5 million. Consumer demand for our smartphone apps, has been a strong revenue driver, and operations have been scaled accordingly. We are now seeing customers for our "Advanced" smartphone apps transacting on average 16 times a month. As revenues have grown the operating loss has reduced, and this 100% owned business remains on track to reach month-on-month cash break-even by December 2010.

### Monitise Americas

In the USA we have a 49% equity stake in a joint venture, Monitise Americas, with our partner FIS. FIS provides wide coverage of financial institutions throughout the USA, and Monitise Americas has agreements in place with more than 200 financial institutions, offering a wide range of services. Taking into account the Group's share of the annual licence fee of US\$1.5 million payable by the joint venture, Monitise Americas is currently operating at close to cash break-even.

### Global Accounts\*

Monitise announced a Global Alliance Agreement (GAA) with Visa on 30 June 2009. This five year agreement stipulated minimum revenues payable to Monitise by Visa of US\$13 million, combining Visa's reach, payments expertise and brand with the Monitise Mobile Money Manager platform and toolkit.

As announced on 13 July 2010, to build on this relationship, Monitise reached an agreement with Visa to extend the five year term of the GAA by an additional one year to June 2015, at the same time increasing the minimum revenues payable to Monitise by Visa under the GAA from US\$13 million to US\$16 million.

The joint venture in India is a key milestone in our relationship with Visa, and is discussed in further detail below. In addition, Monitise agreed to grant Visa an exclusive licence for deployment of its Mobile Money Manager platform in Russia and Mexico for a licence fee of US\$1.5 million, expected to be recognised in FY11.

We are delighted that Visa is to launch its first smartphone service in the US and look forward to further deployments during the coming year. Monitise is a key strategic development partner for Visa's suite of mobile services, which include payments, mobile money transfers, mobile transaction alerts and mobile marketing offers to support Visa's mobile strategy. Development activity continues and has built in scale significantly during the year. We anticipate that transactional revenues from the Global Alliance Agreement will build during FY11.

\* Global accounts represent the group's products and services to Monitise's global cross-territory customers, including Visa and Travelex.

### Investment in future operations

#### Monitise Asia Pacific

Our 50/50 joint venture with First Eastern Mobile Investments Limited (part of the First Eastern Investment Group), which was announced in April 2010, is now up and running. The initial focus is on Hong Kong as a launch market, where discussions are underway with a number of banks and network partners. There are also plans for entry into the mainland China market and we expect this JV to take advantage of other opportunities across the broader Asia-Pacific region. The joint venture is expected to see transactional revenues commence in FY11 and to scale significantly following roll-out of live services in China in FY12.

#### Monitise India

The formation of a 50/50 joint venture in India with Visa, which was announced in May 2010, completed in June 2010 as scheduled. Launch is anticipated in FY11 and transactional revenues are expected to build in FY12.

The new joint venture company combines Visa's expertise in enabling secure, globally interoperable financial transactions with Monitise's know-how in developing mobile financial technology for a broad range of handsets. It builds on the existing partnership between Visa and the Company and will give providers of financial services in India a platform to accelerate the delivery to consumers of mobile financial services such as banking, bill payments, mass transit ticketing, mobile top-up and other services in a market with an estimated 584 million mobile phone subscriptions as at March 2010\*\*.

In addition to the joint venture with Visa, Monitise is broadening its presence in the Indian market through a partnership with Standard Chartered Bank.

\*\*Source: Telecom Regulatory Authority of India

#### Monitise Africa

Development activity in delivering Mobile Money services for Africa is ongoing with funding support from the Africa Enterprise Challenge Fund. Positive dialogue with potential partners is expected to lead to announcements later this year.

#### mCommerce

We expect mCommerce to play a key part in future developments and we are actively developing a Mobile Retail proposition to provide Mobile Money services to retailers and their customers. Discussions with various partners continue to progress positively, and we expect to launch pilot services in the medium term.

#### Investment in technology platform

Monitise continues to invest in the development, maintenance and enhancement of its Mobile Money Manager platform. Our goal is to maintain market leadership through enabling flexible connectivity between the infrastructures of leading financial institutions and payments systems, mobile phone operators, handset manufacturers, transaction processors and merchants across a range of business sectors.

### Board appointments

We are delighted to welcome Elizabeth Buse to the Board as Non-Executive Director. Elizabeth joined the Board in July following Visa's additional investment. She is a member of the Executive Team and the Group Executive, International, for Visa Inc. with responsibility for overseeing Visa's global sales and client service functions across Asia-Pacific, Central Europe, the Middle East and Africa.

John Brougham was appointed Chief Financial Officer in April 2010, adding a weight of experience gained through many years in a variety of senior executive positions at BT. In addition, we announced in April 2010 that Lee Cameron, a current board director and General Counsel, would take additional responsibility for group business development and marketing as Chief Commercial Officer.

### Strategy and Outlook

Monitise aims to be the global leader in mobile financial solutions.

Monitise's Mobile Money Manager platform has been designed to enable banking and payments anywhere and everywhere in the world. Our aim is to be the platform of choice for banking and other financial institutions throughout the world. Having established itself and proven the technology in the UK and US markets, Monitise's strategy is to continue to invest in its technology and to expand its reach, initially into other markets with high growth potential, by working with local and international partners who can provide both the secure local infrastructure and the international functionality which are necessary in new markets.

Monitise Europe, is on track to reach month on month cash break-even by December 2010, and in total our existing live operations, comprising our activities in Monitise Europe, Monitise Americas and on our Global Accounts, are expected to become month on month cash break-even during FY12.

Our cash balance at the date of this report is in excess of £42 million and will enable Monitise to retain and extend its technological advantage, to fund investment in new areas of operation and to provide funding for ongoing growth through to cash breakeven for the Group.

Alastair Lukies  
Chief Executive Officer



George Osborne, UK Chancellor, endorses Monitise India joint venture.

## Board of Directors

### Alastair Lukies – CEO and Co-founder (aged 36)

Alastair co-founded the Monitise business and is the Chief Executive Officer of the Company. Alastair has a proven track record as an entrepreneur. Prior to conceiving, financing and successfully building Monitise, his first business venture was the formation of a sports event and conference company in Malaysia, and then he co-founded epolitix.com, the portal for Westminster, Whitehall and the devolved institutions. Alastair is a regular attendee at the World Economic Forum and has spoken on the challenges facing the Forum's Global Growth Companies.

### John Brougham – Chief Financial Officer (aged 59)

John was appointed Chief Financial Officer on 27 April 2010, having previously been a Non-Executive Director and Chairman of the Audit Committee since 2008. John brings a wealth of financial experience built through his career with British Telecom having previously served as Finance Director of BT Transformation and CFO of BT Global Services.

### Lee Cameron – Chief Commercial Officer (aged 39)

Lee was appointed Chief Commercial Officer during the year having previously been General Counsel. A solicitor, Lee brings over 10 years of in-house experience having previously been Legal Director at Morse plc where he was responsible for the Group's mergers and acquisitions, legal and HR departments and corporate governance. Lee started his legal career as a barrister.

### Duncan McIntyre – Non-Executive Chairman (aged 51)

Duncan is Non-Executive Chairman of the Company having transferred from Executive Chairman on 4 December 2008. Previously he was Chief Executive Officer of Morse plc, which he joined as Finance Director in 1994. He is a chartered accountant and worked at Price Waterhouse for ten years before joining Morse. He is also a Non-Executive Director of several other companies.

### David Dey – Senior Non-Executive Director (aged 72)

David had a long career with IBM in the US, France and the UK, following which he joined The Plessey Company as Head of Telecoms Division. He was on the Board of Directors of British Telecom for four years before founding Energis. For the past twelve years, David has chaired a number of start-up companies in telecoms, software and other industry sectors.

### Peter Radcliffe – Non-Executive Director (aged 60)

Peter has held senior positions in four FTSE 100 and Fortune 250 bank and IT companies. Peter's entrepreneurial responsibilities covered global and regional territories, with a period of two years spent in Hong Kong as Managing Director of First Data Asia Pacific. Over the past eight years, Peter has been involved with the Centre for Entrepreneurship at the London Business School, investing in and mentoring the MBA students and London Business School alumni. He is also a director of several other companies.

### Colin Tucker – Non-Executive Director (aged 65)

Colin is a Non-Executive Director. He was Deputy Chairman of Hutchison 3G and was Technical Director of Orange for ten years. Colin was also a Non-Executive Director of Morse plc for seven years and has 30 years' experience in the telecommunications and electronics industries.

### Jan Verplancke – Non-Executive Director (aged 47)

Jan is Chief Information Officer for Standard Chartered Bank and is responsible for all systems development, technology support and banking operations. Prior to joining Standard Chartered, Jan was CIO-EMEA for Dell, where he achieved considerable cost reduction and process improvement over his tenure and was responsible for the expansion of Dell's business into new markets. He began his career at Levi Strauss in Brussels.

### Elizabeth Buse – Non-Executive Director (aged 49)

Elizabeth was appointed to the Board on 30 July 2010. Elizabeth is currently a member of the Executive Team and the Group Executive, International, for Visa Inc. with responsibility for overseeing Visa's global sales and client service functions across Asia-Pacific, Central Europe, the Middle East and Africa. Previously, Elizabeth was the global head of product for Visa Inc., leading all aspects of product strategy, development and growth. Prior to assuming the role of global head of product, Elizabeth was Executive Vice President of product development and management for Visa USA.



Monitise continues to grow rapidly with total revenues more than doubled in the year to £6.0 million. Critical to the Group's move towards profitability is the expansion of transactional revenues, which at £2.9 million in the year were £2.4 million higher than the previous year.

All the Group's current live operations are on track to become cash break-even before or during FY12, and our new joint ventures in India and Asia Pacific show that we continue to invest where there is great potential to create significant value from our growing portfolio of mobile banking and payment services.

The recent fundraising (see note 32) greatly strengthens the balance sheet, enables us to realise benefits in full from high growth opportunities, and is planned to fund the Group until it becomes cash generative through its own operations.

## Financial Performance

### Financial highlights

Revenues in the year grew by 125% from £2.7 million to £6.0 million, with increases in all three revenue categories, consultancy from £1.1 million to £1.4 million, licence fees from £1.1 million to £1.7 million and a step change in growth in transactional revenues from £0.5 million to £2.9 million. On a like for like basis, allowing for the acquisition of full ownership of Monitise Europe in August 2009, total revenue growth was £3.8 million. Transactional revenue growth on a like for like basis was £2.0 million.

The primary driver of transaction revenue growth was the rollout of our Smartphone platform in November 2009, and this was a major factor in the growth in revenues from £1.7 million in the first half to £4.3 million in the second half. Transactional revenues are expected to continue to represent a growing proportion of total revenues in future years.

Revenues doubled in our live operations from the first to second half of the year resulting in a significant reduction in operating losses as demonstrated below:

Live Operations	2010 H1 £'m	2010 H2 £'m	2010 FY £'m
Revenue	1.6	3.2	4.8
Operating loss	(1.6)	(0.9)	(2.5)

Monitise Europe is on track to reach month on month cash break even by December 2010. In total the existing live operations, comprising our activities in Monitise Europe, Monitise Americas and on our Global Accounts, are expected to become cash break even during FY12.



**John Brougham**  
Chief Financial Officer

A more detailed financial breakdown of the operating segments in Monitise is shown in note 5. The largest business area is Monitise Europe, which was our first operation to go live in 2007 and generated £3.2 million of revenues in the year.

Monitise Americas became live in 2008 and, taking into account the Group's share of the annual \$1.5 million licence paid from the joint venture, as well as the consultancy and transactional revenues it generates, is currently close to break-even.

There is significant, and growing, development activity within our Global Accounts business and we expect the first Monitise enabled Visa Inc product launch in FY11 with the first transactional revenues generated later in the year.

Within the investment in future operations segment, our Asia Pacific joint venture is expected to generate transactional revenue for live services in both Hong Kong and China during FY12. The India joint venture is planned to launch by the end of FY11 with transactional revenues building the following year.

The Group spent £4.9 million on its technology platform in the year to maintain and extend our technological capabilities and strengthen the depth of our customer propositions. We will continue to invest in our platform to maintain our technological advantage in the market and drive ongoing growth.

The adjusted operating loss for the Group, excluding share based payments and exceptional gain, in the year was £14.3 million (2009: £12.0 million). In August 2009 we acquired the other 50% of our joint venture in the UK, Monilink, now rebranded as Monitise Europe. We have previously reported 50% of the operating losses in this business under proportional consolidation. On a like for like basis, the adjusted operating loss for the Group for the year was flat compared to prior year with a reduction in loss in Monitise Europe, as it continues its journey to break-even, being offset by increased investment in new development opportunities across the Group.

Statutory operating loss for the Group was £17.1 million (2009: £13.7 million).

As part of the acquisition accounting required under revised IFRS 3 rules, the Group reported a gain of £1.0 million in the year. Full details of the acquisition accounting are included in note 30.

In line with the requirements of IFRS 2, we have recognised a non-cash charge of £3.8 million for share-based payments (2009: £1.8 million). The majority of the charge arises from options whose vesting was accelerated in March 2010 in line with the agreement by shareholders on 25 March 2010 to modify vesting criteria and in advance of increased tax rates for the 2009/10 tax year. Share based payment charges are expected to decline in future years.

### Loss Per Share

The basic and diluted loss per share was 3.7p (2009: loss 4.0p). Details can be found in note 23.

### Cash Flow and Funds

Monitise raised £17.9 million in the year through subscriptions and issue of new shares. After the year end, in July 2010, a further £31.0 million has been raised through a further subscription and placing agreement for new shares (see note 32) giving a cash balance in excess of £42 million after receipt of funds in August 2010. All subscription and placing amounts are quoted after expenses.

The cash outflow from operating activities, including the Group's share of joint venture activities, was £13.9 million (2009: £11.4 million). The cash outflow from capital expenditure was £1.1million (2009: £0.3 million) with the increase in spend representing the Group's strategic decision to provide an improved hosting solution for its core platform.

### Treasury Activities and Policies

The Board formulates the Group's treasury policy objectives and policies which are designed to manage the Group's financial 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 term deposits. Other financial instruments are comprised principally of trade receivables and payables arising from the Group's operating activities.

Hedging of known future foreign cash investments or income flows will be undertaken, as deemed appropriate, to mitigate the Group's exposure to foreign exchange risk going forward. It is and will continue to be the Group's policy that no speculative trading in derivatives shall be undertaken.

John Brougham  
Chief Financial Officer

**Corporate Governance Compliance Statement**

The Company seeks to comply with the provisions and principles of good corporate governance and code of best practice (the 'Combined Code') in so far as it is practicable for a group of its size and structure. As the Company 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 Combined Code 2008.

**The Board**

The Board currently consists of three Executive Directors, and six Non-Executive Directors, whose Board and Committee responsibilities are set out in the table below.

		Board	Audit	Remuneration	Nomination
<b>Executive Directors:</b>					
A Lukies	Chief Executive Officer	Member	-	-	-
L Cameron <sup>1</sup>	Chief Commercial Officer	Member	-	-	-
J Brougham <sup>2</sup>	Chief Financial Officer	Member	-	-	-
<b>Non-Executive Directors:</b>					
D McIntyre <sup>3</sup>	Non-Executive Director	Chairman	Member	-	Chairman
D Dey	Non-Executive Director	Member	Member	Member	Member
P Radcliffe	Non-Executive Director	Member	-	Chairman	Member
C Tucker <sup>4</sup>	Non-Executive Director	Member	Chairman	Member	Member
J Verplancke	Non-Executive Director	Member	-	-	-
E Buse <sup>5</sup>	Non-Executive Director	Member	-	-	-

<sup>1</sup> L Cameron was appointed Chief Commercial Officer on 27 April 2010, having previously been General Counsel.  
<sup>2</sup> J Brougham was appointed to the Board on 27 April 2010 as an Executive Director, having previously served as a Non Executive Director and Chairman of the Audit Committee up to 27 April 2010.  
<sup>3</sup> D McIntyre was appointed as a Member of the Audit Committee on 27 April 2010.  
<sup>4</sup> C Tucker was appointed as interim Chairman of the Audit Committee on 27 April 2010.  
<sup>5</sup> E Buse was appointed to the Board on 30 July 2010.

T Spurgeon resigned as an Executive Director on 27 April 2010, and was appointed Company Secretary on the same date.

It is the Company'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 D Dey.

D Dey, P Radcliffe and C Tucker are considered by the Board to be independent for the purposes of the Combined Code even though they are permitted to hold other directorships with other companies. J Verplancke is not considered independent owing to his appointment pursuant to a subscription agreement entered into between the Company and Standard Chartered Bank dated 28 June 2008. E Buse is not considered independent for the purpose of the Combined Code owing to her appointment pursuant to a subscription agreement entered into between the Company and Visa International Service Association dated 13 July 2010. D McIntyre is not considered independent for the purpose of the Combined Code owing to his previous employee status and significant shareholding. Information regarding Non-Executive Directors' emoluments has been disclosed further in the Directors' Remuneration Report on page 15.

There is a process for the appointment of new Directors 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.

Based on this, and given the recent changes to the Board, the balance between Executive and Non-Executive Directors is under review by the Nominations Committee and the Board. A process is underway to identify new Non-Executive Directors to ensure that an appropriate balance remains in place. As part of this process, there is also a review being undertaken to assess the current remuneration structure for Non-Executive Directors.

The posts of Chairman and Chief Executive Officer are held by different Directors and their differing responsibilities defined. The Chairman is responsible for the running of the Board and the Chief Executive Officer is responsible for the running of the business.

The Board convenes at least eight times a year. Further meetings and conference calls are held as and when necessary.

The Board believes its style of involvement with the senior executives through the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chairman and other Non-Executive Directors is the most effective way to provide confidence in the control environment of the Group. Through openness and discussion, the Board provides leadership as to the willingness of the Company to take appropriate risks in the interests of the shareholders. The Board focuses both on operational and strategic matters and thereby lays the foundation for an understanding of the business which facilitates effective governance.

The Chairman is responsible for ensuring all Directors receive accurate and appropriate information in a timely manner in advance of Board meetings. The Board receives information to enable it to review trading performance, forecasts and strategy.

The most significant matters in those discussions are:

- approval of strategic plans, profit plans and budgets and any material changes to them;
- approval of major investments and capital projects;
- review of funding and working capital;
- approval of remuneration policies across the Group with the assistance of the Remuneration Committee;
- oversight of the Group's operations ensuring competent and prudent management, sound planning, an adequate system of internal control and the management of adequate accounting and other records;
- final approval of annual and interim financial statements and accounting policies;
- receiving reports on the views of the Company's shareholders.

The Board believes it makes its decisions in the best interests of the Company ensuring that its obligations to shareholders and all stakeholders are effectively met.

All Directors have access to the advice and services of the Company Secretary, who, under the direction of the Chairman, is responsible for ensuring Board procedures are followed and that there is good information flow to and within the Board and its Committees. The role also involves ensuring that the flow of information between the Board and the senior executives within the business is maintained and that the Board is duly updated and made aware of any governance matters. The appointment and removal of the Company Secretary is the responsibility of the entire Board.

The Chairman ensures the effective contribution of the Non-Executive Directors and ensures the maintenance of good and constructive relations by them with the Executive Directors. Where there is a conflict of interest, the relevant Board Director is required to declare this conflict of interest and, where appropriate, abstain from voting on any resolutions connected with it.

The Group has Directors' and Officers' Liability Insurance cover in place covering all Directors and Officers.

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.

### The Committees of the Board

The following Committees have been established to assist the Board in fulfilling its responsibilities:

#### Audit Committee

The members of the Audit Committee are C Tucker, who chairs the Committee, D Dey and D McIntyre. J Brougham resigned from the committee on 27 April 2010 when he was appointed an Executive Director. On the same day, C Tucker was appointed interim Chairman of the Committee, and D McIntyre was appointed to join the Committee.

The Committee met four times during the year to fulfil its duties and there were no absences from the meetings. The Chairman, Chief Executive Officer, Chief Financial Officer, Company Secretary and external auditors attended meetings by invitation.

This Committee is responsible for overseeing the involvement of the Group's auditors in the planning and review of the Group's financial statements and any other formal announcements relating to the Group's financial performance, for recommending the appointment and fees of its auditors, and for discussing with the auditors the findings of the audit and issues arising from the audit. The Committee considers the independence and objectivity of the auditors with regard to the way in which they conduct their audit duties. It reviews the Group's compliance with accounting, legal and listing requirements. It is also responsible, along with the Board, for reviewing the effectiveness of the systems of internal control.

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

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

- reviewed the interim and annual results and reports including a review of matters raised by the external auditor and areas of judgement;
- reviewed the system of internal control in operation throughout the Group;
- reviewed the appropriateness of the Company's accounting policies;
- reviewed the requirement for an internal audit function;
- reviewed the scope, effectiveness, independence and objectivity of the external auditors PricewaterhouseCoopers LLP;
- reviewed the appropriateness of the Group's risk and control register.

The Committee looks to ensure that the auditors' independence is not compromised by their undertaking of non-audit work. It also reviews the auditors' objectivity and independence in respect of its provision of audit and tax services. The Audit Committee has the discretion to vary and review the re-tendering process for the audit, currently at least every four years. The Audit Committee's recommendation is that PricewaterhouseCoopers LLP be re-appointed as the Company's auditors. An appropriate resolution will be put before the shareholders at this year's Annual General Meeting.

All other non-audit/tax advisory services will always be benchmarked by management to ensure value for money, auditor objectivity and independence of advice.

#### Remuneration Committee

The members of the Remuneration Committee are D Dey, C Tucker and P Radcliffe, who chairs the Committee.

The Committee met nine times during the year to fulfil its duties. The Committee considers and approves specific remuneration packages for each Executive Director following consultation with the Chairman. In accordance with guidelines set by the Board, the Committee determines the Group's policy on remuneration of senior executives and controls the operation of share option schemes and the grant of options.

Remuneration of Non-Executive Directors is set by the Executive Directors.

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

During the year, the Committee took advice from Hewitt New Bridge Street, a leading firm of executive remuneration consultants.

#### Nominations Committee

The members of the Nominations Committee are C Tucker, P Radcliffe, D Dey and D McIntyre who chairs the Committee.

The Committee met twice during the year to fulfil its duties and there were no absences from the meetings.

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 Board has established a procedure of appointment of new Board Directors based upon merit and objective criteria, ensuring the appointee has sufficient time to devote to the role. The Board is satisfied with the plans for assessment of Directors, updating of skills and knowledge regarding the Company to fulfil their functions, and orderly succession, ensuring that an appropriate core level of skill and experience is maintained within the Company and on the Board. Any significant commitments which may conflict with the effectiveness of new appointees are disclosed to the Board before appointment. The Board also requires its members to make it aware of any changes in commitments which might give concern regarding the effectiveness of that member.

During the year, the Committee met and made recommendations to the Board regarding the appointment of J Brougham as an Executive Director at the Committee meeting on 27 April 2010 and following the year end on 30 July 2010, the appointment of Elizabeth Buse as a Non-Executive Director.

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

#### Effectiveness of the Board

The Board carries out an evaluation of its performance periodically. Each Director completes a questionnaire covering Board and Committee procedures and effectiveness and their own contribution to discussions and decision making. The Non-Executive Directors meet separately to review the Chairman's performance and provide feedback to him, and the Chairman reviews the contribution of each of the Directors individually.

#### Relations with Shareholders

The Company and Board recognise the importance of developing and maintaining good relationships with their shareholders. There have been regular dialogues with shareholders during the year. It also holds briefings with analysts and other investors including staff shareholders. The Company also uses the Annual General Meeting as an opportunity to communicate with its shareholders. All Directors are expected to attend the Annual General Meeting and the Chairmen of the Audit, Remuneration and Nominations Committees are also available to answer shareholders' questions.

Notice of the date of the 2010 Annual General Meeting is included with this report. Separate resolutions on each substantially separate issue, in particular any proposal relating to the Annual Report and Accounts, will be made at the Annual General Meeting.

The above information is made available to shareholders on the Group's website, which can be found at [www.monitisegroup.com](http://www.monitisegroup.com).

#### Internal Control Systems

The Board has overall responsibility for identifying, evaluating and managing the risks that are considered significant by the Group. This process is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss. It is based principally on reviewing reports from management and considering whether significant risks are identified, evaluated, managed and controlled and ensuring that any significant weakness thus identified is promptly remedied.

The Executive Directors are closely involved in the day to day control of the business and operate a wide range of controls, including financial, operational and compliance controls, together with risk management.

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 Audit Committee has reviewed and considered the Company's requirement for an internal audit function. The Board considers the Group has adequate structures in place to monitor financial statements and review financial controls without the requirement for such a function. This position will be kept under annual review and, should an internal audit function become necessary or desirable in the future, measures will be taken to ensure the Group establishes an internal audit function without delay.

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

#### Going Concern

Based on projections prepared of the Group's anticipated future results, combined with the enhanced cash resources of the Group as detailed in note 32, the Directors have reasonable expectations that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

## Introduction

The Company discloses the following information on Directors' remuneration mindful of Rule 19 of the AIM Rules and the fact that even though, 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 and the disclosure of Directors' remuneration.

### Remuneration Committee

The Remuneration Committee comprises D Dey, C Tucker and P Radcliffe, who chairs the Committee.

### Remuneration Policy

The policy is to provide remuneration packages for Executive Directors which aim to attract and retain high quality executives and which link their reward to the Group's performance. The Committee regularly reviews the effectiveness of incentive schemes and, where considered necessary or appropriate in order to safeguard and maximise shareholder value, the Committee will consider updating existing scheme rules and/or implementing new schemes. The Committee also takes due account of pay and conditions elsewhere in the Group when setting the Executive Directors' remuneration and is comfortable that the executive remuneration policy does not encourage inappropriate operational risk-taking.

### Executive Directors' Remuneration Package

The components of the remuneration package are base salary and benefits, bonuses, pension contributions and long-term incentive arrangements (thereby ensuring that a significant portion of remuneration is linked to performance):

- The Chief Executive Officer entered into a service contract with Monitise dated 7 June 2007. The Chief Financial Officer entered into a service contract with Monitise dated 27 April 2010 and the Chief Commercial Officer entered into a service contract with Monitise dated 1 October 2006. Their base salaries are reviewed by the Board annually in July.
- They may also receive bonuses, depending on whether certain objectives have been met. The annual standard bonus plan for the Executive Directors has a maximum threshold of 100 per cent of base salary. Target bonuses are set at up to 55 per cent of base salary. These bonuses are triggered by achieving agreed performance objectives of the Group. Exceptional bonuses are considered at the Committee's discretion.
- Their benefits packages offered include private health insurance, life assurance and gym membership.
- Notice periods for all Executive Directors are set at six months with no fixed terms.
- The Company has established various share incentive schemes in which the Executive Directors may participate and these are detailed below.

Details of the Directors' emoluments are also set out below.

### Non-Executive Directors

The Non-Executive Directors have a written letter of appointment with Monitise, terminable by either party with one month's written notice. The Non-Executive Directors are appointed for an initial term of one year and may be reappointed annually thereafter. The Company has entered into a separate consultancy agreement with Peter Radcliffe to provide consultancy services as required.

The appointment letters for the Non-Executive Directors are made available for public inspection at the Company's registered office.

The remuneration of the Directors is as follows:

Directors' Emoluments	Salary and fees	Bonus	Benefits in Kind	Pension	Year to 30 June 2010	Year to 30 June 2009
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive Directors:</b>						
A Lukies	225	255	23	11	514	322
J Brougham <sup>1</sup>	58	20	-	-	78	30
T Spurgeon <sup>2</sup>	125	28	1	6	160	184
L Cameron	175	100	1	9	285	134
<b>Non-Executive Directors:</b>						
D McIntyre	100	-	2	-	102	189
D Dey	30	-	-	-	30	30
P Radcliffe <sup>4</sup>	30	-	-	-	30	30
C Tucker	30	-	-	-	30	30
J Verplancke	-	-	-	-	-	-
E Buse <sup>3</sup>	-	-	-	-	-	-
<b>Total Remuneration</b>	<b>773</b>	<b>403</b>	<b>27</b>	<b>26</b>	<b>1,229</b>	<b>949</b>

<sup>1</sup> J Brougham transferred from being a Non-Executive Director to being an Executive Director on 27 April 2010.

<sup>2</sup> T Spurgeon resigned from the Board of Directors on 27 April 2010, and emoluments have been included up to that date.

<sup>3</sup> E Buse was appointed to the Board as a Non-Executive Director on 30 July 2010.

<sup>4</sup> In addition to the remuneration, the Group paid £7,500 for consultancy services to P Radcliffe (2009: £9,000), see note 16.

The bonuses disclosed as being paid for last year reflected a year of outstanding corporate performance.

During the year certain share options vested (see note 24), and A Lukies made a gain of £1,264,559 on exercise of these options, L Cameron made a gain of £197,927, D McIntyre made a gain of £1,386,364 and T Spurgeon made a gain of £94,305. During the comparative year, T Spurgeon made a gain of £4,655 on the exercise of options. There is a 24 month lock-in on a certain number of retained shares (after sufficient were sold to cover the exercise price, PAYE tax and both individual and company national insurance liabilities) for the options that vested on 25 March 2010, see note 24 for further details.

### Share Incentives

It is the Group's policy to issue share incentives at appropriate intervals thereby retaining employees and aligning their interests with those of the shareholders. Under the share incentive schemes, the Remuneration Committee may grant to Directors and employees awards over shares in the Company. The Company has established seven share incentive schemes (details are included in note 24 of the financial statements):

- An Approved Share Option Plan
- An Unapproved Share Option Plan
- An Enterprise Management Incentive Plan
- Monitise Rollover Plan
- Deferred Annual Bonus Plan
- Performance Share Plan
- Sharesave Scheme

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

Director	Date of grant	Market value at date of grant	Options held at 1 July 2009	Granted/ (Exercised) during the year	Options held at 30 June 2010	Exercise price	Earliest exercise date <sup>1</sup>	Expiry date
<b>Monitise Rollover Plan</b>								
A Lukies	Jul 2007	21.5p	4,107,791	(4,107,791) <sup>2</sup>	-	1.0p	Jul 2008 - Jul 2010 <sup>2</sup>	Nov 2015
L Cameron	Jul 2007	21.5p	547,705	(547,705) <sup>2</sup>	-	1.0p	Jul 2009 - Jul 2010 <sup>2</sup>	Nov 2015
<b>Performance Share Plan</b>								
D McIntyre	Jul 2007	21.5p	9,090,909	(9,090,909) <sup>1</sup>	-	1.0p	Mar 2010 <sup>1</sup>	Jul 2017
A Lukies	Jul 2007	21.5p	2,540,027	(2,540,027) <sup>1</sup>	-	1.0p	Mar 2010 <sup>1</sup>	Jul 2017
	Oct 2008	6.1p	10,000,000	-	10,000,000	1.0p	Oct 2009 - Oct 2013	Oct 2018
	Mar 2010	16.3p	-	2,000,000	2,000,000	1.0p	Mar 2013	Mar 2020
L Cameron	Jul 2007	21.5p	508,005	(508,005) <sup>1</sup>	-	1.0p	Mar 2010 <sup>1</sup>	Jul 2017
	Oct 2008	6.1p	500,000	-	500,000	1.0p	Oct 2009 - Oct 2013	Oct 2018
	Sept 2009	12.3p	-	638,268	638,268	1.0p	Sept 2012	Sept 2019
	Mar 2010	16.3p	-	1,000,000	1,000,000	1.0p	Mar 2013	Mar 2020
J Brougham	Apr 2010	19.0p	-	1,000,000	1,000,000	1.0p	Apr 2013	Apr 2020
	Apr 2010	19.0p	-	1,000,000	1,000,000	16.2p	Apr 2103	Apr 2020
<b>Deferred Annual Bonus Plan</b>								
A Lukies	Jul 2007	21.5p	771,591	(771,591) <sup>1</sup>	-	0.0p	Mar 2010 <sup>1</sup>	Jul 2017
	Jul 2007	21.5p	771,591	(771,591) <sup>1</sup>	-	0.0p	Mar 2010 <sup>1</sup>	Jul 2017
	Sept 2008	6.1p	48,028	-	48,028 <sup>3</sup>	0.0p	Sept 2011	Sept 2018
	Sept 2008	6.1p	48,028	-	48,028 <sup>4</sup>	0.0p	Sept 2011	Sept 2018
D McIntyre	Sept 2008	6.1p	50,555	-	50,555 <sup>3</sup>	0.0p	Sept 2011	Sept 2018
	Sept 2008	6.1p	50,555	-	50,555 <sup>4</sup>	0.0p	Sept 2011	Sept 2018
L Cameron	Jul 2007	21.5p	113,636	(113,636) <sup>1</sup>	-	0.0p	Mar 2010 <sup>1</sup>	Jul 2017
	Jul 2007	21.5p	113,636	(113,636) <sup>1</sup>	-	0.0p	Mar 2010 <sup>1</sup>	Jul 2017
	Sept 2008	6.1p	39,375	-	39,375 <sup>3</sup>	0.0p	Sept 2011	Sept 2018
	Sept 2008	6.1p	39,375	-	39,375 <sup>4</sup>	0.0p	Sept 2011	Sept 2018
<b>Sharesave Scheme</b>								
A Lukies	Oct 2008	7.6p	126,315	-	126,315	9.5p	Dec 2011	Oct 2018
L Cameron	Oct 2008	7.6p	126,315	-	126,315	9.5p	Dec 2011	Oct 2018

<sup>1</sup> On 25 March 2010, shareholders approved certain amendments to the following grants at a general meeting:

- All outstanding options in the Deferred Annual Bonus Plan which were granted on 2 July 2007 were accelerated. The market condition vesting hurdles were waived and all options vested immediately on 25 March 2010 prior to the 2010 /2011 tax year. The market price at time of exercise was 16.3p.
- All outstanding options in the Performance Share Plan which were granted on 2 July 2007 were accelerated. The market condition vesting hurdles were waived and all options vested immediately on 25 March 2010 prior to the 2010 /2011 tax year. The market price at time of exercise was 16.3p.

The net numbers of shares received in the above vesting are to be retained for 24 months.

In addition, at that general meeting:

- The rules of the Performance Share Plan were amended so as to allow the grant of retention-focussed awards.
- The rules of the Performance Share Plan, the Deferred Annual Bonus Plan and certain option schemes were amended so that all awards (both subsisting and future) would vest in full in the event of a change of control.
- It was reported that the annual grant of awards under the Performance Share Plan would re-commence.

<sup>2</sup> All the outstanding share options in the Monitise Rollover plan scheme were accelerated and vested immediately on 25 March 2010 prior to the 2010 /2011 tax year. The market price at time of exercise was 16.3p.

<sup>3</sup> This represents the deferred bonus share award.

<sup>4</sup> This represents the maximum matching share award that would become exercisable if all vesting conditions are met.

Refer to note 24 to the financial statements for further information on the performance conditions of the share schemes.

The market price of the Company's Ordinary Shares at 30 June 2010 was 18.6p (2009: 6.8p) and the range of market prices during the year was 6.8p to 24.5p (2009: 2.0p to 12.5p).

Peter Radcliffe  
Chairman of the Remuneration Committee

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2010.

**Principal Activities**

The principal activity of the Group is the provision of mobile banking and payments technology solutions. The Group is headquartered in the UK with operations internationally. Its current principal activities are in the UK and US, with joint ventures set up in the year to address the Asia Pacific and India markets. The principal activity of the company is as a holding company.

**Business Review and Future Developments**

A detailed review of the business and future developments of the Group is presented in the Chairman's Welcome on page 1 and in the Chief Executive's Business Review on pages 3 to 6. The Financial Review is set out on pages 9 and 10.

**Results and Dividends**

Details of the results are set out in the Consolidated statement of comprehensive income on page 21. The Directors do not recommend the payment of a dividend (2009: £nil).

**Directors and Directors' Interests**

The Directors who served during the year were as follows:

**Executive Directors:**

A Lukies  
J Brougham<sup>1</sup>  
L Cameron  
T Spurgeon<sup>1</sup>

**Non-Executive Directors:**

D McIntyre  
D Dey  
P Radcliffe  
C Tucker  
J Verplancke  
E Buse<sup>2</sup>

<sup>1</sup> J Brougham transferred from a Non-Executive Director to Executive Director on 27 April 2010. T Spurgeon resigned from the Board of Directors on 27 April 2010, and was appointed Company Secretary on that date.  
<sup>2</sup> E Buse was appointed to the Board as a Non-Executive Director on 30 July 2010.

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 2010 Number of Shares	30 June 2009 Number of Shares
A Lukies	3,869,039	338,833
J Brougham <sup>1</sup>	316,435	316,435
L Cameron	941,368	389,559
D McIntyre <sup>2</sup>	24,479,504	20,094,216
D Dey	493,658	272,726
P Radcliffe	475,000	322,726
C Tucker	363,635	363,635
J Verplancke	-	-

<sup>1</sup> J Brougham transferred from a Non-Executive Director to Executive Director on 27 April 2010.  
<sup>2</sup> Included in D McIntyre's beneficial interest are 352,234 (2009: 352,234) Ordinary shares held in trust for his minor children.

Directors' beneficial interests in the share options of the Company are given in the Directors' Remuneration Report on pages 15 to 16.

**Substantial Shareholdings**

As at 24 August 2010, the Company had been notified of the following interests in 3% or more of its issued Ordinary share capital:

Shareholders	%	Number of Ordinary Shares
Visa Inc	14.4	99,753,000
First Eastern (Holdings) Limited	6.8	47,192,307
Norges Bank	6.7	46,577,912
UBS Global Asset Management (UK) Limited	6.0	41,824,218
Standard Chartered Bank plc	5.5	37,941,680
3i Group plc	4.6	31,962,999
Duncan McIntyre	3.6	24,479,504

**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 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Political and Charitable Donations**

During the year, the Group made charitable donations of £16,000 (2009: £125) to a variety of charities, including support for careers of young people in the technology sector. The Group made no political donations (2009: £nil).

**Research and Development**

The Group undertakes research and development activities relating to the products and services it provides. Disclosures regarding the expenditure and capitalisation of development costs in the year have been made in notes 6 and 11 to the financial statements respectively.

**Social and Environmental Issues**

*Social Inclusion*

The Company is committed to building inclusive financial systems for the 'unbanked' through the development of secure digital banking and transaction services. In the UK, the Company is working actively with government, stakeholders, consumer organisations and other relevant bodies to ensure that the expansion of the 'digital economy' is equally applicable to all citizens. Internationally, we have a similar long term commitment to the economic development of developing countries where physical banking infrastructure is limited.

*Environment*

Due to the nature of the Group's business, the Directors believe it has a relatively minor impact on the environment. Nevertheless, the Group endeavours through its Environmental Policy to reduce this impact as far as possible. The Environmental Policy is revised, where necessary, to keep it in line with the Company's business requirements. The Group believes that its current Environmental Policy ensures that it is responsible and pro-active in limiting its environmental impact.

*Business Ethics*

The Group seeks to maintain high levels of business ethics throughout all operations.

*Health and Safety*

The Group recognises the importance of maintaining a safe environment and understands the high standards required to comply with the relevant health and safety legislation and to ensure the health, safety and welfare of its employees, its customers and the general public.

*Equal Opportunities*

The Group is committed to observing equal opportunities throughout the organisation, ensuring that the talent, abilities and competencies of its employees (and prospective employees) are fully utilised regardless of gender, sexual orientation, marital status, age, race, colour, ethnic origin or nationality, religion or political beliefs.

*Employee Relations*

A key corporate goal is to maintain regular and open communications between the Group's management and staff. The Group aims to excel as an employer of choice providing career development opportunities for all staff.

As a high growth business, the Group is mindful of the need to continue to focus on providing relevant development and training programmes for staff as our investment for the future.

Staff are able to participate directly in the success of Monitise through a variety of employee share option schemes.

### Related Party Transactions

Details of all related party transactions are set out in note 16 to the financial statements.

### Post Balance Sheet Events

After the year end, new Ordinary Shares were issued as part of placing and subscription agreements. These post balance sheet events have been fully disclosed in note 32 to the financial statements.

### Financial Instruments

The Group's financial instruments primarily comprise of cash balances, trade receivables and payables arising from its operations. The Group did not enter into any derivative transactions such as forward exchange contracts during the year as it considered that such transactions were not necessary due to its size and nature of its activities. The Group's policy and year end position regarding financial instruments has been fully disclosed in note 3 to the financial statements. The significant ongoing changes in the Group and international business are likely to result in active foreign exchange management in future periods.

### Supplier Payment Policy

The Group agrees appropriate terms and conditions individually with its suppliers. It seeks to abide by these agreed terms provided that the supplier has also complied with them. The Company had 65 creditor days at 30 June 2010 (2009: 38 creditor days).

### Annual General Meeting

The Annual General Meeting will be held at 26 Southampton Buildings, Holborn Gate, London WC2A 1PB on 14 October 2010 at 10.00 am.

### Principal Risks and Key Performance Indicators

The Board has identified the principal risks and uncertainties which it believes may have an impact on the Group and its operations as well as a number of Key Performance Indicators with which to measure the progress of the Group.

#### Principal Risks and Uncertainties

In line with groups of a similar size, the Group is managed by a limited number of key personnel, including Executive Directors and senior management, who have significant experience within the Group and the wider IT or communications sectors and who may be difficult to replace. Executive remuneration plans, incorporating long term incentives, have been implemented to mitigate this risk.

The Group is reliant on a number of key relationships with banking, payment processors and mobile operator partners for provision of the Group's services to the marketplace. A key element of the Group's strategy is to continue to build and maintain strong relationships with all key partners including engagement at senior level. This is facilitated through the engagement of both the Monitise Board and senior external advisors. Account management plans are implemented for all key partners.

The marketplace for the Group's services is characterised by rapid technological changes, frequent introductions of new services and products and evolving industry standards. Monitise will continue to enhance its current products and develop new products in response to changes in technology, industry standards or customer preferences in order to maintain its competitive position.

A key risk remains the ability to operate within projected capital constraints, to forecast effectively and to manage costs within plan in an environment of rapid growth. A number of controls operate to ensure this risk is minimised, including the development and approval of an annual budget based on realistic assumptions. A rolling forecast is also maintained, and progress against budget is monitored regularly together with detailed trend analysis of revenue flows and consumer uptake. Providing early warnings of adverse variances against plan enables decisions to be made on flexing the plan through active management of costs or consideration of other options.

Given the rapid escalation of activity there is a risk that the focus on key deliverables is not maintained and existing resources are not prioritised appropriately. Focus on key deliverables is led from Board level and managed through a clearly defined organisational structure which has been put in place to ensure clear areas of responsibility and lines of reporting so that the allocation of resources can be agreed as appropriate. New business development opportunities are monitored closely and a focus is placed on succession planning to ensure as much strength in depth to cover all key functional areas as practical, to ensure that no one individual is irreplaceable. The organisational structure is continuously under review.

#### Key Performance Indicators

Key Performance Indicators are used to measure and control both financial and operational performance. Revenues, operating margins and costs are trended to ensure plans are on track and corrective actions are taken where necessary. Operational service performance is also monitored and tracked as is progress in product development and deployment through measurement against agreed milestones. In addition, further key performance indicators include the number of countries in which the platform is being deployed, the number of banks integrated under each of these platforms and the number of customers of its services.

These Key Performance Indicators are discussed within the Chief Executive's Business Review and Financial Review on pages 3 to 6, and pages 9 to 10.

### Disclosure of Information to Auditors

For each of the persons who were Directors at the date the Directors' report was approved, the following applies:

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

### 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.

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

Tom Spurgeon  
Company Secretary - 25 August 2010

## Independent Auditors' Report to the Members of Monitise plc

We have audited the group and parent company financial statements (the "financial statements") of Monitise plc for the year ended 30 June 2010 which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statement of financial position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

### Scope of the audit of the financial statements

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 parent 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.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2010 and of the group's loss and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David A Snell  
(Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25 August 2010

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
<b>Revenue</b>	5	6,019	2,658
Cost of sales		(2,213)	(1,167)
<b>Gross profit</b>		3,806	1,491
Distribution costs		(2,502)	(2,217)
Administrative expenses before share-based payments*		(15,592)	(11,251)
<b>Operating loss before exceptional gain and share based payments charge</b>		<b>(14,288)</b>	<b>(11,977)</b>
Share-based payments *	24	(3,776)	(1,754)
Exceptional gain on acquisition of subsidiary	30	956	-
<b>Operating loss</b>	6	<b>(17,108)</b>	<b>(13,731)</b>
Net Finance income	9	65	604
<b>Loss before income tax</b>		<b>(17,043)</b>	<b>(13,127)</b>
Income tax	26	273	-
<b>Loss for the year attributable to the owners of the company</b>		<b>(16,770)</b>	<b>(13,127)</b>
<b>Other comprehensive income</b>			
Currency translation differences on consolidation		(77)	(3)
<b>Total comprehensive income for the year attributable to the owners of the company</b>		<b>(16,847)</b>	<b>(13,130)</b>
Loss per share attributable to the owners of the Company during the year (expressed in pence per share):			
– basic and diluted	23	(3.7)	(4.0)

All activities derive from continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company statement of comprehensive income (see note 28).

\* Total administrative expenses after share based payments for the year ended 30 June 2010 is £19,368,000 (2009: £13,005,000)

## Consolidated Statement of Financial Position as at 30 June 2010

	Note	2010 £'000	2009 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	931	333
Intangible assets	11	2,725	659
		<b>3,656</b>	<b>992</b>
<b>Current assets</b>			
Trade receivables and other receivables	14	4,187	5,653
Cash and cash equivalents	15	13,218	10,145
		<b>17,405</b>	<b>15,798</b>
<b>Total assets</b>		<b>21,061</b>	<b>16,790</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(5,687)	(4,020)
Financial liabilities	18	(36)	(3,379)
		<b>(5,723)</b>	<b>(7,399)</b>
<b>Non-current liabilities</b>			
Trade and other payables	17	(613)	-
Financial liabilities	18	(21)	(57)
Deferred tax liabilities	19	(485)	-
<b>Total liabilities</b>		<b>(6,842)</b>	<b>(7,456)</b>
<b>Net assets</b>		<b>14,219</b>	<b>9,334</b>
<b>EQUITY</b>			
<i>Capital and reserves attributable to equity holders of the Company</i>			
Ordinary shares	21	5,368	3,401
Share premium	21	46,560	30,649
Foreign exchange translation reserve		(92)	(15)
Other reserves	22	9,060	11,329
Retained loss		(46,677)	(36,030)
<b>Total shareholders' equity</b>		<b>14,219</b>	<b>9,334</b>

These financial statements on pages 21 to 58 were approved and authorised for issue by the Board of Directors on 25 August 2010 and were signed on its behalf by:

Alastair Lukies  
Chief Executive Officer

John Brougham  
Chief Financial Officer

Company Number: 06011822  
The notes on pages 27 to 58 are an integral part of these consolidated financial statements.

## > Company Statement of Financial Position as at 30 June 2010

	Note	2010 £'000	2009 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	12	36,826	36,075
		36,826	36,075
<b>Current assets</b>			
Receivables	14	37,000	22,020
Cash and cash equivalents	15	10,468	8,985
		47,468	31,005
<b>Total assets</b>		<b>84,294</b>	<b>67,080</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	17	(313)	(485)
<b>Total liabilities</b>		<b>(313)</b>	<b>(485)</b>
<b>Net assets</b>		<b>83,981</b>	<b>66,595</b>
<b>EQUITY</b>			
Ordinary shares	21	5,368	3,401
Share premium	21	46,560	30,649
Other reserves		34,008	36,204
Retained loss		(1,955)	(3,659)
<b>Total shareholders' equity</b>		<b>83,981</b>	<b>66,595</b>

These financial statements on pages 21 to 58 were approved and authorised for issue by the Board of Directors on 25 August 2010 and were signed on its behalf by:

Alastair Lukies                      John Brougham  
Chief Executive Officer              Chief Financial Officer

Company Number: 06011822  
The notes on pages 27 to 58 are an integral part of these financial statements.

## > Consolidated Statement of Changes in Equity

	Note	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Share-based Payment Reserve £'000	Retained Losses £'000	Foreign Exchange Reserve £'000	Total £'000
<b>Balance at 1 July 2008</b>		2,545	19,334	32,952	(25,321)	2,540	(22,903)	(12)	9,135
Issue of shares (net of expenses)		841	11,010	-	-	-	-	-	11,851
Recognition of share-based payments	24	-	-	-	-	1,463	-	-	1,463
Total comprehensive income in the year		-	-	-	-	-	(13,127)	(3)	(13,130)
Exercise of share options		15	305	-	-	(305)	-	-	15
<b>Balance at 30 June 2009</b>		<b>3,401</b>	<b>30,649</b>	<b>32,952</b>	<b>(25,321)</b>	<b>3,698</b>	<b>(36,030)</b>	<b>(15)</b>	<b>9,334</b>
<b>Balance at 1 July 2009</b>		3,401	30,649	32,952	(25,321)	3,698	(36,030)	(15)	9,334
Issue of shares	21	1,720	16,214	-	-	-	-	-	17,934
Reclassification		-	(305)	-	-	-	305	-	-
Recognition of share-based payments	24	-	-	-	-	3,549	-	-	3,549
Total comprehensive income in the year		-	-	-	-	-	(16,770)	(77)	(16,847)
Exercise of share options		247	2	-	-	(5,818)	5,818	-	249
<b>Balance at 30 June 2010</b>		<b>5,368</b>	<b>46,560</b>	<b>32,952</b>	<b>(25,321)</b>	<b>1,429</b>	<b>(46,677)</b>	<b>(92)</b>	<b>14,219</b>

## > Company Statement of Changes in Equity

	Note	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Share-based Payment Reserve £'000	Retained Losses £'000	Foreign Exchange Reserve £'000	Total £'000
<b>Balance at 1 July 2008</b>		2,545	19,334	32,952	-	2,107	(1,261)	-	55,677
Issue of shares (net of expenses)		841	11,010	-	-	-	-	-	11,851
Recognition of share-based payments		-	-	-	-	1,450	-	-	1,450
Total comprehensive income in the year		-	-	-	-	-	(2,398)	-	(2,398)
Exercise of share options		15	305	-	-	(305)	-	-	15
<b>Balance at 30 June 2009</b>		<b>3,401</b>	<b>30,649</b>	<b>32,952</b>	<b>-</b>	<b>3,252</b>	<b>(3,659)</b>	<b>-</b>	<b>66,595</b>
<b>Balance at 1 July 2009</b>		3,401	30,649	32,952	-	3,252	(3,659)	-	66,595
Issue of shares (net of expenses)		1,720	16,214	-	-	-	-	-	17,934
Reclassification		-	(305)	-	-	(486)	791	-	-
Share-based payments		-	-	-	-	2,798	751	-	3,549
Total comprehensive income in the year	28	-	-	-	-	-	(4,346)	-	(4,346)
Exercise of share options		247	2	-	-	(4,508)	4,508	-	249
<b>Balance at 30 June 2010</b>		<b>5,368</b>	<b>46,560</b>	<b>32,952</b>	<b>-</b>	<b>1,056</b>	<b>(1,955)</b>	<b>-</b>	<b>83,981</b>



## Cash Flow Statements

for the year ended 30 June 2010

		Group	Group	Company	Company
		2010	2009	2010	2009
	Note	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Cash utilised in operations	27	(14,071)	(11,396)	(2,106)	(1,523)
Net income tax receipt		207	-	-	-
<b>Net cash utilised in operating activities</b>		<b>(13,864)</b>	<b>(11,396)</b>	<b>(2,106)</b>	<b>(1,523)</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries, net of cash acquired		71	-	-	-
Interest received		70	604	70	533
Purchases of property, plant and equipment		(865)	(78)	-	-
Capitalisation and purchases of intangible assets		(239)	(229)	-	-
<b>Net cash (used in) / generated from investing activities</b>		<b>(963)</b>	<b>297</b>	<b>70</b>	<b>533</b>
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares (net of expenses)		17,694	11,548	17,694	11,548
Capital element of finance leases		(40)	-	-	-
Loan to joint venture parties and subsidiaries		-	-	(14,396)	(10,862)
Share options exercised		221	15	221	15
<b>Net cash generated from financing activities</b>		<b>17,875</b>	<b>11,563</b>	<b>3,519</b>	<b>701</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,048</b>	<b>464</b>	<b>1,483</b>	<b>(289)</b>
Cash and cash equivalents at beginning of the year		10,145	9,681	8,985	9,274
Effect of exchange rate fluctuations on cash held		25	-	-	-
<b>Cash and cash equivalents at end of the year</b>	15	<b>13,218</b>	<b>10,145</b>	<b>10,468</b>	<b>8,985</b>



**1. General Information**

Monitise plc ('The Company'), its subsidiaries and joint ventures (together 'the Group') provide mobile banking and payments services. The Group is headquartered in the UK, operates ventures in the UK, US, 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.

**2.1. Basis of Preparation**

The consolidated financial statements of Monitise plc have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations 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 by the revaluation of financial assets and financial liabilities at fair value through profit and loss, and fair value of share options.

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

(a) The following new standards, revised standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2009:

- The Group has adopted IFRS 8 Operating segments. As of 1 July 2009, the Group determines and presents operating segments based on the information that is internally presented to the Board of Directors, who in their entirety are the Group's chief operating decision maker. Previously operating segments were determined and presented in accordance with International Accounting Standard ('IAS') 14 Segmental Reporting. Comparative segmental information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on the Group's results or net assets.
- The Group has adopted IAS 1 (revised) Presentation of Financial Statements. The amendment affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". The Group has elected to present a single statement of performance, being the Statement of Comprehensive Income.
- The Group has adopted the revised IFRS 3 and IAS 27 during the year which revise the accounting for business combinations. IFRS 3 (2008) Business Combinations supersedes IFRS 3 (2004) Business Combinations with no retrospective application. The revision changes the treatment of incidental acquisition expenses, the treatment of deferred consideration payments which are contingent on continued employment, the measurement of consideration payable, and the treatment of changes to the amount of consideration payable. It is likely to lead to items being expensed in the statement of comprehensive income which would previously have been included as part of the cost of investment in an acquired business. The financial impact of this revised standard is determined by the acquisitions undertaken by the Group as described in note 30.
- The amendment to IFRS 2 Share Based Payments relates to vesting conditions and cancellations for share options. No restatement of prior period information has been necessary as a consequence of adopting this standard.
- Amendments to IFRS 7: Financial instruments has been adopted which gives enhanced disclosures about fair value measurements of financial instruments and over liquidity risk. Since the amendment only impacts presentation and disclosure aspects, there is no impact on the Group's results or net assets.

(b) The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 July 2009 but are not currently relevant for the Group, or have had no impact:

- IAS 23 Borrowing costs (revised)
- Amendments to various IFRSs and IASs arising from May 2008 Annual Improvements to IFRSs
- Amendment to IAS 39 - Eligible hedged items
- Amendment to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- Amendment to IFRIC 9 and IAS 39: Embedded derivatives
- Amendment to IAS 32 Financial instruments: Presentation
- IFRIC 12, Service concession arrangements
- IFRIC 13, Customer loyalty programmes relating to IAS 18, 'Revenue
- IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation
- IFRIC 17 Distributions of Non cash assets to Owners
- IFRIC 18 Transfers of assets from customers

(c) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2010:

	Effective date
Amendments to various IFRSs and IASs arising from 2009 annual improvements to IFRSs	1 January 2010
Amendment to IFRS 2 Share-based payments group cash-settled transactions	1 January 2010
IFRS 1 First-time Adoption – Additional exemptions	1 January 2010
Amendment to IAS 32 Financial instruments: Classification of rights issues	1 February 2010
Amendment to IFRS 1: 'First time adoption' – financial instrument disclosures	1 July 2010
IFRIC 19 Extinguishing financial liabilities with equity instruments	1 July 2010

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.

(d) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2010 and have not been early adopted:

	Effective date
Amendments to various IFRSs and IASs arising from 2010 annual improvements to IFRSs	1 January 2011
Amendment to IAS 24 Related party disclosures	1 January 2011
Amendments to IFRIC 14 Prepayments on a minimum funding requirement	1 January 2011
Phase 1 of IFRS 9 Financial instruments: classification and measurement	1 January 2013

The Group is currently assessing the impact of the standards 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.

**2.2. Consolidation**

The financial information consolidates the results of Monitise plc and the entities controlled by the Company including the Group's joint ventures for the periods covered by the financial information.

**a) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies 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 fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is 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.

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

**b) Transactions and non-controlling interests**

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**c) Joint Venture Arrangements**

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

## Notes to the Consolidated Financial Statements (continued)

### 2.3. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services provided within the Group's ordinary activities, being transactional revenue, revenue from software licences and revenue from consultancy services. Consultancy services consist of development, deployment and integration services.

Revenue is recognised to the extent the Group has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is stated net of value added taxes and after eliminating sales within the Group.

Revenue relating to consultancy services contracted on a time and materials basis is recognised as the services are performed. Any consultancy services under fixed price contracts are accounted for under IAS 11 "Construction Contracts". Revenues and profits are recognised on a percentage-of-completion basis, 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, whilst the calculation of a contract's profit requires estimation of the contract's costs to completion. Judgements and costs estimates are continually reviewed as determined by events or circumstances.

Revenue from contracts for software license fees that represent the right to use or deploy the software, or other rights to use or deploy the software, is recognised at the date from which the rights transfer to the customer. Fees for maintenance, support and other associated services under the license are recognised as revenue over the life of the contract. Revenue from bundled service arrangements which include non-separable license, maintenance, support and other associated services is recognised over the period of the contract.

Transactional revenue relates to ongoing services provided to financial institutions and payment processors, and is recognised at the time the services are performed.

Amounts which meet the Group 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 which time the revenue can be recognised.

### 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. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 2.5. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation. 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 period 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, from the date at which normal revenue-generating activities begin, as follows:

	Estimated Useful Lives
Office equipment	3 - 5 years
Computer equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each period 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. When revalued assets are sold, the amounts included in other reserves are transferred to retained losses.

### 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 to the closing rate at each end of reporting period date.

Goodwill is not subject to amortisation but is tested at least annually for impairment (see note 2.8), and negative goodwill arising on an acquisition is recognised directly in the statement of comprehensive income. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the statement of comprehensive income on disposal.

### 2.7. Other Intangible Assets

Expenditure incurred in the development of software and hardware 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 on a straight line basis over their useful economic lives, estimated on average at three years. Capitalised development costs for assets which are not yet in use are tested for impairment annually.

Contractual customer relationships, and software licences acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations and software licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life.

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

	Estimated Useful Lives
Computer software	3 - 4 years
Intellectual property rights	7 years
Customer contracts	7 years
Licences	7 years
Development costs	3 years

### 2.8. Impairment of Non-financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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). 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 as loans and receivables and cash. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period date. These are classified as non-current assets. The Group's financial assets are disclosed in notes 14 and 15. Impairment testing of trade receivables is described in note 14.

#### Financial Liabilities

The Group has one category of financial liabilities which is financial liabilities measured at amortised cost. These are recorded initially at their fair value and subsequently at amortised cost. They are classified as non-current when the payment falls due greater than 12 months after the end of reporting period date.

### 2.10. Trade Receivables

Trade receivables are initially recognised at fair value and subsequently held at amortised cost. Trade receivables with standard payment terms of between 30 to 45 days are recognised and carried at the lower of their original invoiced and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective guidance 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.

## Notes to the Consolidated Financial Statements (continued)

### 2.11. Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### 2.12. Share Capital

Ordinary shares are classified as equity.

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

### 2.13. Trade Payables

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

### 2.14. 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 end of reporting period date.

### 2.15. 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 end of reporting period date in the countries where the company's subsidiaries and joint ventures 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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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.

### 2.16. 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, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each end of reporting period 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 retained losses.

### 2.17. 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.

### 2.18. 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 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### c) Group Companies and Joint Ventures

The results and financial position of all group entities (none of which has 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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each the 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
- all resulting exchange differences are recognised as a separate component of equity.

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 shareholders' equity. 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.

### 2.19. Investments

Investments held by the Company in its subsidiary undertakings are stated at cost less provision for any impairment in value.

### 2.20. 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 and are then, over time, deducted from the expenditure to which they relate. See note 15 for further details.

### 2.21. Exceptional items

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

## 3. Financial Risk Management

### 3.1. Financial Risk Factors

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

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. The Group continues to expand its operations in multiple geographies, including live operations already in place in the US, and joint ventures set up 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.

## Notes to the Consolidated Financial Statements (continued)

The principal financial instruments used by the Group, from which the financial instrument risk arises, are as follows:

- trade and other receivables
- cash at bank
- trade and other payables

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. So far, the Group has not used derivative financial instruments to hedge risk exposures as its activities. 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 and cash and cash equivalents. 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 all of its current key customers form part of established businesses in the banking and payments sector and Mobile Network Operators. 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 for loss, 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 term deposits.

### (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 to allow it to meet its liabilities when they become due and have the availability of such funds for its operations. Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and cash equivalents (note 15) on the basis of expected cash flow. At the end of reporting period date, these projections, including the fundraising which concluded successfully as set out in note 32, 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 end of reporting period date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
Trade and other payables	5,698	500	124	-
Finance leases	36	21	-	-
At 30 June 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000
Trade and other payables	4,020	-	-	-
Financial liabilities	3,344	-	-	-
Financial leases	35	37	20	-

The Group does not have any derivative financial instruments.

### (c) Market Risk

Market risk arises from the Group's use of interest bearing, tradeable 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 £70,000 (2009: £100,000).

#### (ii) Foreign Exchange Risk

The Group currently operates internationally primarily through its joint venture in the US and has a material US dollar denominated contract operated from the UK. The group has also set up joint ventures during the year in Asia Pacific and India. As a result, although the Group's main exposure to foreign exchange risk arises from the US dollar, there will be an increasing exposure to other currencies such as the Hong Kong Dollar and Indian Rupee as the Group expands and 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 currency 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 term deposits to meet its anticipated short term funding requirements for the US joint venture. Given the current scale of the Group's overseas operations as stated above, overall currency risk is considered to be low, but is expected to increase over the next year.

An increase of one percentage point in the average 2010 US dollar exchange rate would have decreased the Group's loss after tax by £5,000 (2009: £16,000). At 30 June 2010, the effect on equity of a one percentage point increase in the closing US dollar exchange rate would decrease equity by £2,000 (2009: £nil).

### 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 and strategic needs. As such, the Group has announced that it has successfully raised funds as detailed in note 32. 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.

### 3.3 Fair Value Estimation

Holding trade receivables and payables at their amortised cost less impairment provision is deemed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

## 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:

#### a) Revenue Recognition

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

#### b) 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 awards' term, the risk-free interest rate and the expected volatility of the market price of the Company's shares. Details of share-based payments and the assumptions applied are disclosed in note 24.

## Notes to the Consolidated Financial Statements (continued)

### c) 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 and therefore believe that the assumption that the Group is a going concern is valid. The financial information has therefore been prepared on the 'going concern' basis.

### d) Goodwill and other intangible assets

When the Group makes an acquisition, management reviews the business and assets acquired to determine whether any intangible assets should be recognised separately from goodwill. If such an asset is identified, then it is valued by discounting the probable future cash flows expected to be generated by the asset, over the estimated life of the asset. Where there is uncertainty over the amount of economic benefit and the useful life, this is factored into the calculation, see note 11.

### e) Contingent consideration

When the Group acquires businesses, the total consideration may consist of an amount paid on completion plus further amounts payable on agreed post completion dates. These further amounts are contingent on the acquired business meeting agreed performance targets. At the date of acquisition, the Group reviews the profit and cash forecasts for the acquired business and estimates the amount of contingent consideration that is likely to be due, see note 17.

### f) Impairment of Assets

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, 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 judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of growth and discount rates. Changing the assumptions selected by management could significantly affect the Group's impairment evaluation and hence results. The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 11.

### g) 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.

## 5. Segmental Information

Monitise has adopted IFRS 8 'Operating segments' for the full year results to 30 June 2010 and this has resulted in a change to the segmental information reported. Comparative information has been presented on a consistent basis and restated accordingly.

Monitise's operating segments are being reported based on how the Group is structured, and the financial information provided to the Board of Directors. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly share based payment charges, goodwill, certain other intangible assets, cash, corporate expenses and assets, and tax (as described as 'Corporate' below).

Operating segments are as follows:

**Live Operations**, including both territory deployments and development contracts, consist of:

- Monitise Europe which provides the group's products and services to the UK and covers European opportunities.
- Monitise Americas which represents Monitise Group's 49% proportion of the trading statement and statement of financial position of the joint venture entity Monitise Americas LLC. This segment also includes Monitise Group's share of the annual licence fee charged to Monitise Americas.
- Global accounts which represents the group's products and services to Monitise's global cross-territory customers, including Visa and Travellex.

**Investment in future operations** segment represents the group's operations which are not yet live operations covering both pre-sales and start-up period. The segment includes both revenues (e.g. initial licences and consultancy services prior to deployment) and costs. In 2010, the segment includes the joint ventures in the Indian and Asia Pacific regions, investment to host new operational platforms, and new business development activity.

**Investment in technology platform** segment comprises the ongoing development, enhancement and maintenance costs of the core Monitise platform. The division is responsible for the continued availability and improvement of the product across all other segments.

	Revenue £'000	Revenue £'000	Operating loss £'000	Operating loss £'000
<b>Year ended 30 June 2010</b>				
<b>Live operations:</b>				
Monitise Europe*	3,231		(2,092)	
Monitise Americas	831		(3)	
Global accounts	756		(418)	
<b>Total live operations</b>		4,818		(2,513)
<b>Investment in future operations</b>		1,201		(2,817)
<b>Investment in technology platform</b>		-		(4,904)
<b>Total</b>		6,019		(10,234)
Corporate costs				(4,054)
<b>Operating loss before exceptional gain and share based payments charge</b>				<b>(14,288)</b>
Share based payments charge				(3,776)
Exceptional gain on acquisition of subsidiary				956
Group Operating loss				<b>(17,108)</b>
Net finance income				65
Loss before income tax				<b>(17,043)</b>
Income tax				273
<b>Loss for the year</b>				<b>(16,770)</b>

\* Monitise Europe represents 100% ownership from 21 August 2009.

	Revenue £'000	Revenue £'000	Operating loss £'000	Operating loss £'000
<b>Year ended 30 June 2009</b>				
<b>Live operations:</b>				
Monitise Europe	1,482		(1,428)	
Monitise Americas	571		(620)	
Global accounts	-		-	
<b>Total live operations</b>		2,053		(2,048)
<b>Investment in future operations</b>		605		(720)
<b>Investment in technology platform</b>		-		(5,501)
<b>Total</b>		2,658		(8,269)
Corporate costs				(3,708)
<b>Operating loss before exceptional gain and share based payments charge</b>				<b>(11,977)</b>
Share based payments charge				(1,754)
Group Operating loss				<b>(13,731)</b>
Net financing income				604
Loss before income tax				<b>(13,127)</b>
Income tax				-
<b>Loss for the year</b>				<b>(13,127)</b>

The results of each segment have been prepared using accounting policies consistent with those of the Group as a whole.

## Notes to the Consolidated Financial Statements (continued)

	Segment Assets £'000	Segment Liabilities £'000	Depreciation and amortisation charge £'000
<b>As at 30 June 2010</b>			
<b>Other information</b>			
Live operations	3,161	(3,670)	275
Investment in future operations	1,194	(193)	355
Investment in technology platform	376	-	374
<b>Total</b>	<b>4,731</b>	<b>(3,863)</b>	<b>1,004</b>
Corporate	16,330	(2,979)	116
<b>Group Total</b>	<b>21,061</b>	<b>(6,842)</b>	<b>1,120</b>

	Segment Assets £'000	Segment Liabilities £'000	Depreciation and amortisation charge £'000
<b>As at 30 June 2009</b>			
<b>Other information</b>			
Live operations	1,501	(8,661)	134
Investment in future operations	605	-	-
Investment in technology platform	408	-	281
<b>Total</b>	<b>2,514</b>	<b>(8,661)</b>	<b>415</b>
Corporate	14,276	1,205	158
<b>Group Total</b>	<b>16,790</b>	<b>(7,456)</b>	<b>573</b>

The asset and liability position of each segment have been prepared using accounting policies consistent with those of the Group as a whole and includes inter segmental assets and liabilities.

### Entity wide disclosures

In presenting information on the basis of geographic segments, revenue is based on the location of the customers. Noncurrent assets are based on the geographical location of those assets.

	Revenues 2010 £'000	Revenues 2009 £'000	Noncurrent assets 2010 £'000	Noncurrent assets 2009 £'000
<b>Geographical disclosures</b>				
United Kingdom	3,192	1,462	3,603	989
United States of America	1,476	1,176	53	3
India	973	-	-	-
Rest of World	378	20	-	-
<b>Total</b>	<b>6,019</b>	<b>2,658</b>	<b>3,656</b>	<b>992</b>

	Revenues 2010 £'000	Revenues 2009 £'000
<b>Products and services</b>		
Consultancy services	1,425	1,068
Licences	1,743	1,108
Transactional revenue	2,851	482
<b>Total</b>	<b>6,019</b>	<b>2,658</b>

Revenues derived from single customers are given below together with the segment in which the revenues are included:

	Revenues 2010 £'000	Revenues 2009 £'000
Customer in Investment in future operations segment	796	-
Customer in Live operations segment (2009: customer included within Investment in future operations segment)	634	605
Customer in Live operations segment	2,673	503
Customer in Live operations segment	655	571

### 6. Operating Loss

This is stated after charging/ (crediting):

	2010 £'000	2009 £'000
Employee benefit expense (note 25)	12,799	9,828
Depreciation (note 10)	375	210
Amortisation (note 11)	745	363
Research and development expensed as incurred	3,544	3,269
Net foreign currency differences	161	(26)
Operating lease payments	593	672

### 7. Auditors' Remuneration

	2010 £'000	2009 £'000
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	15	15
Fees payable to company's auditors and their associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	47	29
Other services pursuant to legislation (include fees for interim review)	20	13
Tax services (compliance and advisory)	135	122
<b>Total</b>	<b>217</b>	<b>179</b>

### 8. Restructuring costs

There were no restructuring costs incurred in the year ended 30 June 2010. Included within overheads for the year ended 30 June 2009 were restructuring costs of £316,000. These costs mainly relate to headcount reductions in the United Kingdom and America and were incurred as part of the restructuring of these businesses.

### 9. Finance Income and Costs

	2010 £'000	2009 £'000
<b>Group</b>		
<b>Finance income</b>		
Interest income on short-term deposits	70	611
<b>Finance costs</b>		
Finance charges payable under finance leases	5	7

## Notes to the Consolidated Financial Statements (continued)

### 10. Property, Plant and Equipment

Group	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost:</b>			
As at 1 July 2008	8	691	699
Additions	1	77	78
As at 30 June 2009	9	768	777
<b>Accumulated depreciation:</b>			
As at 1 July 2008	3	231	234
Charge	2	208	210
As at 30 June 2009	5	439	444
<b>Net book value</b>			
As at 1 July 2008	5	460	465
As at 30 June 2009	4	329	333
<b>Cost:</b>			
As at 1 July 2009	9	768	777
Acquisition (see note 30)	1	107	108
Additions	18	847	865
As at 30 June 2010	28	1,722	1,750
<b>Accumulated depreciation:</b>			
As at 1 July 2009	5	439	444
Charge	5	370	375
As at 30 June 2010	10	809	819
<b>Net book value</b>			
As at 30 June 2010	18	913	931

The depreciation charge is included within Administrative expenses in the Consolidated Statement of comprehensive income. Included within the depreciation charge is £47,000 (2009: £nil) in relation to accelerated depreciation on certain computer equipment which the Directors reviewed during the year and revised its useful economic lives.

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

#### Assets held under Finance Leases

The carrying value of computer equipment held under finance leases at 30 June 2010 was £53,000 (2009: £88,000). Additions during the year include no computer equipment held under finance leases (2009: £nil).

### 11. Goodwill and other intangible Assets

Group	Goodwill £'000	Customer Contracts (note 30) £'000	Intellectual Property Rights £'000	Acquired Licence (note 30) £'000	Purchased Software Licences £'000	Capitalised Development Costs £'000	Total £'000
<b>Cost:</b>							
As at 1 July 2008	-	-	222	-	363	591	1,176
Additions	-	-	-	-	56	173	229
As at 30 June 2009	-	-	222	-	419	764	1,405
<b>Accumulated amortisation:</b>							
As at 1 July 2008	-	-	56	-	112	215	383
Charge	-	-	31	-	102	230	363
As at 30 June 2009	-	-	87	-	214	445	746
<b>Net book value</b>							
As at 1 July 2008	-	-	166	-	251	376	793
As at 30 June 2009	-	-	135	-	205	319	659
<b>Cost:</b>							
As at 1 July 2009	-	-	222	-	419	764	1,405
Acquisitions (see note 30)	495	1,194	-	773	110	-	2,572
Additions	-	-	-	-	68	171	239
As at 30 June 2010	495	1,194	222	773	597	935	4,216
<b>Accumulated amortisation:</b>							
As at 1 July 2009	-	-	87	-	214	445	746
Charge	-	143	32	93	262	215	745
As at 30 June 2010	-	143	119	93	476	660	1,491
<b>Net book value</b>							
As at 30 June 2010	495	1,051	103	680	121	275	2,725

Amortisation is charged to administration expenses. Included within the amortisation charge is £109,000 (2009: £nil) in relation to accelerated amortisation on purchased software licences which the Directors reviewed during the year and revised its useful economic lives.

The Company does not have any intangible assets.

## Notes to the Consolidated Financial Statements (continued)

### Goodwill

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

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating unit (CGU) that is expected to benefit from that business combination. The goodwill balance of £495,000 relates to the acquisition of Monitise Europe Limited as detailed in note 30. Monitise Europe is a separate CGU for IAS 36 impairment purposes.

In order to determine whether impairments are required the Group estimates the recoverable amount of the CGU. 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.

The value in use calculation includes estimates about the future financial performance of the CGU. The cash flow projections reflect management's expectations of the short to medium term operating performance of the CGU and its growth prospects.

#### Key assumptions

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.

The calculation of the value in use is sensitive to the following key assumptions:

- Operating cash flow: The likely organic growth rates were assessed based on the Group's four year financial projections taking account of the current growth of the CGU. The average annual growth rate used is considered conservative.
- Discount rate applied: The discount rate applied to Monitise Europe represents a pre tax rate that reflects the Group's weighted average cost of capital adjusted for the risks specific to Monitise Europe. The pre tax adjusted discount rate applied to the CGU was 20%.

#### Sensitivity Analysis

There are no reasonable possible changes in the key assumptions that would cause the carrying amount of the CGU to exceed its recoverable amount. Management has also considered the effect of the following extreme scenarios which management considers the likelihood of any or all occurring is highly unlikely to occur:

- Assuming revenue growth declines each year by 50% in 2011 to 2014, the CGU continues to show sufficiency of headroom;
- Assuming an increase in the discount rate of 10 percentage points, the CGU continues to show positive headroom.

Based on the result of the value in use calculations undertaken, the Directors conclude that the recoverable amount of goodwill in the CGU exceeds its carrying value.

### 12. Investments in Subsidiaries

	2010	2009
Company Only	£'000	£'000
As at 1 July	36,075	35,589
Capital contributions relating to share-based payments	751	486
As at 30 June	36,826	36,075

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 notes 30 and 31 for details of acquisitions and disposals of indirectly held subsidiaries. Details of the Company's principal subsidiaries as at the end of the year are set out below:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
<b>Direct Subsidiary Undertakings:</b>			
Monitise Group Limited	United Kingdom	100%	Intermediate holding company
Monitise Emerging Markets Limited	United Kingdom	100%	Intermediate holding company
<b>Indirect Subsidiary Undertakings:</b>			
Monitise Europe Limited (previously named Monilink Limited)	United Kingdom	100%	Mobile phone banking and payments services
Monitise International Limited	United Kingdom	100%	Mobile phone banking and payments services
Monitise Business Solutions Limited	United Kingdom	100%	Mobile phone software 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

### 13. Interest in Joint Ventures

#### Monitise Europe Limited (previously called Monilink Limited)

Up to 21 August 2009, Monitise Group Limited held a 50 per cent share in a joint venture Monilink Ltd (incorporated in England and Wales on 14 July 2003). The principal activity of this company was the provision of mobile phone banking and payments services.

On 21 August 2009, Monitise Group Limited purchased the remaining 50% of Monilink Limited (see note 30). On 7 May 2010, Monilink Limited changed its name to Monitise Europe Limited.

#### Monitise Americas LLC

Monitise Inc has a 49 per cent share in a joint venture, Monitise Americas LLC with FIS (Fidelity National Information Services) which provides mobile phone-initiated banking and payments services in North America. Monitise Americas LLC was incorporated in North America on 28 August 2007.

#### 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 with Monitise Cyprus Holdings No 1 Limited, an intermediate Group holding company, purchasing a 50 per cent share in Market Champion Limited, a company incorporated in Hong Kong which provides mobile phone-initiated banking and payments services in the Asia Pacific region. See note 30 for further details.

#### Monitise India Private Limited

On 22 June 2010, the Group set up a joint venture in India, with Visa International Services Association, with 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. See note 31 for further details.

The Group proportionally consolidates the above joint ventures into its results from and until the date that the Group considers it has joint control of the strategic financial and operating decisions relating to the entities' activities, in line with the requirements of IAS 31. Results are included in the statement of financial position and the statement of comprehensive income on a line by line basis. The Group has proportionally consolidated the results of Monitise Europe Limited up to 21 August 2009, thereafter consolidating 100% of the company in line with its increased shareholding.

## Notes to the Consolidated Financial Statements (continued)

The following amounts represent the Group's share of the assets and liabilities, and sales and results of the joint ventures, and are stated before consolidation adjustments are made to eliminate intercompany balances:

	2010 £'000	2009 £'000
<b>Assets</b>		
Non-current assets	3	326
Current assets	741	1,247
<b>Liabilities</b>		
Current liabilities	(636)	(8,815)
Total assets less current liabilities	108	(7,242)
Non-current liabilities	-	(57)
<b>Net assets / (liabilities)</b>	<b>108</b>	<b>(7,299)</b>
	2010 £'000	2009 £'000
Revenue	255	482
Expenses	(2,396)	(4,712)
Interest income	-	12
<b>Loss after income tax</b>	<b>(2,141)</b>	<b>(4,218)</b>

### 14. Trade and Other Receivables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Trade receivables	2,444	1,250	-	-
Less: provision for impairment of trade receivables	(29)	(23)	-	-
<b>Trade receivables - net</b>	<b>2,415</b>	<b>1,227</b>	<b>-</b>	<b>-</b>
Other taxes and social security	262	80	-	-
Other receivables	259	14	-	-
Amounts due from joint venture partner	-	3,082	-	-
Accrued income	477	825	-	9
Prepayments	774	425	13	57
Amounts due from group companies	-	-	36,987	21,954
<b>Prepayments and other receivables</b>	<b>1,772</b>	<b>4,426</b>	<b>37,000</b>	<b>22,020</b>
<b>Total trade and other receivables</b>	<b>4,187</b>	<b>5,653</b>	<b>37,000</b>	<b>22,020</b>

Amounts due from group companies and from joint venture parties are non interest bearing loans and are repayable on demand. Amounts due from joint venture partner was non interest bearing, and was settled on acquisition of Monitise Europe Limited (see note 30).

The maximum exposure to credit risk at 30 June 2010 is the carrying value of each class of receivables mentioned above. Other receivables principally comprise deposits and advance payments.

The value of trade and other receivables quoted in the table above also represent the fair value of these items and are due within one year.

Trade receivables are considered impaired if they are not considered recoverable. As at 30 June 2010, trade receivables of £1,528,000 (2009: £1,037,000) were past due. Current debt is considered to be fully performing. The ageing analysis of trade receivables and impairment is as follows:

	Trade Receivables 2010 £'000	Impairment 2010 £'000	Trade Receivables 2009 £'000	Impairment 2009 £'000
Current and not impaired	916	-	213	-
Up to 3 months	1,332	-	510	(3)
3 to 6 months	52	-	341	-
Over 6 months	144	(29)	186	(20)
	<b>2,444</b>	<b>(29)</b>	<b>1,250</b>	<b>(23)</b>

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

	2010 £'000	2009 £'000
GB pounds	3,487	5,397
US Dollars	700	256
	<b>4,187</b>	<b>5,653</b>

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

	2010 £'000	2009 £'000
Beginning of year	23	-
Provision for receivables impairment	6	23
<b>End of year</b>	<b>29</b>	<b>23</b>

### 15. Cash and Cash Equivalents

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash at bank and on hand	13,218	10,145	10,468	8,985
	<b>13,218</b>	<b>10,145</b>	<b>10,468</b>	<b>8,985</b>

Included within the above cash balance is £303,000 (2009: £nil) received from the African Enterprise Challenge Fund as a grant which has been ring fenced to utilise against specific development costs incurred in relation to the Group's developments in Africa. Of the above cash balances, £614,000 is held within our joint ventures (2009: £598,000).

16. Related Parties

**Monitise Europe Limited (previously named Monilink Limited)**

Up to 21 August 2009, the Group had a 50% interest in a joint venture, Monilink Limited, see note 30 for further details. During the period 1 July 2009 to acquisition date when the company was 50% owned by the Group, consultancy charges of £267,000 (2009: £1,907,000) were billed and costs of £128,000 (2009: £766,000) were recharged to Monilink Limited before consolidation adjustments. The Group loaned an additional £nil (2009: £2,000,000) to Monilink Limited in respect of working capital requirements. The outstanding loan was capitalised on acquisition by the Group. The outstanding receivable balance at 30 June 2009 including loans was £7,992,000 before consolidation adjustments.

**Monitise Americas LLC**

The Group has a 49% interest in a joint venture, Monitise Americas LLC. During the year consultancy costs and licence fees of £1,286,000 (2009: £1,157,000) were billed and costs of £18,000 (2009: £154,000) were recharged to Monitise Americas LLC before consolidation adjustments. The Group provided a capital contribution of £981,000 (2009: £1,303,000) to Monitise Americas LLC in respect of working capital requirements. The outstanding receivable balance at 30 June 2010 was £183,000 (2009: £57,000).

**Monitise India Private limited**

The Group has a 50% interest in a joint venture, Monitise India Private Limited. During the year licence fees of £1,592,000 (2009: £nil) were billed to Monitise India Private Limited before consolidation adjustments. The Group provided an initial capital contribution of £1,347,000 (2009: £nil) to Monitise India Private Limited in respect of working capital requirements. There were no outstanding receivable balances at 30 June 2010 (2009: £nil).

**Monitise Asia Pacific Limited**

The Group has a 50% interest in a joint venture, Monitise Asia Pacific Limited (which was previously named Market Champion Limited). During the year, consultancy costs and licence fees of £270,000 (2009: £nil) were billed to Monitise Asia Pacific Limited and costs of £187,000 (2009: £nil) were recharged to Monitise Asia Pacific Limited before consolidation adjustments. The Group provided an initial capital contribution of £9,000 (2009: £nil) to Monitise Asia Pacific Limited in respect of working capital requirements. The outstanding receivable balance at 30 June 2010 was £457,000 (2009: £nil).

**Subsidiaries**

During the year, the Company incurred total administration costs of £4,680,000 (2009: 2,932,000). Amounts receivable and payable with the subsidiaries total £36,987,000 (2009: £21,954,000) and £nil (2009: £151,000) respectively. Transactions with subsidiaries are carried out on an arm's-length basis.

**Directors**

Details regarding Directors' emoluments can be found in the Directors' Remuneration Report on page 15. During 2010, the Group paid consultancy services to P Radcliffe, a Non-Executive Director amounting to £7,500 (2009: £9,000).

**Key Management Personnel**

The Directors have identified 13 key management personnel, being members of the Executive Management team and senior technical staff (2009: 8 staff). Their compensation was as follows:

	2010 £'000	2009 £'000
Short term employee benefits	1,670	1,229
Post employment benefits	58	32
Share-based payments	709	394
	<b>2,437</b>	<b>1,655</b>

17. Trade and Other Payables

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
<b>Due within one year</b>				
Trade payables	1,354	1,130	-	-
Other taxes and social security	230	164	-	-
Accruals and deferred income	3,575	2,712	313	334
Other creditors	528	14	-	-
Amount due to group companies	-	-	-	151
<b>Other payables</b>	<b>4,333</b>	<b>2,890</b>	<b>313</b>	<b>485</b>
<b>Trade and other payables- current</b>	<b>5,687</b>	<b>4,020</b>	<b>313</b>	<b>485</b>
Other payables – non current	613	-	-	-
<b>Total trade and other payables</b>	<b>6,300</b>	<b>4,020</b>	<b>313</b>	<b>485</b>

Included within Other creditors due within one year is £489,000 (2009: £nil), of deferred consideration. Included within Other payables after one year is £489,000 (2009: £nil) of deferred consideration. Included within Other payables due after one year is £124,000 of contingent consideration (2009: £nil). The contingent consideration represents amounts payable on acquisition which are uncertain in amount, since they are based on the acquired business achieving agreed future performance targets. It is not expected to be settled within 12 months of the end of reporting period date. See note 30 for further details.

Amounts due to group companies are non interest bearing loans and are repayable on demand.

18. Financial Liabilities

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
<b>Current</b>				
Loan from joint venture party – VocaLink	-	3,344	-	-
Finance leases (note 20)	36	35	-	-
	<b>36</b>	<b>3,379</b>	<b>-</b>	<b>-</b>
<b>Non-Current</b>				
Finance leases (note 20)	21	57	-	-
	<b>21</b>	<b>57</b>	<b>-</b>	<b>-</b>

Loans from joint venture parties were non interest bearing loans and were repayable on demand.

## Notes to the Consolidated Financial Statements (continued)

### 19. Deferred tax liabilities

The following are the deferred tax liabilities recognised by the Group, and movements thereon during the current and prior year:

	2010 £'000	2009 £'000
As at 1 July	-	-
On acquisition (see note 30)	551	-
Released to profit and loss	(66)	-
<b>As at 30 June</b>	<b>485</b>	<b>-</b>
Deferred tax liability in relation to intangible assets	485	-

£79,000 (2009: £nil) of the above deferred tax liability is forecast to be released to profit and loss within one year.

### 20. Obligations under Finance Leases

The Group has used a finance lease to acquire equipment. The lease has terms of renewal and purchase options. Renewals are at the option of the lessee. Future minimum lease payments under finance leases are as follows:

	2010 £'000	2009 £'000
Future minimum payments due:		
Not later than one year	39	39
After one year but not more than five years	21	60
	60	99
Less finance charges allocated to future periods	(3)	(7)
<b>Present value of minimum lease payments</b>	<b>57</b>	<b>92</b>

The present value of minimum lease payments is analysed as follows:

	£'000	£'000
Not later than one year	36	35
After one year but not more than five years	21	57
<b>Present value of minimum lease payments</b>	<b>57</b>	<b>92</b>

### 21. Share Capital and Premium

Authorised share capital was abolished under the UK Companies Act 2006 with effect from 1 October 2009 and the necessary amendments to the Company's Articles of Association were made on 13 October 2009. As at 30 June 2009, the authorised share capital was 500,000,000 shares with a nominal value of 1p per share, with an overall value of £5 million.

Allotted, called up and fully paid £0.01 nominal value shares	Number of Shares	Ordinary Shares	Share Premium
		£	£
As at 1 July 2008	254,548,200	2,545,483	19,333,664
Issue of new shares	84,087,097	840,871	11,257,668
Exercise of share options	1,478,828	14,788	305,000
Cost of share issue	-	-	(246,859)
<b>As of 30 June 2009</b>	<b>340,114,125</b>	<b>3,401,142</b>	<b>30,649,473</b>
Issue of new shares	171,989,463	1,719,894	16,667,716
Exercise of share options	24,652,969	246,530	2,171
Cost of share issue	-	-	(454,711)
Reclassification	-	-	(305,000)
<b>As at 30 June 2010</b>	<b>536,756,557</b>	<b>5,367,566</b>	<b>46,559,649</b>

### 22. Other reserves

The merger reserve of £32,952,000 (2009: £32,952,000) arose on 28 June 2007 from the de-merger from Morse plc, the previous parent company of the Monitise group of companies.

A reverse acquisition reserve of (£25,321,000) (2009: (£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 financial statements of foreign subsidiaries.

The share based payment reserve at 30 June 2010 is £1,429,000 (2009: £3,698,000), and is discussed in detail in note 24.

For the purposes of presentation on the statement of financial position, the share based payment reserve, merger reserve and reverse acquisition reserve have been combined and disclosed as 'Other reserves'.

### 23. Loss per Share

#### Basic and Diluted

Basic loss per share is calculated by dividing the loss attributable to owners of the Company 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 earnings per share.

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

	2010 Loss for the year £'000	2010 Weighted average number of shares (thousands)	2010 Loss per share amount (pence)	2009 Loss for the year £'000	2009 Weighted average number of shares (thousands)	2009 Loss per share amount (pence)
Losses attributable to ordinary shareholders	(16,770)	453,494	(3.7)	(13,127)	329,110	(4.0)

**24. Share-based Payments**

The Group operates a number of equity settled share-based payments 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.

**Monitise Rollover Plan (MRP)**

The Monitise Rollover Plan provided the grant of equivalent options over Ordinary Shares in the Company to replace Options in place prior to flotation. Options over Ordinary Shares in the Company were granted on 2 July 2007 to eligible employees based on the Plan in place prior to flotation. The Replacement Options were due to vest in three equal tranches on the first, second and third anniversaries of the Admission Date and had an option period of ten years from the grant date of the Options which they replaced.

On 25 March 2010 all outstanding shares in the plan were accelerated and vested immediately. See below for further details.

**Deferred Annual Bonus Plan (DAB)**

The Deferred Annual Bonus Plan (DAB) is made available to qualifying employees based on performance and service tests. It may be awarded when a bonus is triggered subject to the employee remaining in employment with the Group for three years after the grant date. Participants who accept the Invitation are required to defer a minimum percentage of any annual bonuses and may voluntarily defer a higher percentage (up to a maximum of 100 per cent of their annual bonus). The number of Ordinary Shares in the Deferred Allocation is calculated by reference to the gross value of the bonus surrendered and the market value of an Ordinary Share on the dealing day immediately preceding the date of grant.

Matching Awards can be up to a maximum of two Ordinary Shares under the Matching Award for each Ordinary Share under the Deferred Allocation. Vesting of the Matching Award will be dependent on performance over a three year period. At the end of the three-year performance period, the Deferred Allocation will be released to the participant together with the proportion of the Matching Award that vests.

On 25 March 2010 at a general meeting, shareholders approved the waiving of market conditions and approved the immediate vesting of outstanding options granted on 2 July 2007 under the DAB plan. See below for further details.

**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 for senior management. 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 senior management remaining employed by the Group. On 25 March 2010, shareholders approved a change in the plan rules, allowing for share options 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.

For the five year plan, one fifth of the options vest, subject to the achievement of performance conditions, on the first anniversary of the grant date and again by a further fifth at each subsequent annual anniversary date. Upon vesting, options may be exercised at any time until the tenth anniversary of the date of grant.

On 25 March 2010 at a general meeting, shareholders also approved the waiving of market conditions and approved the immediate vesting of outstanding options granted on 2 July 2007 under the PSP plan. See below for further details.

**Monitise Share Option Plan (MOP)**

The Monitise Share Option Plan is made available to qualifying employees based on performance, at an option price which is not less than the market price of the share at the date of the grant (or the nominal value if shares are to be subscribed and this value is greater than the market value). The options are subject to a three-year vesting period. Upon vesting, options may be exercised at any time until the tenth anniversary of the date of grant.

**Warrants**

During the year, the company granted Fleming Family and Partners Limited ("FF&P") the right to subscribe for up to 2,500,000 Ordinary Shares in Monitise plc in cash at a price of 7.0p on 8 October 2009. FF&P may subscribe for those Shares at any time during the exercise period which runs between 22 July 2011 and 21 July 2012. Any subscription rights with regard to the shares that have not been exercised by 21 July 2012 shall automatically lapse and cease to be exercisable at that time.

In the prior year, the company granted FF&P the right to subscribe for up to 5,745,025 Ordinary Shares in Monitise plc in cash at a price of 13.5p on 14 July 2008 and for 363,636 Ordinary Shares at a price of 1.06p on 20 November 2008. FF&P may subscribe for those Shares at any time during the exercise period which runs between 14 July 2010 and 13 July 2011 and any subscription rights with regard to the shares that have not been exercised by either 13 July 2011 shall automatically lapse and cease to be exercisable at that time.

Movements in the number of share options outstanding (excluding the above warrants) and their related weighted average exercise prices are as follows:

	2010 Number of options	2010 Weighted average exercise price	2009 Number of options	2009 Weighted average exercise price
At 1 July	48,500,558	2.9p	33,630,299	3.6p
Granted	12,859,502	3.2p	19,485,707	3.3p
Exercised	(24,620,075)	0.9p	(1,478,804)	1.0p
Lapsed	(1,668,261)	7.9p	(3,136,644)	13.7p
<b>At 30 June</b>	<b>35,071,724</b>	<b>3.5p</b>	<b>48,500,558</b>	<b>2.9p</b>

The weighted average share price at the date of exercise for options exercised during the year was 16.3p (2009: 5.4p). At 30 June 2010, 1,964,727 options were exercisable (2009: 2,190,821). Options outstanding at 30 June 2010 have a range of exercise prices of 0p to 22p (2009: 0p to 22p).



## Notes to the Consolidated Financial Statements (continued)

### Assumptions used in the valuation of share-based payment, including warrants

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 have 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 following table gives the assumptions made during the year ended 30 June 2010, and the comparative year:

Scheme Name	PSP	PSP	PSP	PSP	Sharesave	Warrants	MOP
Grant date	28 April 2010	28 April 2010	25 March 2010	25 March 2010	10 Nov 2009	8 Oct 2009	29 Sept 2009
Share price at issue date	£0.19	£0.19	£0.1625	£0.1625	£0.135	£0.145	£0.1225
Exercise price	£0.1615	£0.01	£0.01	£0.01	£0.112	£0.07	£0.125
Fair value per option	£0.0896	£0.1824	£0.15626	£0.1053	£0.0492	£0.0836	£0.0173
Number granted	1,000,000	1,000,000	3,000,000	3,000,000	795,675	2,500,000	380,000
Valuation method	Monte Carlo	Black Scholes	Black Scholes	Monte Carlo	Black Scholes	Black Scholes	Monte Carlo
Vesting hurdles	TSR hurdles as set out below	Staff must remain as employees of Monitise for options to vest	Staff must remain as employees of Monitise for options to vest	TSR hurdles set out below	Staff must remain as employees of Monitise and continue to contribute for the options to vest	Time restrictions as detailed above	TSR hurdles as set out below
Risk free rate used in valuation	4.50%	4.50%	4.50%	4.50%	2.10%	1.00%	2.70%
Expected dividend yield used in valuation	-	-	-	-	-	-	-
Volatility used in valuation	45%	45%	45%	45%	45%	45%	45%
Expected life (years)	3.00	3.00	3.00	3.00	3.25	1.75	6.00
Expected exercise date used in valuation	29 April 2013	29 April 2013	25 Mar 2013	25 Mar 2013	1 Dec 2012	8 July 2011	29 Sept 2012

Scheme Name	PSP	PSP	Warrants	Sharesave	PSP	DAB	Warrants
Grant date	29 Sept 2009	08 Apr 09	20 Nov 08	25 Oct 08	14 Oct 08	04 Sept 08	14 Jul 08
Share price at issue date	£0.123	£0.0338	£0.055	£0.076	£0.0613	£0.0613	£0.1075
Exercise price	£0.01	£0.01	£0.01	£0.095	£0.01	£0.00	£0.135
Fair value per option	£0.0828	£0.0185	£0.04585	£0.02069	£0.0362	£0.0735	£0.02147
Number granted	3,683,827	200,000	363,636	5,223,123	13,470,000	592,584	5,745,025
Valuation method	Monte Carlo	Monte Carlo	Black Scholes	Black Scholes	Monte Carlo	Monte Carlo	Black Scholes
Vesting hurdles	TSR hurdles as set out below	TSR hurdles as set out below	Time restrictions as detailed above	Staff must remain as employees of Monitise and continue to contribute for the options to vest	TSR hurdles as set out below	TSR hurdles as set out below	Time restrictions as detailed above
Risk free rate used in valuation	2.10%	2.15%	4.51%	4.51%	4.51%	4.38%	4.51%
Expected dividend yield used in valuation	-	-	-	-	-	-	-
Volatility used in valuation	45%	45%	45%	45%	45%	45%	45%
Expected life (years)	3.00	2.00	1.90	3.25	1.00-5.00	3.00	2.00
Expected exercise date used in valuation	29 Sept 2012	08 Apr 2012	14 July 2010	01 Dec 2011	14 Oct 2009	04 Sept 2011	14 Jul 2010

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 with market capitalisation between £30 million and £50 million, which may not necessarily be the actual outcome. The risk free interest rate is the expected return on UK Gilts over the expected term of the options.

### Performance Conditions

Except as detailed in the above table for certain options issued on 28 April 2010, and 25 March 2010, or as specified below, vesting of the Deferred Annual Bonus Plan, Performance Share Plan and Monitise Option Plan is dependent on performance conditions based on the Total Shareholder Return (TSR) growth measured against the FTSE Techmark 100 index constituents over a three year period or annually under the term of the five year Performance Share Plan. The Remuneration Committee has set a vesting schedule which provides for 30 per cent vesting at the median TSR point for FTSE Techmark 100 constituents rising on a straight-line basis to 100 per cent vesting at the upper quartile point for FTSE Techmark 100 constituents. 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 TSR performance.

On 25 March 2010, shareholders approved certain amendments to the following grants at a general meeting which amounted to an overall one off charge of £2,306,000 being expensed in the statement of comprehensive income:

- 1,544,318 options in the DAB scheme which were granted on 2 July 2007 were accelerated and vested immediately on 25 March 2010. The performance conditions attached to these options were also waived. The amendment of these options led to an incremental expense of £270,000 representing the IFRS 2 cancellation charge and vesting expense of the amended options. The amended options were valued using a Black Scholes model, with an exercise price £0.01, expected volatility of 45%, and a risk free rate of 4.5%. A dividend yield of nil was input into the calculations with options vesting immediately.
- 12,392,944 options in the PSP scheme which were granted on 2 July 2007 were accelerated and vested immediately on 25 March 2010. The performance conditions attached to these options were also waived. The amendment of these options led to an incremental expense of £2,036,000 representing the IFRS 2 cancellation charge and vesting expense of the amended options. The modified options were valued using a Black Scholes model, with an exercise price £0.01, expected volatility of 45%, and a risk free rate of 4.5%. A dividend yield of nil was used in the calculations with options vesting immediately.

There is a 24 month lock-in on the retained shares (after sufficient are sold to cover the exercise price and tax and national insurance liabilities) in relation to the PSP and DAB options that vested on 25 March 2010.

Also on 25 March 2010, all the outstanding share options in the MRP scheme were accelerated and vested immediately. 5,297,543 options vested under this amendment. The modification of these options led to an incremental expense of £76,000 representing accelerated vesting.

The total share-based payments charge in is £3,776,000 (2009: £1,754,000), of which £2,382,000 relates to the one off charge incurred above.

### 25. Employee Benefit Expense and Directors' Emoluments

	2010 £'000	2009 £'000
<b>Employees (including Directors)</b>		
Wages and salaries	8,017	7,111
Social security costs	1,030	783
Share-based payments	3,549	1,754
Pension costs – defined contribution plans	203	180
	<b>12,799</b>	<b>9,828</b>
<b>Average number of employees (including Directors)</b>		
Management and administration	32	36
Sales and technical	57	63
	<b>89</b>	<b>99</b>

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

## Notes to the Consolidated Financial Statements (continued)

### Company

The average number of staff directly employed by the Company during the year, including Executive Directors was 2 (2009: 2).

	2010 £'000	2009 £'000
<b>Directors' Emoluments</b>		
Aggregate emoluments	1,203	930
Gain made on exercise of share options <sup>1</sup>	2,943	5
Pension contributions	26	19
	<b>4,172</b>	<b>954</b>

	2010 £'000	2009 £'000
<b>Emoluments of the Highest Paid Director</b>		
Aggregate emoluments, including £1,265,000 (2009: £nil) in respect of gain made on exercise of share options <sup>1</sup>	1,768	315
Pension contributions	11	7
<b>Total</b>	<b>1,779</b>	<b>322</b>

<sup>1</sup>There is a 24 month lock-in on the retained shares (after sufficient were sold to cover the exercise price, PAYE tax and both individual and company national insurance liabilities) in relation to the PSP and DAB options that vested on 25 March 2010, see note 24 for further details.

The number of directors who are accruing benefits under defined contribution schemes is 3 (2009: 3). Further information in respect to individual Director emoluments is given in the Remuneration report on page 15.

### 26. Taxation

	2010 £'000	2009 £'000
<b>Recognised in the statement of comprehensive income :</b>		
Current tax:		
Current year	207	-
Adjustments for prior years	-	-
Impact of consideration received for tax losses surrendered	-	-
	207	-
Deferred tax:		
Origination and reversal of timing differences: see note 19	66	-
<b>Total tax in the statement of comprehensive income</b>	<b>273</b>	<b>-</b>

### Reconciliation of effective tax rate

The tax on Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the Group as follows:

	2010 £'000	2009 £'000
Loss before tax	(17,043)	(13,127)
Tax using the UK corporation tax rate of 28% (2009: 28%)	(4,772)	(3,676)
Effects of:		
Expenses not deductible for tax purposes	1,610	641
Income not deductible for tax purposes	(274)	-
Tax losses for which deferred tax asset has not been recognised	3,519	3,197
Foreign tax differences	(83)	(162)
Research and development tax credit received	375	-
Deferred taxation credit	66	-
Overseas withholding tax suffered	(168)	-
<b>Total tax in the statement of comprehensive income</b>	<b>273</b>	<b>-</b>

The Group has an unrecognised deferred tax asset of £11.0 million (2009: £6.9 million) that is 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 any deferred asset.

### 27. Reconciliation of Net Loss to Net Cash Utilised by Operating Activities

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Loss before income tax	(17,043)	(13,127)	(4,345)	(2,398)
Adjustments for:				
Depreciation	375	210	-	-
Amortisation	745	363	-	-
Share-based payments	3,776	1,754	2,798	1,268
Profit on acquisition of joint ventures	(956)	-	-	-
Finance income – net	(65)	(604)	(334)	(533)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):				
Trade and other receivables	1,678	(2,116)	(53)	(152)
Trade and other payables	(2,581)	2,124	(172)	292
<b>Cash utilised in operations</b>	<b>(14,071)</b>	<b>(11,396)</b>	<b>(2,106)</b>	<b>(1,523)</b>

### 28. Company the statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account, statement of comprehensive income and related notes. The loss for the financial year of the Company was £4,346,000 (2009: £2,398,000).

## Notes to the Consolidated Financial Statements (continued)

### 29. 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 expiring as follows:

	2010 £'000	2009 £'000
Within one year	285	170

There is no material difference between the minimum lease payments due and their fair value. 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, 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 infringement claim against Monitise International Limited (formerly known as Monitise Limited) and other related parties. Following advice from leading counsel, the Directors believe that the Monitise Business's activities in the UK do not infringe any valid claim of Mobile VPT's Patent and that the Mobile VPT Patent may be invalid. As a result, and in line with the fact that there has been no adverse movement since the proceedings in this case were stayed in October 2007 no provision has been reflected in the financial statements.

#### Guarantees

As part of the joint venture arrangements entered into by the Group (see note 13), 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.

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

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

### 30. Acquisitions

#### Monitise Europe Limited (previously named Monilink Limited)

On 21 August 2009, the Group acquired an additional 50% of the issued share capital in its joint venture, Monitise Europe Limited (previously named Monilink Limited) from its joint venture partner VocaLink Limited for an initial cash consideration of £1,500,000 payable in three equal instalments over 3 years, which has been discounted to £1,477,000. The first payment of £500,000 was made in the year. A further £124,000 discounted contingent consideration has been provided which is dependent on certain financial performance criteria being met. The undiscounted potential payment under the contingent consideration criteria ranges from £nil to £1,500,000.

The Group has made this acquisition to take full ownership of its core business operations in its home market, including all future revenues, as the global mobile money industry accelerates. This opportunity does not wholly translate into separately identifiable intangible assets, but represents much of the assessed value within Monitise Europe Limited supporting the recognised goodwill.

In the period from acquisition to 30 June 2010, Monitise Europe Limited contributed revenue and loss after tax of £2.9 million and £2.2 million respectively to the Group consolidated results. If the acquisition had occurred on 1 July 2009, combined Group sales and loss for the period would not have been materially different.

The amount of the equity interest held by Monitise Group Limited in Monitise Europe Limited immediately before the acquisition had a fair value of £1,601,000 and the gain on such fair valuation recognised in the statement of comprehensive income as an 'exceptional gain' was £956,000.

The Monitise Europe Limited acquisition had the following effect on the Group's assets and liabilities, with 50% of the book value of the identified assets and liabilities brought into the consolidated statement of financial position:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Intangible assets	218	1,967	2,185
Property, plant and equipment	216	-	216
Receivables	424	-	424
Payables	(708)	(551)	(1,259)
Cash and cash equivalents	1,141	-	1,141
	1,291	1,416	2,707
Fair value of 50% interest previously held			(1,601)
Consideration			(1,601)
Goodwill recognised			495
Consideration satisfied by:			
Cash paid			500
Discounted deferred cash consideration			977
Discounted contingent consideration			124
			1,601

No adjustments for accounting policy alignments were required.

A deferred tax liability of £551,000 on the capitalisation of the intangible assets has been created on acquisition.

The intangible assets capitalised as part of the acquisition of Monitise Europe Limited will be amortised over a period of seven years and can be analysed as follows:

	£'000
Licence	773
Customer contracts	1,194
	1,967

The calculation of the fair values of assets and liabilities such as goodwill, deferred consideration and intangible assets as well as the assessment of any impairment to fair values generally, involve estimations of likely future cash flows deriving 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.

#### Monitise Asia Pacific Limited

On 6 April 2010, the Group acquired 50% of the issued share capital of Market Champion Limited from FE Mobile Investments Limited for cash consideration of £9,000 representing the nominal value of the shares purchased. The Group has made this acquisition to enable it to set up a joint venture in Asia Pacific, and the company changed its name to Monitise Asia Pacific Limited.

If the acquisition had occurred on 1 July 2009, combined Group sales and loss for the period would not have been materially different.

#### Monitise International Limited

On 21 August 2009, the Group purchased 15 shares of Monitise International Limited for the nominal value of £15, giving the Group 100% ownership of the share capital of the company.

**31 Disposals**

**Monitise India Private Limited**

On 22 June 2010, the Group diluted its interest in Monitise India Private Limited to 50% of the issued share capital in order to utilise this entity as a joint venture vehicle in India: see note 13. The dilution has resulted in a profit on disposal of £21,000 which has been accounted for within administrative expenses.

**Monitise Hong Kong Limited**

On 1 April 2010, the Group disposed of its interest in Monitise Hong Kong Limited to Monitise Asia Pacific Limited for HK\$1 representing the nominal value of the issued share capital.

**32 Events after the balance sheet date**

**Equity Transactions**

On 30 July 2010, the Group issued 42 million new Ordinary shares as part of a subscription agreement with existing share holders, Visa International Service Association, a subsidiary of Visa Inc. and First Eastern (Holdings) Limited. In addition, on the same day, the Group issued 113,971,200 new Ordinary shares as part of a placement with new and existing shareholders.

As a result £32.4 million (before expenses) has been raised and, taken together with year end cash balances of £13.2 million, provide the Group with a total cash position in excess of £42 million as at the date of receipt of funds. The Directors believe that this new subscription and placement will provide additional flexibility for the Group to continue to implement its development strategy and grow its business in a number of territories.

> **Company Information**

<b>Registered Office</b>	Warnford Court 29 Throgmorton Street London EC2N 2AT
<b>Nominated Advisor &amp; Broker</b>	Evolution Securities Limited 100 Wood Street London EC2V 7AN
<b>Joint broker</b>	Piper Jaffray Limited Fifth Floor One South Place London, EC2M 2RB
<b>Financial advisors</b>	Fleming Family and Partners 15 Suffolk Street London SW1Y 4HG
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
<b>Registrars</b>	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA