

monitise™

ANNUAL REPORT 2011

MONITISE PLC



Company Number: 06011822



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BREAKTHROUGH YEAR FOR MONITISE

**GROWING
ORDER BOOK
WITH £78M
SECURED**

**REVENUES
DOUBLED AND
ON TRACK TO
DOUBLE AGAIN
IN 2012**

**PROFITS
ACCELERATE
IN LIVE
OPERATIONS**

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CHAIRMAN'S WELCOME



Duncan McIntyre
Chairman

“ Monitise is well positioned to deliver ongoing value for our shareholders. ”

The Board is delighted with these results and the performance of the team. It has been a year of growth across the business and across the globe.

The Group is hitting key targets as our live operations now deliver profit, we deepen our partnerships with Visa Inc. and RBS Group, and form new partnerships with Visa Europe and Astra, among others.

During the year our Board has been strengthened and, as well as welcoming our new Non-Executive Directors, I would like to thank Jan Verplancke for his contribution over the last three years.

The business is increasingly well positioned to deliver ongoing value for our shareholders. Monitise is on track to breakeven in 2013 and we look to the future with confidence as our momentum continues.

CHIEF EXECUTIVE'S BUSINESS REVIEW



Alastair Lukies
Chief Executive Officer

“ We are a high growth company and a market leader in the mobile money space just as it hits its own tipping point. ”

We have built a robust, secure, interoperable bank-grade technology platform that, combined with our world-leading product roadmap, is relevant in all parts of the globe.

The breadth and strength of our global strategic alliances validate that our strategy is working worldwide across mobile banking, payments and commerce. Revenues are more than double those of the previous year and we are seeing accelerating profit growth across our live operations. We will continue to invest in the business, the Group is debt free and we are excited about the opportunities ahead.

OVERVIEW

“ This has been a breakthrough year for Monitise. ”

We've achieved profitability in our live operations and deepened, broadened and entered new partnerships and agreements worldwide.

The order book has now hit £78m, more than six times the £13m booked at June 2010. Full year revenues were £14.0m (\$23.0m), an increase of 133% from £6.0m (\$9.9m) in 2010.

Monitise continues to perform well, with significant growth in development and integration revenue providing a broadening foundation for future growth in user generated revenues. Our continued investment to maximise opportunities from the growing global mobile money market is reflected in the loss for the full year of £14.5m (2010: £16.8m).

Some 500m mobile banking users are predicted globally by 2015 (Yankee Group, June 2011) while Juniper Research (July 2011) forecasts that the total value of mobile payments for digital and physical goods, money transfers and NFC transactions will reach \$670bn by 2015.

In this transformational year, our strategic partnership with Visa Inc. was strengthened by a new five-year Global Alliance Agreement; we entered a new strategic agreement with Visa Europe; deepened our existing strategic relationship with RBS; created a joint venture for mobile shopping with Best Buy Europe and Charles Dunstone; and entered a joint venture with Indonesia's Astra.

Monitise now has more than 4.5m registered customers, more than double the number of registered customers from a year ago.

The strength of our growing partnerships is a validation that our strategy is working worldwide, as we focus on working closely with banking and payments infrastructures to help them defend and extend their position at the heart of convergent commerce.

LIVE OPERATIONS

We continue to build a positive trajectory of growth across live operations.

Monitise UK

Monitise UK reached month-on-month cash break-even at the close of H1, in line with our published milestones.

Monitise UK provides services to banks covering more than 55% of the UK retail banking population and works to assist UK banks and financial institutions to defend and extend their role at the centre of the mobile payments infrastructure. We continue to pursue and deepen existing relationships with banks and target new opportunities across the UK.

Post year-end, Monitise strengthened its existing strategic relationship with RBS Group by entering a new five-year global strategic partnership. The new contract covers all RBS Group divisions, including RBS and NatWest UK Retail, Citizens Bank US, Ulster Bank and RBS Global Corporate and Business.

RBS and NatWest launched a new range of smartphone apps, developed by Monitise, in late May 2011. These included a new app built specifically for the iPad, the first banking app for an iPad from a high-street UK bank.

Global Accounts

Global accounts represent the Group's products and services to Monitise's global cross-territory customers, including Visa Inc. and Visa Europe.

Visa Inc.

The long-term relationship we have with Visa Inc. as their strategic mobile partner, was further strengthened in June 2011 by a new five-year agreement worth a minimum of \$50m. The agreement represented an important milestone in Monitise's evolution and marked a pivotal moment for the mobile money market globally, validating our strategy of becoming a leading and trusted enabler in the mobile money space.

The agreement is intended to enable Visa Inc., with 1.9 billion account holders worldwide, to mobilise existing Visa account holders in the US and in other key geographies, creating new mobile solutions that replicate the ease, reliability, and security of traditional Visa payments, via customised applications and through mobile web.

Visa recently announced one of their first major deployments as a result of our partnership, an end-to-end mobile solution for their debit and prepaid processing clients, which goes live this autumn.

Visa Europe

In February 2011, we took a significant step forward in our relationship with the Visa 'family' by entering a multi-year European Alliance Agreement with Visa Europe.

The partnership gives Visa Europe a licence to Monitise's world-leading mobile technology and access to Monitise's mobile development expertise as the chosen development engine for Visa Europe and their 4,600 member banks. Initially, this will include the development of Visa Europe's mobile platform for mobile alerts, account management and loyalty applications, together with mobile contactless payments, mobile e-commerce and person to person payments.

Our scale and investment in technology means we can now support banks in every market where Visa operates around the world.

Monitise Americas

In the US, we have a 49% equity stake in a joint venture, Monitise Americas, with our partner FIS, one of the world's top-ranked technology providers to the banking industry. FIS provides wide coverage of financial institutions throughout the US. Monitise Americas has agreements in place with more than 250 financial institutions offering a wide range of services.

Monitise Americas enjoyed strong growth in consumer demand during the year, processing more than 25 million mobile transactions year-to-date in 2011, from five million transactions in 2010 and 142,000 in 2009.

Following two years of regional roll-out, H&R Block offered mobile SMS services to all their Emerald Prepaid Mastercard consumers for the 2010/11 tax season. The programme was highly successful, saw record consumer adoptions, and was a strong contributor to Monitise Americas' five-fold increase in transactional activity.

Monitise Americas cemented its partnership with US Bank, delivering mobile application support for the AccelaPay prepaid card programme, which received Paybefore's 'Best In Category' award in the 'Best Virtual or Mobile Prepaid Application' category at the 2011 Paybefore Awards. Monitise Americas also received a 2010 Red Herring 100 Global Award, in recognition of commitment to the advancement of mobile finance and technology.

INVESTMENT IN FUTURE OPERATIONS

Monitise Asia Pacific

Our 50/50 joint venture with First Eastern Mobile Investments Limited (part of First Eastern Investment Group), is building momentum as it broadens our business in this fast-growing and dynamic region.

Following our year end, Monitise Asia Pacific entered a joint venture with a subsidiary of Astra, the largest conglomerate in Indonesia, that will see it develop cutting-edge new mobile services for Indonesia's huge population, both banked and unbanked. Permata, one of Indonesia's top-10 banks, has entered into a memorandum of understanding to be the launch bank for the new joint venture.

In Hong Kong, we have partnered with JETCO (Joint Electronic Teller Service Limited), to provide access to 32 banks in Hong Kong and Macau. PCCW mobile will be the launch mobile operator for mobile phone top-up services. PCCW mobile is the mobile communications services business of PCCW Limited, Hong Kong's premier telecommunications provider and a world-class player in Information and Communications Technologies. Our mobile payments service will be extended to other MNOs and service providers.

In China, Monitise Asia Pacific has signed MoUs with Handpay and China Rewards. We have made solid progress on these new partnerships and continue to work through necessary regulatory clearances as we look to move into the world's largest market.



CHIEF EXECUTIVE'S BUSINESS REVIEW CONTINUED

Monitise India

Work is progressing on our launch into the India market of a new mobile payments platform via our 50/50 joint venture with Visa Inc. announced in June 2010. Transaction revenues are expected to commence later this year and further announcements are expected over coming months.

During the second half of the year, Monitise separately launched its first mobile money services in India with a range of smartphone and Java apps developed for Standard Chartered Bank, powered by our mobile banking technology platform.

Monitise Africa

Monitise was granted a provisional licence by the Central Bank of Nigeria in December 2010 and successfully launched a mobile payments pilot in four cities and 11 rural locations earlier this year.

In August 2011, the central bank granted Monitise a full Mobile Payments System Provider licence to operate mobile money services in the country. The platform can easily be configured to offer savings, pensions, loan repayments and insurance products by financial institutions.

We will continue to work closely with the Central Bank of Nigeria and our local partners to extend the services we offer and to enable anyone in Nigeria with a mobile handset to access a broad range of mobile financial services.



Mobile Money Network

In the UK, together with Best Buy Europe and with the personal backing of The Carphone Warehouse founder, Charles Dunstone, Monitise has created a new joint venture to form the 'Mobile Money Network' (MMN). Monitise holds 40% in the venture and is developing the technology platform. MMN has been set up as a new business developing mobile services that bring together a network of retailers, banks and advertisers in a simple, unified and innovative way to discover and buy goods and services using their mobile phone.

During the second half of the year, MMN announced that Sir Stuart Rose has been appointed Non-Executive Chairman with Lord Davies of Abersoch appointed as a Non-Executive Director. Lord Davies is former Minister of State for Trade Promotion and Investment and former Chairman of Standard Chartered plc.

The forthcoming rollout of MMN's first service, 'Simply Tap', is due in the autumn with pilot rollouts anticipated before then.

Investment in Technology Platform

Monitise continues to invest in line with our Group strategy, to drive growth and value. This investment spans future operations and business development including the Mobile Money Network, India and our Asia Pacific joint ventures. It also includes our ongoing investment in the development, maintenance and enhancement of our technology platform in order to maintain and extend our market leadership via flexible connectivity between the infrastructures of leading financial institutions and payment systems.

BOARD APPOINTMENTS

Elizabeth Buse joined the Board in July 2010. She is a member of the Executive Team and the Group President, AP and CEMEA, for Visa Inc., overseeing Visa's global sales and client service functions across Asia-Pacific, Central Europe, the Middle East and Africa.

Tim Wade was appointed to the Board as a Non-Executive Director and Chairman of the Audit Committee in January 2011. Tim is an independent Non-Executive Director of investment firm Resolution Limited and Non-Executive Director of Macquarie Bank International Limited.

Sushovan Hussain, Chief Financial Officer of Autonomy Corporation plc, was appointed to the Board as a Non-Executive Director in January 2011, bringing with him a wealth of listed company experience as well as a strong track record in growing a technology business.

Brian McBride was appointed to the Board as a Non-Executive Director effective 1 September, 2011. Brian was previously Managing Director of Amazon.com in the UK and Managing Director of T-Mobile (UK).

Jan Verplancke left the Board on 31 August, 2011, after three years service.

Executive management team appointments

Senior hires have been made across the Group in all key areas and internationally to manage the rapid growth of Monitise.

- Ian Tandy, former Managing Director, Cahoot (Santander Bank) joined Monitise as Group Commercial Director in March 2011
- Paul McCarthy, former Managing Director at Morse plc, joined Monitise as Global Sales Director in September 2010
- Ed Addario, former CTO of COA Solutions and R&D Director at Alphameric, joined Monitise in February 2011 as Managing Director, Group Technology Services
- John Echavarría, former Director of IT at Kaupthing Singer & Friedlander, joined Monitise in June 2011 as Managing Director, Service Delivery
- Lam Wai Yee, the former COO of Asia Online and CEO of Infocom in the Philippines, joined Monitise in August 2010 as Managing Director of Monitise Hong Kong
- Will Jones, former Head of Retail Transformation Implementation at RBS, appointed as General Manager, RBS, in July 2011 after joining Monitise a year earlier

Strategy and Outlook

Our strategy is centred on being the mobile money technology platform of choice for banking and other financial institutions worldwide.

Having established our award-winning and proven, bank-grade technology we remain focused on continuing to invest in our business, developing new products for our clients and signing new strategic partnerships and agreements to further extend our global footprint. We remain committed to helping financial institutions defend and extend their position via anytime anywhere, mobile money management, innovative payments services and engaging, intuitive shopping experiences for the consumer on the move, irrespective of what mobile they choose to use.

Monitise continues to work with our partners on exciting new products which we expect to bring to market in the coming months and to make significant progress as we execute our strategy. The global opportunity for Monitise is far greater than even a year ago and this combined with a step-change increase in our order book is creating substantial momentum for the business, that we will continue to invest in. We have built a well-funded, debt-free business that is making profits across our live operations.

With our growing order book, Monitise is very well placed to achieve our target of doubling revenues again in the current year and moving towards group break-even. With proven investments to date, Monitise continues to deliver value for stakeholders.

Alastair Lukies

Monitise Group Chief Executive Officer

BOARD OF DIRECTORS

Alastair Lukies – CEO and Co-founder (aged 37)

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 60)

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. From 2008 to 2010, John was a Non-Executive Director of the Group, and Chairman of the Audit and Risk Committee, before transferring to his full time role in the Group in April 2010.

Lee Cameron – Chief Commercial Officer (aged 40)

Lee was appointed Chief Commercial Officer in 2010, having previously served as Company Secretary and 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 52)

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 CPP plc and other companies.

David Dey – Senior Non-Executive Director (aged 73)

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. David now chairs a number of start-up companies in telecoms, software and other industry sectors.

Colin Tucker – Non-Executive Director (aged 66)

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 more than 30 years' experience in the telecommunications and electronics industries.

Elizabeth Buse – Non-Executive Director (aged 50)

Elizabeth joined the Board in July 2010. She is a member of the Executive Team and the Group President, AP and CEMEA Executive, for Visa Inc., 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.

Sushovan Hussain – Non-Executive Director (aged 47)

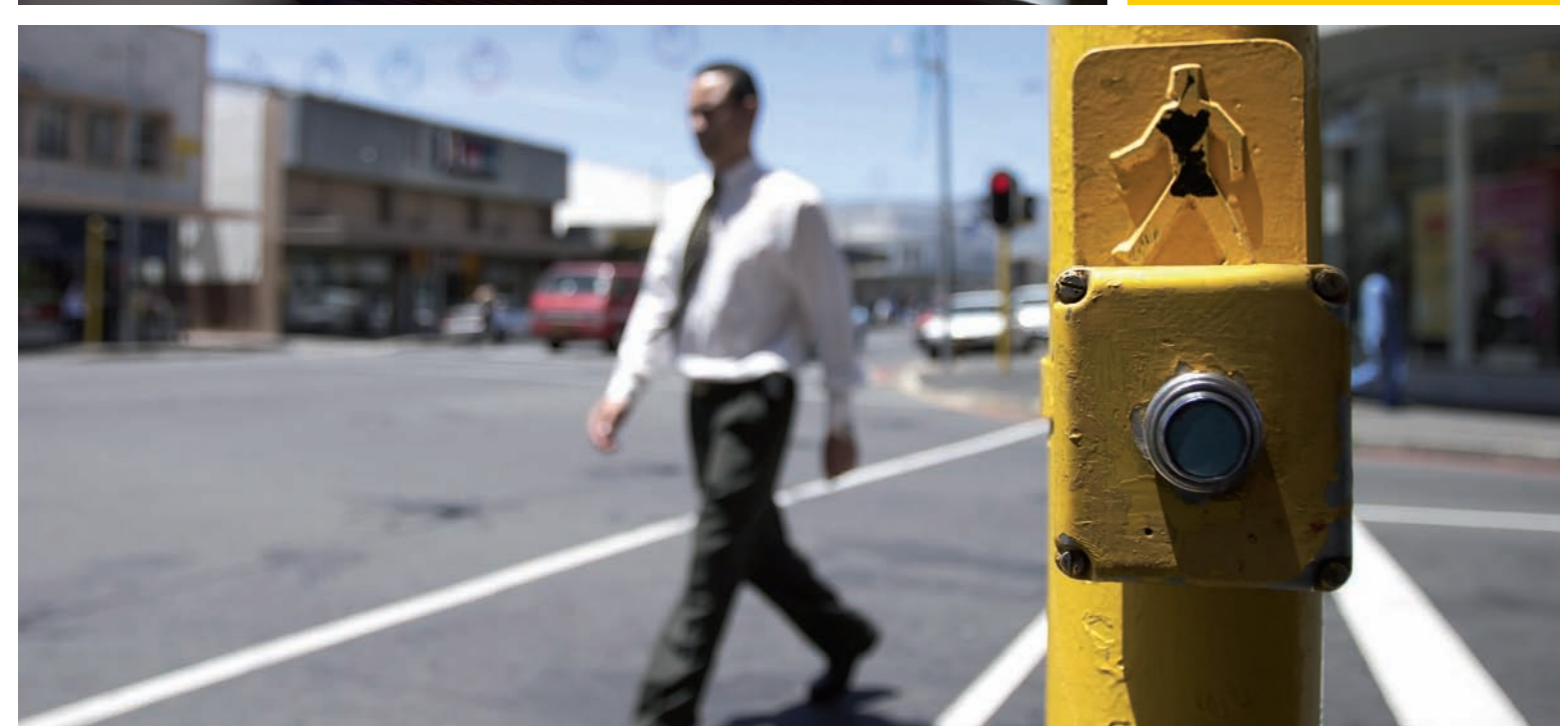
Sushovan was appointed to the Board on 1 January 2011. Sushovan, a qualified accountant, has served as Chief Financial Officer of Autonomy, since June 2001 and brings with him a wealth of listed company experience as well as a strong track record in growing a technology business. Prior to joining Autonomy, Sushovan worked for LASMO, one of the world's largest independent oil and gas exploration companies, where he held a number of senior international financial positions, including a focus on acquisitions and divestments.

Tim Wade – Non-Executive Director (aged 51)

Tim was appointed to the Board on 12 January 2011. Tim, a qualified lawyer and accountant, is an independent Non-Executive director of investment firm Resolution Limited and Non-Executive Director of Macquarie Bank International Limited, where he Chairs the Audit Committee, and Access Bank UK Limited, where he chairs the Credit Committee. He is also the Chief Executive Officer of Finance Pronto Limited, a company focused on loan processing technology.

Brian McBride – Non-Executive Director (aged 55) appointment to the Board effective 1 September 2011

Brian was previously Managing Director of Amazon.com in the UK and brings with him more than 25 years experience in the IT industry. He began his career with Xerox and subsequently worked at IBM, Crosfield Electronics, Madge Networks, Lucent, Dell Computers as Vice President, Northern Europe and as Managing Director of T-Mobile (UK). Brian is currently a Non-Executive Director, Computacenter plc.



FINANCIAL REVIEW

The year to 30 June 2011 was transformational for Monitise:

- Revenues more than doubled to £14m
- Revenue growth in Live Operations drove a £5.7m turnaround in profitability, from an operating loss of £2.5m in 2010 into an operating profit of £3.2m
- Orders received reached record levels, with a current order book as at 1 September 2011 of £78m, six times the level of the previous year end (2010: £13m)
- Following the £31m (net) fund raising at the start of the year, the year-end cash balance including short-term investments, was a healthy £23.6m, debt free



John Brougham
Chief Financial Officer

“Revenues more than doubled to £14m and a £78m order book secured.”

The momentum has continued into the first two months of the new financial year:

- We have won a five-year contract with RBS, announced a Joint Venture in Indonesia with Astra, the country's largest conglomerate, and have been awarded a Mobile Payment System Provider licence to provide services in Nigeria
- Our growing order book means that we are very well placed to achieve our target of doubling revenues again in the current year. The order book covers £14m of revenues already contracted for 2012.

In addition, subject to contract, we expect to generate £9m of revenues from other existing contractual arrangements, as well as generating further revenue from our new business pipeline

FINANCIAL PERFORMANCE

Financial Highlights

Revenues in the year grew by 133% from £6.0m to £14.0m. Development and integration services have increased from £1.4m to £6.0m driven by new business which in turn will lead to future growth in user generated revenues.

User generated revenues have increased by 123% from £2.9m to £6.3m year-on-year, and licence fees remained consistent at £1.7m.

Gross margins remained consistently strong and above our 60% target.

The growth in Live Operations continues to accelerate, with revenues more than doubled year-on-year (up 158%) generating increased operating profits each half year over the last two years, and moving from losses into profit:

Live Operations	2010 H1 £'m	2010 H2 £'m	2011 H1 £'m	2011 H2 £'m
Revenue	1.6	3.2	4.9	7.5
Operating (loss) / profit	(1.6)	(0.9)	0.9	2.3

Live Operations consist of Monitise UK, Monitise Americas and our Global Accounts.

As announced previously, Monitise UK reached month-on-month cash break-even in H1 in line with our published milestones, and is reporting an operating profit of £1.4m for the year. Considerable growth has been recorded within Global Accounts with revenues increasing fourfold, recording an operating profit of £1.7m, and Monitise Americas has made a small operating profit in the year.

In line with our strategy, we are continuing to invest to create value from the burgeoning market opportunities in mobile banking, mobile payments and mobile shopping. We are investing in:

- **Future Operations**, which covers our business development activity and includes our Joint Ventures in India and Asia Pacific and our new Joint Venture, Mobile Money Network, set up in the year to address mobile shopping opportunities in the UK. Net operating spend in this area was £6.8m in the year, £4.0m higher than in 2010, reflecting the growing market opportunities
- **Our technology platform**, with £6.8m (2010:£4.9m) spent to maintain and extend our market leading position
- The strength and depth of our management team and staff to ensure that we continue to win new business and successfully manage exponential growth. Spend in the year on central functions was £5.3m (2010 £4.1m)

The Group has reported an operating loss, excluding share-based payments and prior year exceptional gain, of £15.7m (2010: £14.3m) with H1 accounting for £7.9m of this loss (2010 H1: £6.9m) and H2 of £7.8m (2010 H2: £7.4m). A more detailed financial breakdown of the operating segments in Monitise is shown in note 5.

In line with the requirements of IFRS 2, we have recognised a non-cash charge of £1.7m for share-based payments (2010: £3.8m).

Statutory operating loss for the Group was £17.5m (2010: £17.1m), and loss for the year was £14.5m (2010: £16.8m).

Tax

As a result of the move to profitability in our UK Live Operation, we have recognised a deferred tax asset for historic losses to be utilised, resulting in a tax credit of £1.9m. Details can be found in note 19.

Loss Per Share

The basic and diluted loss per share was 2.1p (2010: loss 3.7p). Details can be found in note 23.

Cash Flow and Funds

£31.0m (net) was raised in July 2010 through a subscription and placing agreement for new shares.

The cash outflow from operating activities, including the Group's share of joint venture activities, was £13.3m (2010: £13.9m), with a reducing trend in H2 at £5.7m against £7.6m in H1.

The cash outflow from capital expenditure was £7.0m (2010: £1.1m) with the increase in spend primarily driven by capitalised development costs critical in securing long-term revenues from our newly signed strategic contracts.

The Group remains debt free.

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

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 2010.

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 and Risk	Remuneration	Nominations
Executive Directors:					
A Lukies	Chief Executive Officer	Member	-	-	-
L Cameron	Chief Commercial Officer	Member	-	-	-
J Brougham	Chief Financial Officer	Member	-	-	-
Non-Executive Directors:					
D McIntyre ¹	Non-Executive Director	Chairman	-	-	Chairman
D Dey	Non-Executive Director	Member	Member	Member	Member
C Tucker ^{2,5}	Non-Executive Director	Member	Member	Chairman	Member
E Buse ³	Non-Executive Director	Member	-	-	-
S Hussain ⁴	Non-Executive Director	Member	-	Member	-
T Wade ⁵	Non-Executive Director	Member	Chairman	-	-

¹ D McIntyre resigned as a member of the Audit and Risk Committee on 12 January 2011.

² C Tucker was appointed Chairman of the Remuneration Committee on 8 December 2010.

³ E Buse was appointed to the Board on 30 July 2010.

⁴ S Hussain was appointed as a member of the Remuneration Committee on 1 January 2011.

⁵ T Wade was appointed as Chairman of the Audit and Risk Committee on 12 January 2011, and C Tucker resigned as interim Chairman on that date.

P Radcliffe resigned as a Non-Executive Director on 8 December 2010 to take up a management role within the Group. J Verplancke resigned as a Non-Executive Director effective from 31 August 2011. B McBride was appointed to the Board as a Non-Executive Director effective 1 September 2011.

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, T Wade, S Hussain, C Tucker and B McBride 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. 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 run by the Nominations Committee, involving preparing a description of the role and capabilities required for any particular Board appointment and identifying and nominating for approval by the Board candidates to fill Board vacancies as they arise.

The composition of the Board is regularly reviewed to ensure that it is of an appropriate size, scale and balance as the Group continues to expand. During the year, three new Non-Executive Directors have been appointed.

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; and
- 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, which has been in place throughout the financial year through to the date of approval of the financial statements.

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 and Risk Committee

The members of the Audit and Risk Committee are T Wade, who was appointed to the Committee as Chairman on 12 January 2011, C Tucker, who resigned as Chairman on the same date, and D Dey. D McIntyre resigned from the Committee on 12 January 2011.

The Committee met three times during the year to fulfil its duties and there were no absences from the meetings. The Chairman, Chief Executive Officer, Chief Financial Officer, Chief Commercial 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.

CORPORATE GOVERNANCE CONTINUED

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, including regulatory changes, such as the Bribery Act introduced in July 2011;
- reviewed the appropriateness of the Company's accounting policies;
- reviewed the requirement for an internal audit function; and
- reviewed the scope, effectiveness, independence and objectivity of the external auditors PricewaterhouseCoopers LLP.

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 and Risk Committee has the discretion to vary and review any tendering process for the audit, currently anticipated every five years. The Audit and Risk 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 C Tucker, who was appointed Chairman on 8 December 2010, D Dey and S Hussain, who was appointed to the Committee on 1 January 2011. P Radcliffe resigned from the Committee on 8 December 2010 to take up a management role within the Group.

The Committee met six 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, D Dey and D McIntyre who chairs the Committee. P Radcliffe was a member of the Committee until he resigned from the Board on 8 December 2010 to take up a full time position within the Group. The Committee met four times 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 E Buse, S Hussain, T Wade and B McBride as Non-Executive Directors at the Committee meetings on 30 July 2010, 7 December 2010, 12 January 2011 and 31 August 2011 respectively.

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 and Risk, Remuneration and Nominations Committees are also available to answer shareholders' questions.

Notice of the date of the 2011 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.

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. This has been enhanced in the year through the formation of the Group Executive Board ('GEB'), comprising the Chief Financial Officer, the Chief Commercial Officer and the Chief Information Officer which meets weekly to make key non-strategic executive decisions.

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 and Risk Committee has reviewed and considered the Company's requirement for an internal audit function. The Committee decided that given the significant growth and increased complexity within the Group, this was now required to help ensure that the key operational and business support processes and contracts remain efficient and effective, founded on sound 'fit for purpose' controls. A Head of Internal Audit has been recruited, and began employment in May 2011 reporting directly to the Committee.

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 cash resources of the Group as detailed in note 15, 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.

DIRECTORS' REMUNERATION REPORT

Introduction

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

Remuneration Committee

The Remuneration Committee comprises C Tucker, who was appointed Chairman of the Committee on 8 December 2010, D Dey and S Hussain, who was appointed to the Committee on 1 January 2011. P Radcliffe resigned from the Committee on 8 December 2010 in order to take up a full time role within the Group.

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 with maximum bonus requiring achievement of significant stretch targets. 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. The Non-Executive Directors are appointed for an initial term of one year and may be reappointed annually thereafter. Prior to his resignation as a Non-Executive Director, the Company was party to 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 2011	Year to 30 June 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors:						
A Lukies	275	193	2	14	484	514
J Brougham ¹	200	92	3	-	295	78
L Cameron	200	84	1	10	295	285
Non-Executive Directors:						
D McIntyre	150	-	3	-	153	102
D Dey	50	-	-	-	50	30
P Radcliffe ²	21	-	-	-	21	30
C Tucker	50	-	-	-	50	30
J Verplancke ⁶	-	-	-	-	-	-
E Buse ³	-	-	-	-	-	-
S Hussain ⁴	25	-	-	-	25	-
T Wade ⁵	24	-	-	-	24	-
Total Remuneration	995	369	9	24	1,397	1,069

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

² P Radcliffe resigned from the Board on 8 December 2010 to take up a full time role within the Group. The remuneration has been included up to this date. In addition, the Group paid £16,500 for consultancy services to P Radcliffe (2010: £7,500), see note 16.

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

⁴ S Hussain was appointed to the Board on 1 January 2011.

⁵ T Wade was appointed to the Board on 12 January 2011.

⁶ J Verplancke resigned as a Non-Executive Director effective from 31 August 2011.

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 pre-tax gain of £880,000 on exercise of these options and L Cameron made a pre-tax gain of £44,000. During the comparative year, A Lukies made a pre-tax gain of £1,264,559 on exercise of options, L Cameron made a pre-tax gain of £197,927, and D McIntyre made a pre-tax gain of £1,386,364.

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 2010	Granted/ (Exercised) during the year	Options held at 30 June 2011	Exercise price	Earliest exercise date	Expiry date
Performance Share Plan								
A Lukies	Oct 2008	6.1p	10,000,000	(4,000,000)	6,000,000	1.0p	Oct 2009 - Oct 2013	Oct 2018
	Mar 2010	16.3p	2,000,000	-	2,000,000	1.0p	Mar 2013	Mar 2020
	Sept 2010	23.0p	-	3,000,000	3,000,000	1.0p	Sept 2013	Sept 2020
L Cameron	Oct 2008	6.1p	500,000	(200,000)	300,000	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
	Sept 2010	23.0p	-	2,000,000	2,000,000	1.0p	Sept 2013	Sept 2020
J Brougham	Apr 2010	19.0p	1,000,000	-	1,000,000	1.0p	Apr 2013	April 2020
	Apr 2010	19.0p	1,000,000	-	1,000,000	16.2p	Apr 2013	April 2020
	Sept 2010	23.0p	-	1,000,000	1,000,000	1.0p	Sept 2013	Sept 2020
Deferred Annual Bonus Plan								
A Lukies	Sept 2008	6.1p	48,028	-	48,028 ¹	0.0p	Sept 2011	Sept 2018
	Sept 2008	6.1p	48,028	-	48,028 ²	0.0p	Sept 2011	Sept 2018
D McIntyre	Sept 2008	6.1p	50,555	-	50,555 ¹	0.0p	Sept 2011	Sept 2018
	Sept 2008	6.1p	50,555	-	50,555 ²	0.0p	Sept 2011	Sept 2018
L Cameron	Sept 2008	6.1p	39,375	-	39,375 ¹	0.0p	Sept 2011	Sept 2018
	Sept 2008	6.1p	39,375	-	39,375 ²	0.0p	Sept 2011	Sept 2018
Sharesave Scheme								
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

¹This represents the deferred bonus share award.

²This 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 2011 was 30.0p (2010: 18.6p) and the range of market prices during the year was 17.75p to 30.0p (2010: 6.8p to 24.5p).

Colin Tucker

Chairman of the Remuneration Committee
31 August 2011

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2011.

Principal Activities

The principal activity of the Group is as a technology company delivering mobile banking, payments and commerce networks worldwide. 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 prior 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 2 and in the Chief Executive's Business Review on pages 2 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 22. The Directors do not recommend the payment of a dividend (2010: £nil).

Directors and Directors' Interests

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

Executive Directors:

A Lukies
J Brougham
L Cameron

Non-Executive Directors:

D McIntyre
D Dey
E Buse¹
S Hussain²
P Radcliffe³
C Tucker
J Verplancke⁵
TWade⁴

¹ E Buse was appointed to the Board as a Non-Executive Director on 30 July 2010.

² S Hussain was appointed to the Board as a Non-Executive Director on 1 January 2011.

³ P Radcliffe resigned from the Board on 8 December 2010, to take a full time role in the Group.

⁴ T Wade was appointed to the Board as a Non-Executive Director on 12 January 2011.

⁵ J Verplancke resigned from the Board effective from 31 August 2011.

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 2011 Number of Shares	30 June 2010 Number of Shares
A Lukies	4,424,222	3,869,039
J Brougham	316,435	316,435
L Cameron	519,127	941,368
D McIntyre ¹	24,479,504	24,479,504
D Dey	603,878	493,658
C Tucker	363,635	363,635
S Hussain	100,000	-
J Verplancke	-	-
E Buse	-	-
T Wade	-	-

¹ Included in D McIntyre's beneficial interest are 352,234 (2010: 352,234) Ordinary shares held in trust for his children.

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

Substantial Shareholdings

As at 26 August 2011, the Company had been notified of the following interests of 3% or more of its issued Ordinary share capital:

Shareholders	%	Number of Ordinary Shares
Visa Inc	14.2	99,753,000
Norges Bank	6.0	42,346,577
Standard Chartered Bank plc	5.4	37,941,680
3i Group plc	4.5	31,962,999
First Eastern (Holdings) Limited	3.9	27,192,307
Duncan McIntyre	3.5	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; and
- 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 £5,000 (2010: £16,000) to a variety of charities, including medical charities and support for careers of young people in the technology sector. The Group made no political donations (2010: £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 10 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.

DIRECTORS' REPORT CONTINUED

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.

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 49 creditor days at 30 June 2011 (2010: 65 creditor days).

Annual General Meeting

The Annual General Meeting will be held at 26 Southampton Buildings, Holborn Gate, London WC2A 1PB on 12 October 2011 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. There has also been a programme of bringing in new executive talent into the Group in the year 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.

The delivery of software that is fit-for-purpose and the operation of a managed service that meets all customer requirements is critical for success as the Group continues to mature. The Group is structured and operated in such a way to minimise risks when delivering new software to ensure development is tightly managed. The Group maintains maximum compatibility across regions, ensuring that the Group can leverage services in multiple territories in a cost effective manner.

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 including the Group Executive Board ('GEB'), 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 (including the level of order intake), 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, the order intake 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 2 and 9.

Disclosure of Information to Auditors

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

- (a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) 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
31 August 2011

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 2011 which comprise the Consolidated and Parent Company Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Changes in Equity 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 parent 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
31 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Note	£'000	£'000
Revenue	5	14,042	6,019
Cost of sales		(5,271)	(2,213)
Gross profit		8,771	3,806
Distribution costs		(3,777)	(2,502)
Administrative expenses before share-based payments*		(20,740)	(15,592)
Operating loss before exceptional gain and share-based payments charge	5	(15,746)	(14,288)
Share-based payments *	24	(1,740)	(3,776)
Exceptional gain on acquisition of subsidiary	30	-	956
Operating loss	6	(17,486)	(17,108)
Net Finance income	8	270	65
Loss before income tax		(17,216)	(17,043)
Income tax	26	2,738	273
Loss for the year attributable to the owners of the parent		(14,478)	(16,770)
Other comprehensive income			
Currency translation differences on consolidation		(38)	(77)
Total comprehensive income for the year attributable to the owners of the parent		(14,516)	(16,847)
Loss per share attributable to the owners of the parent during the year (expressed in pence per share):			
– basic and diluted	23	(2.1)	(3.7)

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).

The notes on pages 27 to 57 are an integral part of these consolidated financial statements.

* Total administrative expenses after share-based payments for the year ended 30 June 2011 is £22,480,000 (2010: £19,368,000).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,855	931
Intangible assets	10	6,796	2,725
Deferred tax assets	19	1,935	-
		11,586	3,656
Current assets			
Short term investments	13	10,000	-
Trade and other receivables	14	6,995	4,187
Cash and cash equivalents	15	13,623	13,218
		30,618	17,405
Total assets		42,204	21,061
LIABILITIES			
Current liabilities			
Trade and other payables	17	(8,055)	(5,687)
Financial liabilities	18	(811)	(36)
		(8,866)	(5,723)
Non-current liabilities			
Trade and other payables	17	(145)	(613)
Financial liabilities	18	-	(21)
Deferred tax liabilities	19	(406)	(485)
		(551)	(1,119)
Total liabilities		(9,417)	(6,842)
Net assets		32,787	14,219
EQUITY			
<i>Capital and reserves attributable to owners of the parent</i>			
Ordinary shares	21	7,031	5,368
Share premium	21	76,687	46,560
Foreign exchange translation reserve		(130)	(92)
Other reserves	22	9,813	9,060
Accumulated losses		(60,614)	(46,677)
Total equity		32,787	14,219

These financial statements on pages 17 to 57 were approved and authorised for issue by the Board of Directors on 31 August 2011 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 57 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	11	37,354	36,826
		37,354	36,826
Current assets			
Short term investments	13	10,000	-
Trade and other receivables	14	58,385	37,000
Cash and cash equivalents	15	8,735	10,468
		77,120	47,468
Total assets		114,474	84,294
LIABILITIES			
Current liabilities			
Trade and other payables	17	(401)	(313)
Non-current liabilities			
Trade and other payables	17	(21)	-
Total liabilities		(422)	(313)
Net assets		114,052	83,981
EQUITY			
Ordinary shares	21	7,031	5,368
Share premium	21	76,687	46,560
Other reserves		34,425	34,008
Accumulated losses		(4,091)	(1,955)
Total equity		114,052	83,981

These financial statements on pages 17 to 57 were approved and authorised for issue by the Board of Directors on 31 August 2011 and were signed on its behalf by:

Alastair Lukies
Chief Executive Officer

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Chief Financial Officer

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary Shares	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Share-based Payment Reserve	Accumulated Losses	Foreign Exchange Translation Reserve	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2009		3,401	30,649	32,952	(25,321)	3,698	(36,030)	(15)	9,334
Issue of shares (net of expenses)	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	21	247	2	-	-	(5,818)	5,818	-	249
Balance at 30 June 2010		5,368	46,560	32,952	(25,321)	1,429	(46,677)	(92)	14,219
Balance at 1 July 2010		5,368	46,560	32,952	(25,321)	1,429	(46,677)	(92)	14,219
Issue of shares (net of expenses)	21	1,577	29,902	-	-	-	-	-	31,479
Recognition of share-based payments	24	-	-	-	-	1,294	-	-	1,294
Total comprehensive income in the year		-	-	-	-	-	(14,478)	(38)	(14,516)
Exercise of share options	21	86	225	-	-	(541)	541	-	311
Balance at 30 June 2011		7,031	76,687	32,952	(25,321)	2,182	(60,614)	(130)	32,787

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary Shares	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Share-based Payment Reserve	Accumulated Losses	Foreign Exchange Translation Reserve	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2009		3,401	30,649	32,952	-	3,252	(3,659)	-	66,595
Issue of shares (net of expenses)	21	1,720	16,214	-	-	-	-	-	17,934
Reclassification		-	(305)	-	-	(486)	791	-	-
Recognition of share-based payments		-	-	-	-	2,798	751	-	3,549
Total comprehensive income in the year	28	-	-	-	-	-	(4,346)	-	(4,346)
Exercise of share options	21	247	2	-	-	(4,508)	4,508	-	249
Balance at 30 June 2010		5,368	46,560	32,952	-	1,056	(1,955)	-	83,981
Balance at 1 July 2010		5,368	46,560	32,952	-	1,056	(1,955)	-	83,981
Issue of shares (net of expenses)	21	1,577	29,902	-	-	-	-	-	31,479
Recognition of share-based payments		-	-	-	-	766	528	-	1,294
Total comprehensive income in the year	28	-	-	-	-	-	(3,013)	-	(3,013)
Exercise of share options	21	86	225	-	-	(349)	349	-	311
Balance at 30 June 2011		7,031	76,687	32,952	-	1,473	(4,091)	-	114,052

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

		Group	Group	Company	Company
		2011	2010	2011	2010
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash used in operations	27	(14,068)	(14,071)	(2,943)	(2,106)
Net income tax receipt		724	207	-	-
Net cash used in operating activities		(13,344)	(13,864)	(2,943)	(2,106)
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired		-	71	-	-
Payment of deferred consideration		(500)	-	-	-
Net interest received		176	70	9	70
Purchases of property, plant and equipment		(2,309)	(865)	-	-
Purchases of intangible assets		(4,677)	(239)	-	-
Investment in short term investments	13	(10,000)	-	(10,000)	-
Net cash (used in) / generated from investing activities		(17,310)	(963)	(9,991)	70
Cash flows from financing activities					
Proceeds from issuance of ordinary shares (net of expenses)		31,081	17,694	31,081	17,694
Capital element of finance leases		(36)	(40)	-	-
Loan to joint venture parties and subsidiaries		(186)	-	(20,191)	(14,396)
Share options exercised		311	221	311	221
Net cash generated from financing activities		31,170	17,875	11,201	3,519
Net increase / (decrease) in cash and cash equivalents		516	3,048	(1,733)	1,483
Cash and cash equivalents at beginning of the year		13,218	10,145	10,468	8,985
Effect of exchange rate fluctuations on cash held		(111)	25	-	-
Cash and cash equivalents at end of the year*	15	13,623	13,218	8,735	10,468

The notes on pages 27 to 57 are an integral part of these financial statements.

*Cash of £10 million (30 June 2010: £nil) held on money market funds is classed as short-term investments. The Group's total cash balance (including short term investments) is £23.6 million (30 June 2010: £13.2 million).

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. General Information

Monitise plc ('The Company'), its subsidiaries and joint ventures (together 'the Group') is a technology group delivering mobile banking, payments and commerce networks worldwide. The Group is headquartered in the UK, operates ventures in the UK, US, 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, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 July 2010 but are not currently relevant for the Group, or have had no impact:

	Effective date
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	1 July 2010
Amendment to IFRS 1, 'First-time adoption of International Financial Reporting standards - Limited exemption from comparative IFRS 7 disclosures for first-time adopters'	1 January 2010
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
Amendment to IAS 32 Financial instruments: Classification of rights issues	1 February 2010

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2011:

	Effective date
IAS 24, 'Related party disclosures' (revised 2009)	1 January 2011
Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement'	1 January 2011
Amendments to various IFRSs and IASs arising from 2010 Annual improvements to IFRSs	1 January 2011
Amendment to IAS 1 'First time adoption of international financial reporting standards'	1 January 2013

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.

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2011 and have not been early adopted:

	Effective date
Amendment to IAS 12 'Income Taxes'	1 January 2012
IFRS 9, 'Financial instruments'	1 January 2013
IFRS 10, 'Consolidated Financial statements'	1 January 2013
IFRS 11, 'Joint arrangements'	1 January 2013
IFRS 12, 'Disclosure of Interests in other entities'	1 January 2013
IFRS 13, 'Fair Value measurements'	1 January 2013
IAS 19 'Employee Benefits' (revised 2011)	1 January 2013
IAS 27 'Separate financial statements' (revised 2011)	1 January 2013
IAS 28 'Investments in associated and joint ventures' (revised 2011)	1 January 2013

The Directors believe that IFRS 11, 'Joint arrangements' will have an impact on the presentation of the Group's results, and are currently assessing its magnitude. The Group is also currently assessing the impact of the other standards listed above on its results, financial position and cash flows.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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 user generated revenue, revenue from software licences and revenue from development 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 development and integration services contracted on a time and materials basis is recognised as the services are performed. Revenue relating to development and integration services identified as a service contract is recognised on a straight line basis. Development and integration services under fixed price contracts are recognised on a percentage-of-completion basis, based on the extent of work completed as a percentage of overall estimated project cost, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement and estimates are continually reviewed as determined by events or circumstances.

Revenue from contracts for perpetual software licenses 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. Revenue from contracts for software licenses that represent the right to use or deploy the software, or other rights to use or deploy the software, over a specific period of time, is recognised at the date from which the rights transfer to the customer on a straight line basis over that period. 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.

User generated revenue relates to ongoing services provided to financial institutions and payment processors including service fees, 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 such time as 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.

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 any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost 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
Purchased software licences	1- 4 years
Intellectual property rights	7 years
Customer contracts	7 years
Acquired Licences	7 years
Capitalised development costs	3-4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 13, 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 using the effective interest rate method. Trade receivables with standard payment terms of between 30 to 45 days are recognised and carried at the lower of their original invoiced 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.

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. Short term investments

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

2.13. Share Capital

Ordinary shares are classified as equity.

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

2.14. Trade Payables

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

2.15. 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.

2.16. 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 substantively 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17. 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 share-based compensation plans.

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 accumulated losses.

The Group has set up a phantom share scheme for employees of the Group's joint ventures. The Directors have concluded that it is most appropriate to account for the awards under IFRS 2 as a cash settled option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A liability equal to the portion of services received is recognised in Trade and other payables at the current fair value determined at each statement of financial position date.

2.18. 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.

2.19. Foreign Currency Translation

a) Functional and Presentation Currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses on borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented within the operating result.

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:

- i) 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;
- ii) 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
- iii) 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.

2.20. Investments

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

2.21. 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.

2.22. 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.

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

- trade and other receivables;
- cash at bank; and
- 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 within Monitise Group (excluding the joint venture companies) 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 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 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	7,379	124	-	-
Loans from joint venture partners	790	-	-	-
Finance leases	21	-	-	-
At 30 June 2010	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	4,979	500	124	-
Financial leases	36	21	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The Group does not have any derivative financial instruments.

(c) Market Risk

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

(i) Interest Rate Risk

The Group invests its surplus cash in a spread of fixed rate term bank deposits to minimise risk and maximise flexibility. In doing so it limits its exposure to fluctuations in interest rates that are inherent in such a market. Overall risk is not regarded as significant and the effect of a one percentage point decrease in the average interest rate during the year would have resulted in an increase in post-tax loss for the year of £197,000 (2010: increase of £70,000).

(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 also has joint ventures 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 foreign exchange risk arising, the Group's policy is to allow the joint ventures to settle liabilities denominated in their functional currency (currently primarily US dollar) with the funds obtained from the joint venture partners in that currency. The Group typically holds funds in US dollar 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 foreign currency risk is considered to be immaterial, but is expected to increase over the next year.

A 10% appreciation in the average 2011 US dollar exchange rate would have increased the Group's loss after tax by £130,000 (2010: £70,000). At 30 June 2011, the effect on equity of a 10% appreciation in the closing US dollar exchange rate would increase equity by £332,000 (2010: £256,000).

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. 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 development and integration services is recognised when the right to consideration is earned as each project progresses. Provisions against accrued income are made as and when management 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.

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) Development costs

The Group has capitalised internally generated intangible assets as required in accordance with IAS 38. Management have assessed expected contribution to be generated from these assets and deemed that no adjustment is required to the carrying value of the assets. The recoverable amount of the assets has been determined based on value in use calculations which require the use of estimates and judgements. Management have also reviewed the assets for impairment and deemed that no impairment is required.

e) Impairment of Assets

IFRS requires management to undertake an annual test for impairment of indefinite lived assets, including goodwill, 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.

f) 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 30).

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'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 UK which provides the Group's products and services to the UK.

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 Inc, Travelex and Visa Europe.

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 development and integration services prior to deployment) and costs. In 2011, the segment includes the joint ventures in the Indian and Asia Pacific regions as well as Mobile Money Network Limited, 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 technology platform. The division is responsible for the continued availability and improvement of the product across all other segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The Statement of Comprehensive Income

	Revenue £'000	Revenue £'000	Operating profit £'000	Operating profit / (loss) £'000
Year ended 30 June 2011				
Live operations:				
Monitise UK	7,199		1,424	
Monitise Americas	903		41	
Global accounts	4,313		1,697	
Total live operations		12,415		3,162
Investment in future operations		1,627		(6,762)
Investment in technology platform		-		(6,805)
Total		14,042		(10,405)
Corporate costs				(5,341)
Operating loss before exceptional gain and share-based payments charge				(15,746)
Share-based payments charge				(1,740)
Group Operating loss				(17,486)
Net finance income				270
Loss before income tax				(17,216)
Income tax				2,738
Loss for the year				(14,478)

The Statement of Comprehensive Income

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

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

	Segment Assets £'000	Segment Liabilities £'000	Depreciation and amortisation charge £'000
As at 30 June 2011			
Other information			
Live operations	9,260	(2,504)	131
Investment in future operations	2,802	(2,496)	165
Investment in technology platform	3,107	-	404
Total	15,169	(5,000)	700
Corporate	27,035	(4,417)	288
Group Total	42,204	(9,417)	988

	Segment Assets £'000	Segment Liabilities £'000	Depreciation and amortisation charge £'000
As at 30 June 2010			
Other information			
Live operations	3,161	(3,670)	146
Investment in future operations	1,350	(193)	156
Investment in technology platform	479	-	576
Total	4,990	(3,863)	878
Corporate	16,071	(2,979)	242
Group Total	21,061	(6,842)	1,120

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. Non-current assets are based on the geographical location of those assets.

	Revenues 2011 £'000	Revenues 2010 £'000	Non-current assets 2011 £'000	Non-current assets 2010 £'000
Geographical disclosures				
United Kingdom and Europe	9,565	3,192	11,565	3,603
United States of America	3,820	1,476	21	53
India	404	973	-	-
Rest of World	253	378	-	-
Total	14,042	6,019	11,586	3,656

	Revenues 2011 £'000	Revenues 2010 £'000
Products and services		
Development and integration services	5,981	1,425
Licences	1,695	1,743
User generated revenue	6,366	2,851
Total	14,042	6,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Revenues derived from single customers whose revenues are 10% or greater than overall Group revenues are given below together with the segment in which the revenues are included:

	Revenues 2011 £'000	Revenues 2010 £'000
Customer in Live operations segment	2,913	634
Customer in Live operations segment	6,673	2,673

6. Operating Loss

This is stated after charging:

	2011 £'000	2010 £'000
Employee benefit expense (note 25)	15,637	12,799
Depreciation (note 9)	382	375
Amortisation (note 10)	606	745
Research and development expensed as incurred	7,480	3,544
Net foreign currency differences	21	161
Operating lease payments	1,530	593

7. Auditors' Remuneration

	2011 £'000	2010 £'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	55	47
- Other services pursuant to legislation (include fees for interim review)	35	20
- Tax services (compliance and advisory)	91	135
	196	217

8. Finance Income and Costs

Group	2011 £'000	2010 £'000
Finance income		
Interest income on short-term deposits	385	70
Finance costs		
Finance charges payable under finance leases	(3)	(5)
Interest payable on overdrafts and loans	(33)	-
Foreign exchange losses on cash and short term deposits	(79)	-
	270	65

9. Property, Plant and Equipment

Group	Office Equipment £'000	Computer Equipment £'000	Total £'000
Cost:			
As at 1 July 2009	9	768	777
Acquisitions (see note 30)	1	107	108
Additions	18	847	865
As at 30 June 2010	28	1,722	1,750
Accumulated depreciation:			
As at 1 July 2009	5	439	444
Charge	5	370	375
As at 30 June 2010	10	809	819
Net book value			
As at 1 July 2009	4	329	333
As at 30 June 2010	18	913	931
Cost:			
As at 1 July 2010	28	1,722	1,750
Additions	42	2,267	2,309
Disposals	-	(628)	(628)
As at 30 June 2011	70	3,361	3,431
Accumulated depreciation:			
As at 1 July 2010	10	809	819
Charge	11	371	382
Disposals	-	(625)	(625)
As at 30 June 2011	21	555	576
Net book value			
As at 30 June 2011	49	2,806	2,855

The depreciation charge is included within Administrative expenses in the Consolidated Statement of comprehensive income. Included within the depreciation charge is £nil (2010: £47,000) 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 2011 was £20,000 (2010: £53,000). Additions during the year include no computer equipment held under finance leases (2010: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Intangible Assets

Group	Goodwill £'000	Customer Contracts £'000	Intellectual Property Rights £'000	Acquired Licence £'000	Purchased Software Licences £'000	Capitalised Development Costs £'000	Total £'000
Cost:							
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
Accumulated amortisation:							
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
Net book value							
As at 1 July 2009	-	-	135	-	205	319	659
As at 30 June 2010	495	1,051	103	680	121	275	2,725
Cost:							
As at 1 July 2010	495	1,194	222	773	597	935	4,216
Additions	-	-	-	-	381	4,296	4,677
As at 30 June 2011	495	1,194	222	773	978	5,231	8,893
Accumulated amortisation:							
As at 1 July 2010	-	143	119	93	476	660	1,491
Charge	-	171	32	110	122	171	606
As at 30 June 2011	-	314	151	203	598	831	2,097
Net book value							
As at 30 June 2011	495	880	71	570	380	4,400	6,796

Amortisation is charged to administration expenses. Included within the amortisation charge is £nil (2010: £109,000) 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.

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 five 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 2012 to 2016, the CGU continues to show sufficiency of headroom; and
- 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.

11. Investments in Subsidiaries

	2011 £'000	2010 £'000
Company Only		
As at 1 July	36,826	36,075
Capital contributions relating to share-based payments	528	751
As at 30 June	37,354	36,826

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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
Direct Subsidiary Undertakings:			
Monitise Group Limited	United Kingdom	100%	Intermediate holding company
Monitise Emerging Markets Limited	United Kingdom	100%	Intermediate holding company
Indirect Subsidiary Undertakings:			
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 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

12. Interest in Joint Ventures

Mobile Money Network Limited

On 15 November 2010, Monitise International Limited entered into an agreement to set up a joint venture with Best Buy Europe Limited, and Hamilton Trust LLP, by purchasing a 40 per cent share in Mobile Money Network Limited, a company incorporated in England and Wales for cash consideration of £40,000.

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 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 via 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 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.

Management is currently assessing the impact of IFRS 11 on the Group's results and disclosures.

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.

	2011 £'000	2010 £'000
Assets		
Non-current assets	169	3
Current assets	1,777	741
	1,946	744
Liabilities		
Current liabilities	(2,928)	(636)
Total assets less current liabilities	(982)	108
Non-current liabilities	-	-
Net (liabilities) / assets	(982)	108

	2011 £'000	2010 £'000
Revenue	252	255
Expenses	(3,173)	(2,396)
Interest expense	(15)	-
Loss after income tax	(2,936)	(2,141)

13. Short term investments

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Short term investments	10,000	-	10,000	-
	10,000	-	10,000	-

Cash of £10 million (30 June 2010: £nil) held on money market funds is classed as short-term investments. The Group's total cash balance (including short term investments) is £23.6 million (30 June 2010: £13.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Trade and Other Receivables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade receivables	2,675	2,444	-	-
Less: provision for impairment of trade receivables	(41)	(29)	-	-
Trade receivables - net	2,634	2,415	-	-
Other taxes and social security	1	262	-	-
Other receivables	535	259	176	-
Amounts due from joint venture partners	976	-	-	-
Accrued income	1,991	477	-	-
Prepayments	858	774	26	13
Amounts due from group companies	-	-	58,183	36,987
Prepayments and other receivables	4,361	1,772	58,385	37,000
Total trade and other receivables	6,995	4,187	58,385	37,000

Amounts due from group companies are non-interest bearing loans and are repayable on demand. Amounts due from joint venture partners are Monitise's Group's share of the shareholder loans provided to joint ventures on formation. There is a corresponding creditor balance included within Financial liabilities.

The maximum exposure to credit risk at 30 June 2011 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 2011, trade receivables of £821,000 (2010: £1,528,000) were past due. Current debt is considered to be fully performing. The ageing analysis of trade receivables and impairment is as follows:

	Trade Receivables 2011 £'000	Impairment 2011 £'000	Trade Receivables 2010 £'000	Impairment 2010 £'000
Current and not impaired	1,854	-	916	-
Up to 3 months	416	-	1,332	-
3 to 6 months	188	-	52	-
Over 6 months	217	(41)	144	(29)
	2,675	(41)	2,444	(29)

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

	2011 £'000	2010 £'000
GB pounds	6,092	3,487
US Dollars	903	700
	6,995	4,187

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

	2011 £'000	2010 £'000
Beginning of year	29	23
Provision for receivables impairment	12	6
End of year	41	29

15. Cash and Cash Equivalents

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Cash at bank and on hand	13,623	13,218	8,735	10,468
	13,623	13,218	8,735	10,468

Cash of £10 million (30 June 2010: £nil) held on money market funds is classed as short-term investments. The Group's total cash balance (including short term investments) is £23.6 million (30 June 2010: £13.2 million).

Included within the above cash balance is £130,000 (2010: £303,000) 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, £1,457,000 is held within our joint ventures (2010: £614,000).

16. Related Parties

Monitise Europe Limited (previously named Monilink Limited)

In the comparative period, 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, development and integration charges of £267,000 were billed and costs of £128,000 were recharged to Monilink Limited before consolidation adjustments.

Monitise Americas LLC

The Group has a 49% interest in a joint venture, Monitise Americas LLC. During the year development and integration charges and licence fees of £1,276,000 (2010: £1,286,000) were recognised and costs of £9,000 (2010: £18,000) were recharged to Monitise Americas LLC before consolidation adjustments. The Group provided a capital contribution of £919,000 (2010: £981,000) to Monitise Americas LLC in respect of working capital requirements. The outstanding receivable balance at 30 June 2011 was £197,000 (2010: £183,000).

Monitise India Private limited

The Group has a 50% interest in a joint venture, Monitise India Private Limited. During the year, development and integration fees of £606,000 (2010: £nil) and licence fees of £nil (2010: £1,592,000) were recognised and costs of £68,000 (2010: £nil) were recharged to Monitise India Private Limited before consolidation adjustments. The Group provided a capital contribution of £nil (2010: £1,347,000). The outstanding receivable balances at 30 June 2011 were £479,000 (2010: £nil).

Monitise Asia Pacific Limited

The Group has a 50% interest in a joint venture, Monitise Asia Pacific Limited. During the year, development and integration charges and licence fees of £282,000 (2010: £270,000) were recognised and costs of £54,000 (2010: £187,000) were recharged to Monitise Asia Pacific Limited. The Group provided capital contributions of £625,000 (2010: £9,000) to Monitise Asia Pacific Limited in respect of working capital requirements. The outstanding receivable balance at 30 June 2011 was £180,000 (2010: £457,000), in trade receivables, prior to consolidation adjustments, and £54,000 (2010: £nil) in Loans due from Joint ventures partners, prior to consolidation adjustments.

Mobile Money Network Limited

The Group has a 40% interest in a joint venture, Mobile Money Network Limited. During the year, development and integration fees of £1,001,000 (2010: £nil) were recognised and costs of £263,000 (2010: £nil) were recharged to Mobile Money Network Limited before consolidation adjustments. The group provided loans of £1,315,000 (2010: £nil) in the year. The outstanding receivable balance at 30 June 2011 was £538,000 (2010: £nil) in trade receivables, prior to consolidation adjustments, and £1,578,000 (2010: £nil) in Loans due from Joint ventures partners prior to consolidation adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Subsidiaries

During the year, the Company incurred total administration costs of £3,798,000 (2010: £4,680,000). Amounts receivable from subsidiaries total £58,183,000 (2010: £36,987,000). 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 2011, the Group paid consultancy fees to P Radcliffe, of £16,500 (2010: £7,500), prior to his resigning as a Non-Executive Director on 8 December 2010.

Key Management Personnel

The Directors have identified 12 key management personnel, being members of the Executive Management team and senior technical staff (2010: 13 staff). Their compensation was as follows:

	2011 £'000	2010 £'000
Short term employee benefits	1,850	1,670
Post employment benefits	50	58
Share-based payments	389	709
	2,289	2,437

17. Trade and Other Payables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Due within one year				
Trade payables	2,431	1,354	-	-
Other taxes and social security	422	230	-	-
Accruals and deferred income	4,631	3,575	401	313
Other	571	528	-	-
Other payables	5,624	4,333	401	313
Trade and other payables - current	8,055	5,687	401	313
Other payables - non-current: Contingent and deferred consideration	124	613	-	-
Other payables - non-current: Cash settled share-based payment liability (note 24)	21	-	21	-
Trade and other payables - non-current	145	613	21	-
Total trade and other payables	8,200	6,300	422	313

Included within Other payables due within one year is £489,000 (2010: £489,000), of deferred consideration. Included within Other payables after one year is £nil (2010: £489,000) of deferred consideration. Included within Other payables due after one year is £124,000 of contingent consideration (2010: £124,000). 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.

Included within Other payables due after one year is £21,000 which relates to the liability of the cash settled share option schemes as detailed in note 24.

18. Financial Liabilities

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Current				
Loan from joint venture partners	790	-	-	-
Finance leases (note 20)	21	36	-	-
	811	36	-	-

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Non-current				
Finance leases (note 20)	-	21	-	-
	-	21	-	-

Included within Financial liabilities less than one year is £790,000 which is Monitise's Group's share of the shareholder loans provided to joint ventures on formation. There is a corresponding debtor balance included within Trade and other receivables.

Amounts payable to joint ventures are interest bearing loans, at 3 month LIBOR plus 3%, and are repayable on demand.

19. Deferred tax

As at 30 June 2011, the Group has recognised a deferred tax asset in respect to unutilised tax losses for Monitise Europe Limited as follows:

	2011 £'000	2010 £'000
Group		
As at 1 July	-	-
Recognition of asset	1,935	-
As at 30 June	1,935	-
Deferred tax asset in relation to unutilised tax losses	1,935	-

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

	2011 £'000	2010 £'000
As at 1 July	485	-
On acquisition (see note 30)	-	551
Released to profit and loss	(79)	(66)
As at 30 June	406	485
Deferred tax liability in relation to intangible assets	406	485

£79,000 (2010: £79,000) of the above deferred tax liability is forecast to be released to profit and loss within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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:

	2011 £'000	2010 £'000
Future minimum payments due:		
Not later than one year	21	39
After one year but not more than five years	-	21
	21	60
Less finance charges allocated to future periods	-	(3)
Present value of minimum lease payments	21	57

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

	£'000	£'000
Not later than one year	21	36
After one year but not more than five years	-	21
Present value of minimum lease payments	21	57

21. Ordinary shares and share premium

Allotted, called up and fully paid £0.01 nominal value shares	Number of Shares	Ordinary Shares	Share Premium
		£'000	£'000
As at 1 July 2009	340,114,125	3,401	30,649
Issue of new shares	171,989,463	1,720	16,669
Exercise of share options	24,652,969	247	2
Cost of share issue	-	-	(455)
Reclassification	-	-	(305)
As of 30 June 2010	536,756,557	5,368	46,560
Issue of new shares	157,656,008	1,577	31,185
Exercise of share options and warrants	8,652,599	86	225
Cost of share issue	-	-	(1,283)
As at 30 June 2011	703,065,164	7,031	76,687

On 30 July 2010, the Group issued 42,000,000 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.

In addition, during the year, 8,652,599 new Ordinary shares were issued as part of an exercise in share options and warrants (see note 24), and a further 1,684,808 new Ordinary shares were issued to non-employees in lieu of services provided to the Group.

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.

22. Other reserves

The merger reserve of £32,952,000 (2010: £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) (2010: (£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 2011 is £2,182,000 (2010: £1,429,000), and is discussed in detail in note 24.

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

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.

	2011 Loss for the year £'000	2011 Weighted average number of shares (thousands)	2011 Loss per share amount (pence)	2010 Loss for the year £'000	2010 Weighted average number of shares (thousands)	2010 Loss per share amount (pence)
Losses attributable to owners of the parent	(14,478)	686,030	(2.1)	(16,770)	453,494	(3.7)

24. Share-based Payments

Cash settled share-based plans

During the year, the Group set up a phantom share option plan for employees of the Group's joint ventures. The employees are granted notional shares in the Group, which are conditional on the achievement of performance conditions with vesting after three years subject to the employees remaining employed by the joint ventures. On vesting, the value of the awards is converted and settled in cash. The Directors have concluded that it is most appropriate to account for the awards under IFRS 2 as a cash settled option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense and a liability equal to the portion of the goods or services received is recognised in Financial Liabilities at the current fair value determined at each statement of financial position date.

During the year, one grant of 500,000 notional shares was made with an expense of £21,000 (2010: £nil).

Equity settled share-based payments plans

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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.

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

On 16 February 2011, 2,863,636 of the options previously awarded to Fleming Family and Partners Limited ("FF&P") vested and were exercised at a price of 7p per share for 2,500,000 shares, and 1p per share for 363,636 shares. In addition on the same day, the exercise period for the remaining 5,745,025 options was extended enabling FF&P to exercise its remaining options up to 13 July 2012.

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

	2011 Number of options	2011 Weighted average exercise price	2010 Number of options	2010 Weighted average exercise price
At 1 July	35,071,724	3.5p	48,500,558	2.9p
Granted	17,779,289	3.8p	12,859,502	3.2p
Exercised	(5,788,963)	2.3p	(24,620,075)	0.9p
Lapsed	(2,070,671)	12.0p	(1,668,261)	7.9p
At 30 June	44,991,379	3.4p	35,071,724	3.5p

The weighted average share price at the date of exercise for options exercised during the year was 23.6p (2010: 16.3p). At 30 June 2011, 2,744,597 options were exercisable (2010: 1,964,727). Options outstanding at 30 June 2011 have a range of exercise prices of 0p to 22.5p (2010: 0p to 22p).

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 2011, and the comparative year:

Scheme Name	PSP	PSP	PSP	PSP	Sharesave	PSP	PSP
Grant date	21 Feb 2011	21 Feb 2011	15 Dec 2010	15 Dec 2010	3 Nov 2010	3 Sept 2010	28 April 2010
Share price at issue date	£0.265	£0.265	£0.20	£0.20	£0.2175	£0.23	£0.19
Exercise price	£0.01	£0.225	£0.17	£0.01	£0.172	£0.01	£0.1615
Fair value per option	£0.1859	£0.10869	£0.0931	£0.1924	£0.096	£0.1593	£0.0896
Number granted	1,220,000	1,220,000	500,000	500,000	974,289	13,365,000	1,000,000
Valuation method	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes	Black Scholes	Monte Carlo	Monte Carlo
Vesting hurdles	TSR hurdles as set out below	Staff must remain as employees of Monitise for options to vest	TSR hurdles as set out below	Staff must remain as employees of Monitise for options to vest	Staff must remain as employees of Monitise and continue to contribute for the options to vest	The Monitise plc share price must be above £0.2075 at time of vesting	TSR hurdles as set out below
Risk free rate used in valuation	1.53%	1.53%	2.58%	2.58%	2.58%	0.97%	4.50%
Expected dividend yield used in valuation	-	-	-	-	-	-	-
Volatility used in valuation	45%	45%	45%	45%	45%	45%	45%
Expected life (years)	3.00	3.00	6.00	6.00	3.00	3.00	3.00
Expected exercise date used in valuation	21 Feb 2014	21 Feb 2014	15 Dec 2013	15 Dec 2013	1 Dec 2013	3 Sept 2013	29 April 2013

Scheme Name	PSP	PSP	PSP	Sharesave	Warrants	MOP	PSP
Grant date	28 April 2010	25 March 2010	25 March 2010	10 Nov 2009	8 Oct 2009	29 Sept 2009	29 Sept 2009
Share price at issue date	£0.19	£0.1625	£0.1625	£0.135	£0.145	£0.1225	£0.123
Exercise price	£0.01	£0.01	£0.01	£0.112	£0.07	£0.125	£0.01
Fair value per option	£0.1824	£0.15626	£0.1053	£0.0492	£0.0836	£0.0173	£0.0828
Number granted	1,000,000	3,000,000	3,000,000	795,675	2,500,000	380,000	3,683,827
Valuation method	Black Scholes	Black Scholes	Monte Carlo	Black Scholes	Black Scholes	Monte Carlo	Monte Carlo
Vesting hurdles	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	TSR hurdles as set out below
Risk free rate used in valuation	4.50%	4.50%	4.50%	2.10%	1.00%	2.70%	2.10%
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	3.25	1.75	6.00	3.00
Expected exercise date used in valuation	29 April 2013	25 Mar 2013	25 Mar 2013	1 Dec 2012	8 July 2011	29 Sept 2012	29 Sept 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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, 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, 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 focus 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 focus constituents rising on a straight-line basis to 100 per cent vesting at the upper quartile point for FTSE Techmark focus 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.

The total equity settled share-based payments charge in relation to the above is £1,294,000 (2010: £3,549,000), and the cash settled share-based payment charge is £21,000 (2010: £nil). In addition, there is a further charge of £425,000 (2010: £227,000) in respect to other share issue charges to non-employees in lieu of services provided to the Group.

25. Employee Benefit Expense and Directors' Emoluments

	2011 £'000	2010 £'000
Employees (including Directors)		
Wages and salaries	12,671	8,017
Social security costs	1,388	1,030
Share-based payments	1,315	3,549
Pension costs – defined contribution plans	263	203
	15,637	12,799
Average number of employees (including Directors)		
Management and administration	44	32
Sales and technical	108	57
	152	89

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

Company

The average number of staff directly employed by the Company during the year, including Executive Directors was 4 (2010: 2).

	2011 £'000	2010 £'000
Directors' Emoluments		
Aggregate emoluments	1,373	1,203
Gain made on exercise of share options ¹	924	2,943
Pension contributions	24	26
	2,321	4,172
Emoluments of the Highest Paid Director		
Aggregate emoluments, including £880,000 (2010: £1,265,000) in respect of gain made on exercise of share options ¹	1,350	1,768
Pension contributions	14	11
Total	1,364	1,779

¹There 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 in the comparative period.

The number of directors who are accruing benefits under defined contribution schemes is 2 (2010: 3). Further information in respect to individual Director emoluments is given in the Directors' Remuneration report on page 15.

26. Taxation

	2011 £'000	2010 £'000
Recognised in the statement of comprehensive income :		
Current tax:		
Current year - UK	724	207
Deferred tax:		
Origination and reversal of timing differences (see note 19)	2,014	66
Total tax in the statement of comprehensive income	2,738	273

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:

	2011 £'000	2010 £'000
Loss before tax	(17,216)	(17,043)
Tax using the UK corporation tax rate of 28% (2009: 28%)	(4,820)	(4,772)
Effects of:		
Expenses not deductible for tax purposes	868	1,610
Income not deductible for tax purposes	-	(274)
Tax losses for which deferred tax asset has not been recognised	3,999	3,519
Foreign tax differences	(47)	(83)
Research and development tax credit received	724	375
Deferred taxation credit	2,014	66
Overseas withholding tax suffered	-	(168)
Total tax in the statement of comprehensive income	2,738	273

The Group has an unrecognised deferred tax asset of £13.6 million (2010: £11.0 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.

The amount of unused trading tax losses at 30 June 2011 for which a deferred tax asset has been recognised is £7.4 million (2010: £nil).

During the year, the UK main corporation tax rate changed from 28% to 26% which was substantively enacted on 20 July 2010 and that is effective from 1 April 2011.

27. Reconciliation of Net Loss to Net Cash Used in Operating Activities

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Loss before income tax	(17,216)	(17,043)	(3,013)	(4,345)
Adjustments for:				
Depreciation	382	375	-	-
Amortisation	606	745	-	-
Share-based payments	1,740	3,776	787	2,798
Profit on acquisition of joint ventures	-	(956)	-	-
Finance income – net	(270)	(65)	(792)	(334)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):				
Trade and other receivables	(1,656)	1,678	(13)	(53)
Trade and other payables	2,346	(2,581)	88	(172)
Cash used in operations	(14,068)	(14,071)	(2,943)	(2,106)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Company Statement of Comprehensive Income

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income and related notes. The loss for the financial year of the Company was £3,013,000 (2010: £4,346,000).

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:

	2011 £'000	2010 £'000
Within one year	661	285
Within two to five years	461	-
Total	1,122	285

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 12), 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)

In the comparative period, 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 and second payments of £500,000 have been made. 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 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 was created on acquisition.

The intangible assets capitalised as part of the acquisition of Monitise Europe Limited are being 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.

Mobile Money Network Limited

On 16 November 2010, the Group acquired 40% of the issued share capital of Mobile Money Network Limited for cash consideration of the nominal value of the shares purchased. The Group has made this acquisition to enable it to set up a joint venture as detailed in note 12.

Monitise Asia Pacific Limited

In the comparative period, 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

In the comparative period, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. Disposals

Monitise India Private Limited

In the comparative period, 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 12). The dilution resulted in a profit on disposal of £21,000 which was accounted for within administrative expenses in 2010.

Monitise Hong Kong Limited

In the comparative period, 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.

COMPANY INFORMATION

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