PROXAMA PLC (FORMERLY LONGSHIPS PLC)

COMPANY NUMBER - 06458458

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2013

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CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Introduction

I am very pleased to present the maiden results of Proxama Plc for the year ended 31 December 2013.

2013 has been an exciting year in Proxama's development. On the commercial side, the Company has made significant progress with its partnership and customer engagements. These will set the foundations for rapid growth as the market fully establishes itself which the Board anticipate is still set to happen in 2015.

Furthermore, Proxama completed its listing on AIM in August through the reverse takeover of Longships Plc which provided £1.8m of cash, followed by a placing aggregating to £8.6 million in December and January which provided the financial resources the Company needs to execute its strategy.

Financial highlights

Revenue for the period totalled £813,380 (2012: £1,381,096) with EBITDA before exceptional items (earnings before interest, tax, depreciation and amortisation) of £3,144,415 (2012: £1,771,047) and as at 31 December 2013, the Company had net cash of £7,468,818 (2012: £361,379). The exceptional item in the year of £2,063,921 relates to the deemed cost of listing as disclosed in note 6. An additional £920,000 was received from the final part of the fund raising on 6 January 2014.

The revenue reduction was primarily due to Proxama shifting its focus to working with customers and partners that present a long term scaling opportunity and particularly those that fit in with the Company's strategic aim to reduce "one off" revenue opportunities in preference to per event and per handset based recurring revenue.

There was also a delay in closing a number of sales opportunities as customers considered the business impact of new technologies that were launched in Q4. These included the release of Android's HCE (Host Card Emulation) and Bluetooth Low Energy (BLE) in products such as Apple's iBeacon.

Our business

Proxama is a global technology company that harnesses mobile proximity technologies, such as NFC (Near Field Communications) and Bluetooth. Proxama connects physical and digital assets via mobile to increase consumer engagement, retail sales and loyalty.

Proxama works with banks and card schemes to transition their physical card portfolio (such as credit/debit cards) onto mobile for mobile contactless payments in retail stores.

Proxama also works with retailers to transition their physical loyalty and gift cards onto mobile. Retailers can present relevant offers, products and services to customers on mobile to increase sales and loyalty via a more intimate and mutually beneficial relationship.

Additionally, Proxama works with outdoor media owners and retailers to mobile-enable physical assets, such as high street stores, shopping centres, beer fonts and beer mats in pubs, posters and other advertising material. Brands and retailers can now deliver contextually relevant offers and product information direct to consumers on their mobiles, in store, and on the high street.

What differentiates Proxama from our competitors is our award winning cloud based TapPoint® platform and associated app technologies. TapPoint® is an open API hub, providing the only end-to-end mobile engagement, mobile loyalty and mobile payments platform in Europe. Our partners are leading loyalty management companies, point of sale vendors, Mobile Network Operators and secure service providers.

2013 Operational highlights / Key announcements

In the first half of the financial year Proxama focused on building its platform, products and services in preparation for the anticipated acceleration in mobile commerce including NFC and Bluetooth (iBeacon) adoption. In the latter half of the year we worked to secure key blue chip customer and partner relationships, which were finally made public in early 2014.

These included:

- A three year exclusive license and distribution agreement with Valid, the leading provider of payment solutions, identification and telecommunication systems in Latin and South American markets.
- In conjunction with security software solutions Cryptomathic, we launched a ground-breaking new mobile contactless payment solution which enables contactless payments to be made from mobile applications without the need for a hardware secure element, such as SIM or embedded Secure Element.
- Our partnership with Weve the joint venture of the three largest UK mobile network operators Vodafone, O2 Telefonica and Everything Everywhere for a loyalty wallet. Proxama's TapPoint® platform will form the technology foundation for Weve's loyalty service to be deployed in collaboration with UK retailers.

These agreements are testament to the significant progress Proxama has made during 2013 to establish itself for future mass market adoption of mobile commerce. We look forward to expanding on this throughout 2014 and reporting further significant partnerships, customer engagements and geographic expansion as we pursue our global ambitions in this very exciting high growth market.

David J Bailey

Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Changing Role of Mobile for Commerce

Consumers are becoming increasingly comfortable using their smartphones as their primary device for on-line banking, shopping, browsing, social media and communications. With the advent of technologies such as NFC, Bluetooth Low Energy (iBeacon) and advanced camera technologies, the standard consumer smartphone is now capable of seamlessly communicating with the world around it. These 'proximity' technologies are Proxama's specific areas of expertise, where our TapPoint® platform can be used by brands, retailers, media owners, wallet owners and card issuers to connect the physical world to mobile across the full commerce consumer journey.

Whilst we believe that we are moving rapidly into a world where we will be able to tap, scan or simply go near location after opting in to receive relevant offers and information, there is still a long way to go for all consumers to understand and use the new capabilities in their smartphones. Proxama's role is to work with mass market consumer brands and retailers to enable their physical assets in readiness for the next fundamental change in commerce.

Evolving Technology Landscape

Proxama's heritage has been to harness NFC technology in smartphones for proximity marketing, loyalty redemption and enabling contactless payment wallets. Whilst NFC is now becoming a standard feature on smartphones, there has been a significant amount of complexity in deploying scalable consumer offerings, resulting in creation of network operator joint ventures. Proxama has had the great fortune to have been selected to partner with some of the largest operators in the world including, ISIS (the joint venture of AT&T, Verizon and T-Mobile in the US) for implementations on Blackberry 10 and to also be selected as the wallet platform partner for WEVE (the joint venture of Vodafone, O2 Telefonica and Everything Everywhere in the UK).

Against the backdrop of increasing NFC-enabled phone penetration, we also see significant growth in NFC-compatible contactless card issuance and usage in most global markets, but especially in the UK. Here, contactless payments are increasingly becoming standard with Transport-for-London now supporting NFC contactless payment cards as well as the existing Oyster card.

Apple's launch of iBeacon last year was another key milestone in enabling Bluetooth to be used for Proximity marketing again. Bluetooth has always been part of the Proxama DNA following the acquisition of the original global leader in Bluetooth Proximity marketing, Hypertag, in 2011. Ironically, the main reason for the slow down in use of Bluetooth for marketing was the lack of support in the iPhone. Now this is no longer the case, we expect a significant boost to Bluetooth marketing adoption.

Another significant change in our market was the introduction of Host Card Emulation (HCE) for Google Android devices from the release of Android v4.4 'KitKat'. This capability has been used by our R&D team on Blackberry devices for some time and we were eagerly awaiting its arrival on Android to kick start a renewed simpler approach to creating mobile wallets, by allowing the Proxama software implementation to replace a physical secure element.

Full commerce approach to join physical and digital channels

Proxama's platform approach is designed to enable existing physical media, physical cards and physical point-of-sale to seamlessly connect with the consumer's mobile devices across the full commerce journey. We enable 3 key parts of this commerce journey:

- **Proximity Marketing** – We enable Out-Of-Home media and in-store merchandising to become interactive, transforming passive physical signage and creating interactivity across digital signage estates. We partner with media specialists and media owners using our TapPoint® platform and in 2013 we announced strategic partnerships with CBS Outdoor (now called Exterion), Posterscope (media planner for Aegis Media group), Diageo (where we are NFC-enabling Guinness beer pumps) and Signbox (a pioneer in poster technology).

  We also executed innovative proximity marketing campaigns for Blackberry 10, Harrods, Dominos, KFC, Starbucks, Guinness, and the Remembrance Day Poppy Appeal, as well as promoting the band Rizzle Kicks in Westfield, West London.

- **Retail and Brand loyalty solutions** – we create highly personalised, location and context aware services in retailer apps or aggregated 'High Street' wallet applications. We are very proud of our selection by ISIS and WEVE, who are pre-eminent wallet owners in the US and UK respectively, and have built a partnership with The Logic Group (who provide loyalty and transaction processing services to many Tier 1 retailers in the UK).

  Proxama worked with the GSMA (the association of global network operators) and other key industry players to standardize loyalty card and coupon redemption at Point-of-Sale, allowing retailers to implement a common technology standard which Proxama will support as a standard part of our loyalty offering.

- **Contactless cards in mobile wallets** – payment cards are being migrated into mobile wallets or becoming extended functions of existing mobile banking or shopping apps. Network operators and handset manufacturers no longer control the technical infrastructure, which allows Proxama to work directly with banks and card issuers to embed the payment card on the devices without relying on Trusted Service Managers or traditional plastic card manufacturers.

  Proxama has a long standing relationship with ARM and became a Platinum partner with their spin-out company, Trustonic, for use of the Trusted Execution Environment (TEE) in the mobile phone microprocessor, which can be used to create the next generation of 'cardholder present' payment capability in consumer mobile phones.

Outlook for 2014

The public adoption of mobile commerce, which will include loyalty and payments, is expected to accelerate throughout 2014, which we believe will lead to rapid revenue growth in 2015 as our existing customers move from pilot based projects to full commercial releases with revenue streams increasingly shifting from "fee for service" to "event based" revenues.

We plan 2014 to be a further year of building our partnerships and our platform infrastructure to enable Proxama to be a core part of the future global retail commerce ecosystem, and ensure that TapPoint® becomes the de facto platform for connecting bricks-and-mortar stores with state-of-the-art mobile commerce. We are confident that leading global retailers, banks and wallet providers will use Proxama's platform and capabilities in 2014 to pilot innovative services with the aim of rolling them out for mass market scale in 2015 and beyond.

Dr Neil Garner

CEO & Founder

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Revenue of £813,380 was in line with expectations, but down on last year (2012: £1,381,096). The reduction in revenue is largely due to Proxama shifting its focus to working with customers and partners that present a long term scaling opportunity. In particular, the Company focused its efforts on those that fit in with the company's strategic aim to reduce "one off" revenue opportunities in preference to per event and per handset based recurring revenue.

The geographic split of the revenue was 49% UK, 8% USA and 43% from other countries compared to 87%, 9% and 4% respectively for the 2012 period.

The product revenue mix saw a reduction in wallet related business from 87% in 2012 to 78% in 2013, with an increase of loyalty and marketing related revenues from 7% in 2012 to 22% for 2013.

The group loss for 2013 was £5,239,789 and EBITDA loss before exceptional items of £3,144,415 in line with expectations and compares to the 2012 group loss of £1,596,912 and EBITDA loss of £1,771,097. The 2013 Group loss includes £160,690 of amortisation and depreciation compared to 2012's £38,957. This increase is as a result of this being the first year that we have met the requirements of IAS 38 Intangible Assets to capitalise R & D expenditure in the year of £515,258 and reflects the first year's amortisation thereon. The exceptional item of £2,063,921 is a non-cash item arising from the accounting of the reverse acquisition listing on AIM.

Balance sheet

As at 31 December 2013 total equity was £7,367,514 (2012: £824,108) of which £7,468,818 (2012: £361,379) were cash and cash equivalents.

Net current assets are £7,353,942 (2012: £733,912) comprised £7,468,818 (2012: £361,379) cash and cash equivalents, trade receivables of £162,673 (2012: £68,413), other receivables £478,322 (2012: £355,327) including current tax receivable £172,723 (2012: £214,352), trade and other payables £739,033 (2012: £253,605) and current portion of long term borrowings £16,838 (2012: £11,954).

Adrianus GJC van Breda C.A.

Chief Financial Officer

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Introduction

The Listing Rules require that listed companies (but not companies traded on the Alternative Investment Market (AIM)) incorporated in the UK should state in their report and accounts whether they comply with the revised 2012 UK Corporate Governance Code ("the code") and identify and give reasons for any area of non-compliance. The Company is listed on AIM and therefore no disclosure is required. However, a number of voluntary disclosures have been given.

The board supports the principles and aims of the Code and intends to ensure that the Company observes the provisions of the Code as it grows, as far as is practical. However, the board considers that at this stage in the group's development the expense of full compliance with the Code is not appropriate.

Directors and Board

The Board comprises three executive and two non-executive directors. The board considers that the non-executive directors are independent.

The non-executive directors bring their independent judgements to bear on issues of strategy, performance, appointments, resources and standards of conduct.

There is a formal schedule of matters specifically reserved for decision by the board, who meet on a monthly basis.

Board Committees

The board has established two committees; the Audit and Remuneration Committees.

Relations with shareholders

Private investors are encouraged to participate in the Annual General Meeting.

Internal financial control

The Company has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the group. The key procedures that have been established in respect of internal financial control are:

- Internal control: the directors review the effectiveness of the group's system of internal controls on a regular basis;
- Financial reporting: there is in place a comprehensive system of financial reporting. The results for the group are reported on a monthly basis along with an analysis of key variances;
- Investment appraisal: applications for significant expenditure of either a revenue or capital nature are made in a format which places emphasis on the commercial and strategic justification as well as the financial returns.

No system can provide absolute assurance against material mis-statement or loss but the group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

Going concern

After making enquiries and taking account of the group's cash resources, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the next 12 months and, for this reason, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

As a company listed on AIM, Proxama Plc is not required to present a directors' remuneration report, however a number of voluntary disclosures have been made. The Company has complied with the disclosure requirements set out in the AIM Rules for Companies.

In framing its remuneration policy and the reporting of the remuneration, the committee has given consideration to the revised 2012 UK Corporate Governance Code.

Remuneration Committee

The Remuneration Committee, consisting of the chairman David Bailey and Gavin Breeze, determines the group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the group's remuneration policy, the committee considers a number of factors including:

- salaries and benefits available to executive directors of comparable companies;
- the need to both attract and retain executives of appropriate calibre; and
- the continued commitment of executives to the group's development through appropriate incentive schemes (including the award of share options).

Remuneration of executive directors

Consistent with this policy, benefit packages awarded to executive directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive.

The remuneration packages comprise the following elements:

- base salary: the Remuneration Committee sets the base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
- bonus scheme: the executive directors are eligible to receive a bonus dependent on both individual and group performance as determined by the Remuneration Committee;
- equity: share options; and
- private medical insurance

The executive directors are engaged under separate contracts which require a notice period of 12 months until 23 August 2014, thereafter six months given at any time by the individual.

Remuneration of non-executive directors

The fees and equity paid to non-executive directors are determined by the board. The non-executive directors do not receive any other forms of benefit such as private medical insurance.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Directors' detailed emoluments and compensation (audited)

	Year to 31 December 2013			
Director	**Salary and fees**	**Bonus**	**Benefits**	**Total**
Miles L Quitmann (CCO)	108,063	18,750	385	127,198
Dr Neil R Garner (CEO)	126,848	18,750	7,367	152,965
Adrianus GJC van Breda (CFO)	83,425	37,500	-	120,925
Gavin DP Breeze (Non-executive)	25,000	-	-	25,000
David J Bailey (Non-executive)	-	-	-	-
	343,336	75,000	7,752	426,088

	Year to 31 December 2012			
Director	**Salary and fees**	**Bonus**	**Benefits**	**Total**
Miles L Quitmann	108,063	27,016	-	135,079
Dr Neil R Garner	126,323	16,538	5,622	148,483
Gavin DP Breeze	25,000	-	-	25,000
	259,386	43,554	5,622	308,562

Adrianus GJC van Breda was employed from 10 December 2012. He was appointed to the board on 12 June 2013.

Gavin DP Breeze's fees are paid to Gavin Breeze Consulting Limited.

The directors' emoluments for 2012 and the period to the date of the reverse acquisition were paid by Proxama Solutions Limited. Malcolm A Burne, Nathan A Steinberg and Charles Cannon Brookes were directors of Longships Plc in 2012, and until the reverse acquisition by Proxama. Malcolm A Burne and Nathan A Steinberg resigned as directors on 23 August 2013 and Charles Cannon Brookes resigned as a director on 25 July 2013.

Prior to the reverse acquisition by Proxama, Longships Plc paid directors' fees as follows:

	2013	2012
Malcom A Burne	5,000	6,250
Nathan A Steinberg	6,000	6,250
Charles Cannon Brookes	5,000	6,250
	16,000	18,750

Malcolm A Burne's fees are paid to White Knight Investments Limited. Nathan A Steinberg's fees are paid to Munslows LLP.

Prior to the reverse acquisition by Proxama 10,000,000 options were granted by Longships Plc to Arlington Group Asset Management Limited on 24 May 2013 at an exercise price of 4p per share. Malcolm A Burne, who resigned as a director on 23 August 2013, has an interest of 33.3% in Arlington Asset Group and Charles Cannon Brookes, who resigned as a director on 25 July 2013, has an interest of 33.3% in Arlington Asset Group.

Full details of the directors' options over ordinary shares of 1p are detailed below:

Director	Grant date	Exercise price	At 31 December 2013 Number	At 31 December 2012 Number
Miles L Quitmann	29/09/2011	0.53p	12,460,209	12,460,209
	27/02/2012	0.53p	1,405,983	1,405,983
Dr Neil R Garner	27/02/2012	0.53p	1,468,284	1,468,284
Adrianus GJC van Breda	18/01/2013	0.53p	17,860,194	-

Notes:

The above options were granted when Proxama was a private company prior to its reverse onto AIM, but are stated based on the exchange ratio for shares in Proxama Plc. The options may not be exercised earlier than the first anniversary of the vesting start date.

An option may not be exercised later than the day before the tenth anniversary of the date of grant.

Options granted become exercisable as follows:

On or after the first anniversary of the vesting start date, an option shall become exercisable as to one-third of the total number of option shares;

At the end of the first quarter after the first anniversary of the vesting start date and on each subsequent quarter day an option shall become exercisable as to one-twelfth of the total number of option shares (or if less than one-twelfth of the total number of option shares remain, then the option shall become exercisable over the remainder of the total number of option shares).

It is the intention for new options granted that they vest 3 years from the grant date and include relevant performance criteria as the Board may determine from time to time.

David J Bailey

Chairman, Remuneration Committee

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report for the year ended 31 December 2013.

Strategy & Business Model

Proxama's vision is to provide the mobile technology hub that joins the dots and connects an individual with a high street retailer; from initial discovery, to issuance of promotions on mobile, to mobile contactless payment and mobile redemption of loyalty at point of sale. All this can be achieved with Proxama's TapPoint® app SDKs and our TapPoint® cloud platform for content delivery and data analytics reporting.

Traditional advertisers, loyalty providers and financial institutions are looking for ways into mobile. Proxama provides our customers, our partners and their customers with that route into the fastest growing commerce channel, mobile. Proxama generates revenue from charging event fees per tap or mobile interaction for contextual marketing engagement messaging, that can be proven to drive sales. In addition, Proxama charges on a per active handset basis for card aggregation wallets and enabling contactless payment card functionality.

Business Review and Future Developments

As mentioned in the CEO's report, we have seen a number of significant technology changes, where mass market consumer handsets are increasingly including the right proximity technologies, which we need to support our own services. We are eagerly awaiting for Apple to include NFC in future iPhone models as then all new smartphones will include the right mix of capabilities as new Android phones do today.

A key part of our updated strategy is ensuring that our platform capabilities cover all phone platforms and proximity technologies such as iOS and QR codes so that our customers can receive a full service for the full range of their consumers. A further part of our strategy is to build out the key tier 1 partner relationships with media owners, loyalty platforms and planning agencies to support our deployments with major retailers and wallet owners.

Key performance indicators ("KPIs")

The Board monitors progress on the overall group strategy and the individual strategic elements by reference to KPIs, specifically revenue, EBITDA before exceptional items and working capital levels. Revenue has reduced during the year and cash flow from net working capital has decreased but the group has been able to progress its technology development through the reverse acquisition and the subsequent successful placement raising £8.6m.

By order of the board

Dr Neil R Garner

Director

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors are pleased to present their annual report and audited financial statements of Proxama Plc for the year ended 31 December 2013.

Dividends

The Directors do not recommend the payment of a dividend.

Research and development

Proxama continues to invest substantially in research and development. Under IAS 38 "Intangible Assets" £515,258 of research and development expenditure has been capitalised (2012: nil). The group continues to invest in the development of its mobile wallet and TapPoint® projects.

Financial Risk Management

The group's financial instruments comprise cash and cash equivalents. The main risks arising from the group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate and credit risk – the principal assets of the group are its cash deposits. These are considered to be short-term liquid assets and as a result the exposure to interest rate risk is not considered significant. The principal focus of the Directors has been to minimise any credit risk in relation to its cash deposits even at the expense of interest income received.

Liquidity risk – the Board's policy is to ensure that sufficient cash and cash equivalents are held on a short-term basis at all times in order to meet the group's operational needs without the need to use an overdraft facility.

Foreign currency risk – the functional currency is sterling and all of the group's assets are held in this currency.

Post Balance Sheet Events

On 9 January 2014 a further 36,800,000 1p shares were issued at a premium of 1.5 pence per share.

Substantial shareholdings

As at 31 December 2013 the Directors had been notified of the following holdings representing three per cent or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued share capital
BNY (OCS) Nominees Ltd	30,000,000	3.9%
FXCM Nominees Ltd	27,887,000	3.6%
Dr Neil Robert Garner	117,761,130	15.2%
HSBC Global Custody Nominee (UK) Ltd [1]	141,256,651	18.3%
JIM Nominees Ltd	34,123,073	4.4%
Octopus Investments Nominees Ltd	51,600,000	6.7%
	402,627,854	52.1%

1. Per the remuneration report G Breeze, a director of the Group, holds an interest in 115,556,651 ordinary shares owned by HSBC Global Custody Nominee (UK) Ltd.

Directors and their interests in shares

The Directors of Proxama PLC, who served during the whole year unless otherwise stated, were as follows:

Gavin DP Breeze – appointed 23 August 2013

Dr Neil R Garner – appointed 23 August 2013

Miles L Quitmann – appointed 23 August 2013

Adrianus GJC van Breda – appointed 23 August 2013

David J Bailey – appointed 23 August 2013

Malcolm A Burne – resigned 23 August 2013

Charles Cannon Brookes – resigned 25 July 2013

Nathan Steinberg – resigned 23 August 2013

The company maintains director and officers' liability insurance.

The directors held the following interests in Proxama plc:

	At 31 December 2013 Ordinary shares of 1p each	**At 31 December 2013** Options over ordinary shares of 1p each	At 31 December 2012 Ordinary shares of 1p each	At 31 December 2012 Options over ordinary shares of 1p each
Gavin DP Breeze [1]	126,006,651	-	68,628	-
Dr Neil R Garner	117,761,130	1,468,284	71,125	1,468,284
Miles L Quitmann	14,101,926	13,866,192	8,375	13,866,192
Adrianus GJC van Breda	-	17,860,194	-	-
David Bailey [2]	6,024,126	-	1,796	-
Malcolm A Burne	-	-	4,537,500	-
Charles Cannon Brookes	-	-	3,000,000	-
Nathan Steinberg	-	-	1,878,500	-

1. 9,200,000 shares are owned by White Angle Ltd, a company in which G Breeze has an interest. 115,556,651 shares are held by a nominee company.
2. 3,000,000 of these shares are held in a self investing pension fund.

Pursuant to a share option deed dated 10 May 2013 and made between the Company and Arlington Group Asset Management Limited (AGAM), the Company granted to AGAM an option to subscribe 10,000,000 new ordinary shares at an exercise price of 4 pence per share, conditionally on the approval of shareholders at the annual general meeting of the Company which was held on 24 May 2013. The option is exercisable in whole or in part at any time during the 5 years ending on 24 May 2018. The option is subject to adjustment in certain circumstances, including on any share consolidation, capitalisation or capital distribution by the company. Malcolm A Burne and Charles Cannon Brookes both have a 33.3% interest in AGAM.

Gavin DP Breeze holds an indirect interest in 9,200,000 ordinary shares owned by White Angle Limited (a company registered in Jersey).

The shares and options held by Gavin DP Breeze, Dr Neil R Garner and Miles L Quitmann in 2012 were in Proxama Solutions Limited which have been transferred to Proxama Plc during 2013.

The shares held by Malcolm A Burne, Charles Cannon Brookes and Nathan Steinberg in 2012 were in Longships Plc which is now Proxama Plc.

The market price of the Company's shares at the end of the financial year was 2.90p.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Director's 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 elected to prepare the 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 are sufficient to show a true and fair view of the state of affairs and profit or loss of the Company and 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 estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditor

Each of the persons who are directors at the time when this director's report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the auditor is aware of that information.

Future Developments

The directors plan to further build on Proxama's partnerships and our platform infrastructure to enable the company to be a core part of the future global retail commerce ecosystem, and ensure that TapPoint® becomes the de facto platform for connecting bricks-and-mortar stores with state-of-the-art mobile commerce.

Annual General Meeting

Notice of the forthcoming Annual General Meeting of the Company together with resolutions relating to the Company's ordinary business will be given to the members separately.

On behalf of the Board

Dr Neil R Garner

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROXAMA PLC

We have audited the group financial statements of Proxama Plc for the year ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on pages 18, the directors are responsible for the preparation of the group 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 group 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROXAMA PLC

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of Proxama Plc for the year ended 31 December 2013.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
30th April 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** £	2012 £
Revenue	2-3	**813,380**	1,381,096
Cost of sales		**(422,007)**	(1,077,011)
Gross profit		**391,373**	304,085
Administrative expenses		**(3,714,183)**	(2,146,587)
Administrative expenses – exceptional item	6	**(2,063,921)**	-
Other operating income		**17,705**	32,858
Operating loss	6	**(5,369,026)**	(1,809,644)
Finance income	4	**2,503**	1,740
Finance expense	5	**(45,989)**	(3,360)
Loss on ordinary activities before taxation		**(5,412,512)**	(1,811,264)
Taxation	9	**172,723**	214,352
Loss for the year		**(5,239,789)**	(1,596,912)
Loss per share – basic and fully diluted	10	(1.25p)	(0.51p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	£	£
Loss for the year	**(5,239,789)**	(1,596,912)
Other comprehensive income/(expense)	**-**	-
Total comprehensive loss for the financial year attributable to equity holders	**(5,239,789)**	(1,596,912)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	**2013**	2012
		£	£
Assets			
Non-current Assets			
Intangible assets	11	**420,655**	7,487
Property, plant and equipment	12	**102,621**	114,980
		523,276	122,467
Current Assets			
Trade and other receivables	13	**468,272**	423,740
Current tax receivable		**172,723**	214,352
Cash and cash equivalents	14	**7,468,818**	361,379
		8,109,813	999,471
Current Liabilities			
Trade and other payables	15	**(739,033)**	(253,605)
Current portion of long-term borrowings	16	**(16,838)**	(11,954)
		(755,871)	(265,559)
Net Current Assets		**7,353,942**	733,912
		7,877,218	856,379
Non-current liabilities			
Non-current borrowings	16	**(509,704)**	(32,271)
Net Assets		**7,367,514**	824,108
Equity			
Share capital	18	**7,724,336**	3,562,609
Share premium account		**5,811,795**	1,228,968
Share based payment reserve		**332,323**	73,759
Merger relief reserve		**10,960,607**	-
Capital reserve		**209,791**	209,791
Convertible loan		**55,200**	-
Other reserve		**(9,225,108)**	(989,378)
Retained earnings		**(8,501,430)**	(3,261,641)
Total Equity		**7,367,514**	824,108

The financial statements on pages 22 to 50 were authorised for issue by the board of directors on 30 April 2014 and were signed on its behalf by:

Adrianus GJC van Breda

Director

Registered number - 06458458

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	£	£
Cash flows from operating activities		
Loss before taxation	**(5,412,512)**	(1,811,264)
Adjustments for:		
Depreciation of property, plant and equipment	**56,562**	37,799
Amortisation of intangible assets	**104,128**	798
Financial income	**(2,503)**	(1,740)
Financial expense	**45,989**	3,360
Share-based payments	**258,564**	63,319
Deemed cost of listing arising on reverse acquisition	**2,063,921**	-
	(2,885,851)	(1,707,728)
(Increase)/Decrease in trade and other receivables	**(98,472)**	80,480
Increase in trade and other payables	**419,080**	33
Cash used in operations	**(2,565,243)**	(1,627,215)
Income taxes received	**214,352**	89,657
Net cash used in operating activities	**(2,350,891)**	(1,537,558)
Cash flows from investing activities		
Interest received	**2,503**	1,740
Purchase of intangible assets	**(517,296)**	(2,614)
Purchase of property, plant and equipment	**(30,316)**	(87,569)
Cash on acquisition	**1,791,572**	-
Net cash from/(used in) investing activities	**1,246,463**	(87,443)
Cash flows from financing activities		
Interest paid	**(7,486)**	(3,360)
Issue of share capital	**8,210,000**	1,854,700
Share issue costs	**(475,773)**	-
Proceeds from issue of convertible notes	**500,000**	-
Repayment of borrowings	**(14,874)**	(15,631)
Net cash from financing activities	**8,211,867**	1,835,709
Net increase in cash and cash equivalents	**7,107,439**	210,708
Cash and cash equivalents at beginning of year	**361,379**	150,671
Cash and cash equivalents at end of year	**7,468,818**	361,379

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Share premium	Capital Reserve	Merger relief reserve	Share based payment reserve	Convertible loan	Other reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£	£
At 1 January 2012	2,839,227	778,956	209,791	-	10,440	-	(1,930,684)	(1,664,729)	243,001
Income statement for the year	-	-	-	-	-	-	-	(1,596,912)	(1,596,912)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	-	-	(1,596,912)	(1,596,912)
Issue of shares	723,382	450,012	-	-	-	-	941,306	-	2,114,700
Share based payments	-	-	-	-	63,319	-	-	-	63,319
Total transactions with owners	723,382	450,012	-	-	63,319	-	941,306	-	2,178,019
Total movement in shareholder's equity	723,382	450,012	-	-	63,319	-	941,306	(1,596,912)	581,107
At 31 December 2012	3,562,609	1,228,968	209,791	-	73,759	-	(989,378)	(3,261,641)	824,108
At 1 January 2013	3,562,609	1,228,968	209,791	-	73,759	-	(989,378)	(3,261,641)	824,108
Income statement for the year	-	-	-	-	-	-	-	(5,239,789)	(5,239,789)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	-	-	(5,239,789)	(5,239,789)
Issue of shares (pre reverse)	90,926	179,074	-	-	-	-	-	-	270,000
Cost of acquisition	998,801	271,526	-	10,960,607	-	-	(8,235,730)	-	3,995,204
Issue of shares	3,072,000	4,608,000	-	-	-	-	-	-	7,680,000
Share based payments	-	-	-	-	258,564	-	-	-	258,564
Equity element of convertible loan	-	-	-	-	-	55,200	-	-	55,200
Share issue costs	-	(475,773)	-	-	-	-	-	-	(475,773)
Total transactions with owners	4,161,727	4,582,827	-	10,960,607	258,564	55,200	(8,235,730)	-	11,783,195
Total movement in shareholder's equity	4,161,727	4,582,827	-	10,960,607	258,564	55,200	(8,235,730)	(5,239,789)	6,543,406
At 31 December 2013	7,724,336	5,811,795	209,791	10,960,607	332,323	55,200	(9,225,108)	(8,501,430)	7,367,514

1. GENERAL INFORMATION

Proxama PLC ("the Company") and its subsidiary Proxama Solutions Ltd (together 'the Group') specialise in next generation mobile marketing, loyalty and mobile wallets. The TapPoint® platform helps businesses accelerate commerce by combining mobile brand engagement, loyalty and mobile contactless payments.

By connecting the physical and the digital worlds businesses such as retailers, brands, Out-of-Home media and stadia owners can engage with consumers by mobile-enabling their physical infrastructure to increase loyalty, receive relevant offers and increase sales.

Proxama's TapPoint® platform is an open API cloud based solution that allows businesses to deploy services quickly and cost effectively by utilising technologies such as NFC, Bluetooth LE, geo-fencing and QR codes.

The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is incorporate and domiciled in the United Kingdom. The address of its registered office is given on the Company Information page.

Further to the acquisition of Proxama Solutions Ltd on 23 August 2013, the consolidated financial statements presented are a continuation of the financial statements of the legal subsidiary, Proxama Solutions Ltd, except the equity structure reflects the equity of the parent, with the comparatives restated using the exchange ratio established on the reverse acquisition.

2. ACCOUNTING POLICIES

Basis of preparation

The share exchange by Proxama Plc for 100% of the shares of Proxama Solutions Ltd is considered to be outside the scope of IFRS3 Business Combinations as Proxama Plc was a cash shell prior to the reverse acquisition and therefore is not classified as a business under IFRS3 and hence this is not treated as a business combination. The principles of reverse acquisition accounting have been applied with the consolidated financial statements being a continuation of the results and balances of the legal subsidiary. The difference between the consideration transferred over the cash balances and other net assets of the listed entity is treated as a cost of obtaining the listing and recorded as an expense with transaction costs allocated between the cost of the issue of equity and the cost of the listing. No goodwill is recognised.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention basis as discussed in the accounting policies below.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future based on future projections and cash flow forecasts. The fund raising in December 2013 and January 2014 has raised £8.6m and cash and cash equivalents at the year end are £7.5m. The Board considers it appropriate to use the going concern basis of preparation for the Group's financial statements for the year ended 31 December 2013.

Adoption of new accounting standards

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2013. The adoption of new standards and interpretations in the year has not had a material impact on the Group's financial statements.

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2014, or later periods, have been adopted early. The directors do not consider that the adoption of these standards and interpretations will have a material impact on the Group's financial statements.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker for the use in strategic decision making and monitoring of performance. The group considers the chief operating decision maker to be the executive board.

Revenue Recognition

Revenue represents the invoice value of services and software licences provided to external customers in the period, stated exclusive of value added tax.

Consideration received from customers in respect of services is only recorded as revenue to the extent that the company has performed its contractual obligations in respect of that consideration. Management assess the performance of the company's contractual obligations against project milestones and work performed to date.

Revenue from software licenses sold in conjunction with services is invoiced separately from those services and recognised over the period of the licence.

Revenue from software licences for the use of the technology platform is recognised over the period of the licence.

Foreign currencies

The functional currency of the parent and its subsidiary is sterling and all of its assets are held in this currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Financial instruments

Trade receivables are recognised initially at fair value and subsequently held at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are first assessed individually for impairment, or collectively where the receivables are not individually significant. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are collectively assessed for impairment. Movements in the provision for doubtful debts are recorded in the income statement within operating expenses.

Trade payables are recognised initially at fair value and subsequently held at amortised cost. Trade payables 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 balance sheet date.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment in value. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful economic life. Depreciation is recognised within operating expenses within the consolidated income statement.

The principal annual rates used for this purpose are:

Computer and office equipment	33 1/3% per annum
Motor Vehicles	25% per annum

Intangible assets

Research and development costs are capitalised when certain criteria are met. The product must be technically feasible, sale is intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete the project. The extent of capitalisation is limited to the amount which, taken together with further related costs, will be recovered from the future economic benefits related to the asset. When the board is sufficiently confident that all of the criteria for capitalisation are met, research and development costs are capitalised and amortised over the expected useful life, currently 5 years, from the date that the asset is available for use. Development costs that have been capitalised, but where amortisation has not yet commenced are reviewed annually for impairment. If no intangible asset can be recognised based on the above then research and development costs are recognised in the consolidated income statement in the period in which they are incurred.

Acquired trademarks and intellectual property rights are recognised as an asset at cost, or deemed cost less accumulated amortisation, and any recognised impairment loss.

Amortisation is charged so as to write off the cost or valuation of intangible assets less any residual value over their estimated useful lives on the following basis:

Trademarks and intellectual property rights	10% straight line

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group performs an impairment review in respect of any intangible assets not yet ready for use and reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment. If any such indication exists, the recoverable amount of the asset (being the higher of fair value less costs to sell and value in use) is estimated in order to determine the extent of any impairment. Any impairment loss is recognised as an expense in the income statement in the period in which it was identified.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash, subject to insignificant risk of changes in value, and have a maturity of less than 3 months from the date of acquisition.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and bank deposits.

Taxation

The tax currently receivable is based on the taxable loss for the period and relates to R & D tax credits. Taxable loss differs from net loss as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in full for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences carried forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax credits and unused losses can be utilised.

The carrying amount of deferred tax assets is assessed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Employee benefits
Share-based compensation

The Group operates an equity-settled, share-based compensation plan. Equity-settled share –based payments are measured at fair value at date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes pricing model.

Grants

Grants receivable are accounted for where the conditions for receipt have been substantially fulfilled and recoverability is assured. Grants in relation to items recognised in profit or loss are included within other operating income.

Leases

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Assets held under finance leases are recognised as assets of the group at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Equity

Equity comprises:

Share capital – the nominal value of ordinary shares is classified as equity.

Share premium reserve – represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Capital reserve – represents a capital contribution to the company.

Share-based payment reserve – represents equity settled share-based employee remuneration.

Retained earnings – includes all current and prior period retained profits/(losses).

Convertible loan – represents the equity element of the convertible loan note.

Merger relief reserve - the difference between cost and the nominal value of shares issued on the exchange of shares with Proxama Solutions Ltd.

Other reserve - the balance of the amount recognised as issued equity instruments arising on restatement of Proxama Solutions Ltd to reflect the parent equity structure.

Critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. An assessment of the impact of these estimates and judgements on the financial statements is set out below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information is available.

Estimates in applying the Group's accounting policies:

Fair values for employee share schemes

The establishment of fair values in respect of employee services received in exchange for share options require the exercise of judgement and estimation in respect of the life of the option, the expected dividend yield and, in particular, the expected volatility of the underlying shares. A calculated value for the latter may not accurately reflect the future share price movements given the Group's stage of development.

Critical judgements in applying the Group's accounting policies:

Assessing whether research and development costs meet the criteria for capitalisation

The point at which research and development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. Furthermore, the estimate of useful economic lives are based on management's knowledge of the Group's projects and technology.

3. SEGMENTAL ANALYSIS

Operating segments are based on internal reports about components of the company, which are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker ("CODM") for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance.

The group's operations are centred on providing bespoke near field communication solutions to its customers, primarily mobile wallet functionality. The group issues licences as part of the overall service package provided to its customers. The trading business is structured as a single entity company and its financial reporting is set to report to the CODM information as a whole. Management therefore considers there to be only a single operating segment covering the entire group although revenue analysis is provided below. Therefore additional analysis of the figures reported in these financial statements is neither appropriate nor necessary to enable users of the financial statements to evaluate the nature and financial effects of the business activities.

An analysis of revenue is as follows:

	2013	2012
	£	£
Mobile Wallet	637,113	1,261,255
Marketing	176,267	92,013
Other	-	27,828
Total revenue	813,380	1,381,096

Other revenue relates to projects undertaken historically and not classified as Mobile Wallet or Marketing.

The geographical analysis of revenue is as follows:

	2013	2012
	£	£
United Kingdom	400,695	1,199,392
United States of America	67,000	129,500
Finland	-	38,119
Other	345,685	14,085
Total revenue	813,380	1,381,096

A summary of the group's significant (defined as accounting for more than 10% of revenue in the year) customers is as follows:

	2013	2012
	£	£
United Kingdom customer 1	-	80.16%
Canada customer 1	19.99%	-
United Kingdom customer 2	19.70%	-
Canada customer 2	15.98%	-

4. FINANCE INCOME

	2013	2012
	£	£
Interest receivable and similar income	2,503	1,740

5. FINANCE EXPENSE

	2013	2012
	£	£
Bank interest	463	527
Hire Purchase interest	2,894	2,833
Interest payable on convertible loan note	38,503	-
Other loan interest	4,129	-
	45,989	3,360

Other loan interest relates to interest on loans of £170,000 from Gavin Breeze Consulting Limited. These loans were repaid on 17 October 2013.

6. LOSS BEFORE TAXATION

	2013	2012
	£	£
The loss before taxation is stated after charging:-		
Depreciation of property, plant and equipment		
- Owned	42,195	25,964
- Held under hire purchase agreements	14,367	11,835
Amortisation of intangible assets	104,128	798
Research and development expense (excluding Amortisation)	580,277	863,903
Operating lease rentals		
- Land and buildings	168,648	124,692
- Plant and machinery	2,663	-
Share options	258,564	63,319
Net foreign exchange losses	113	2,769
Auditors remuneration:		
For audit services		
- Company audit	12,000	-
- Subsidiary audit	10,000	-
For other non-audit services		
- Interim review	2,000	-
- Tax compliance services	3,500	-
- Tax advisory services	7,000	-
- Advisory services on reverse acquisition	120,903	-
- Nomad services	36,103	-
- Reporting accountant services	50,000	-
Exceptional item	2,063,921	-

The exceptional item is the deemed cost of listing arising on the reverse acquisition being the difference between the consideration exchanged for the share capital of Longships Plc and the net assets of Longships Plc immediately prior to the reverse acquisition.

7. STAFF COSTS

The average number of persons employed by the group during the year including executive directors was:

	2013 Number	2012 Number
Management	9	7
Research and development	24	18
Commercial and client services	24	16
	57	41

Their aggregate remuneration comprised:

	2013 £	2012 £
Wages and salaries	2,546,676	1,713,512
Social security costs	290,252	190,484
Expense of share based payments	236,976	63,319
	3,073,904	1,967,315

8. KEY MANAGEMENT COMPENSATION

Details of aggregate key management emoluments for the year are as follows:

	2013 £	2012 £
Salaries and other short term employee benefits	478,416	393,821
Expense of share based payments	193,055	41,011
	671,471	434,832

The directors are of the opinion that the key management of the Group comprises the executive and non-executive directors of Proxama plc. These persons have authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. At 31 December 2013, key management comprised five people.

Directors' emoluments are disclosed in the directors' remuneration report on pages 9 to 12.

9. CORPORATION TAX CHARGE

(a) Analysis of credit in the period

	2013	2012
	£	£
Current tax:		
UK corporation tax based on the results for the year at 20% (2012: 20%)	(172,723)	(214,352)

(b) Factors affecting the tax credit for the period,

The tax assessed for the period does not reflect an expense equivalent to the profit before tax multiplied by the UK standard rate of corporation tax of 20% (2012: 20%).

	2013	2012
	£	£
Loss before tax	(5,412,512)	(1,811,264)
Loss before tax multiplied by the standard rate of corporation tax	(1,082,502)	(443,759)
Non-deductible expenses	421,157	20,075
Losses carried forward	521,771	212,028
Research and development allowances	(174,467)	(251,434)
Research and development relief given at less than corporation tax rate	141,318	248,738
Current tax for the period	(172,723)	(214,352)

Subject to the UK tax authority's agreement, the group has tax losses of approximately £5,250,000 (2012: £2,645,000) available for carry forward and offset against future taxable profits arising from the same trade. The group has a potential deferred tax asset of £1,050,000 (2012: £529,000) which will not be recognised until it is regarded as more likely than not that there will be sufficient taxable profits from which the tax losses can be deducted.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the loss of £5,239,789 (2012: £1,596,912) and on the number of shares in issue, being the weighted average number of equity shares in issue during the period of 419,904,967 (2012: 314,805,040) ordinary 1p shares. Diluted earnings per share has not been presented as the company is loss making and hence presenting the diluted earnings per share would reduce the loss per share.

A separate adjusted earnings per share calculation has been prepared related to the loss before exceptional items.

	2013	2012
Loss for the year	(5,239,789)	(1,596,912)
Add back:		
Exceptional items	2,063,921	-
Adjusted loss	(3,175,868)	(1,596,912)
Adjusted loss per share – basic and fully diluted	(0.76p)	(0.51p)

11. INTANGIBLE ASSETS

	Trademarks	**Intellectual Property Rights**	**Research and Development**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 January 2012	450	6,001	-	6,451
Additions	2,614	-	-	2,614
At 31 December 2012	3,064	6,001	-	9,065
Additions	2,038	-	515,258	517,296
At 31 December 2013	5,102	6,001	515,258	526,361
Amortisation and impairment				
At 1 January 2012	180	600	-	780
Charge for the year	198	600	-	798
At 31 December 2012	378	1,200	-	1,578
Charge for the year	476	600	103,052	104,128
At 31 December 2013	854	1,800	103,052	105,706
Net book amount				
At 31 December 2013	**4,248**	**4,201**	**412,206**	**420,655**
At 31 December 2012	2,686	4,801	-	7,487

Research and development represents the costs incurred in developing the company's TapPoint platform. These internal costs have been capitalised in accordance with the company's accounting policies where all of the conditions for capitalisation have been met. Other intangible assets represent amounts paid to third parties for acquiring trademarks and intellectual property rights.

The directors have not identified any circumstances which indicate that they may have become impaired. Impairment of research and development is considered within the conditions of capitalisation. The directors do not consider formal impairment testing is necessary for other intangible assets given their carrying value. Amortisation charges are included in administrative expenses in profit and loss.

12. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Motor Vehicles	Computer Equipment	Total
	£	£	£	£
Cost				
At 1 January 2012	18,769	23,995	46,235	88,999
Additions	58,011	-	51,990	110,001
At 31 December 2012	76,780	23,995	98,225	199,000
Additions	20,296	-	23,907	44,203
At 31 December 2013	97,076	23,995	122,132	243,203
Depreciation				
At 1 January 2012	13,541	3,999	28,681	46,221
Charge for the year	15,458	5,999	16,342	37,799
At 31 December 2012	28,999	9,998	45,023	84,020
Charge for the year	23,503	5,999	27,060	56,562
At 31 December 2013	52,502	15,997	72,083	140,582
Net book amount				
At 31 December 2013	**44,574**	**7,998**	**50,049**	**102,621**
At 31 December 2012	47,781	13,997	53,202	114,980

Hire purchase agreements

Included within the net book value of £102,621 is £27,208 (2012: £27,688) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of such assets amounted to £14,367 (2012: £11,835).

13. TRADE AND OTHER RECEIVABLES

	2013	2012
	£	£
Trade receivables	162,673	68,413
Prepayments and accrued income	162,172	61,643
Other receivables	143,427	293,684
	468,272	423,740

Other receivables in 2012 includes £260,000 in called up share capital issued by Proxama Solutions Ltd but not received at the balance sheet date.

Trade receivables comprise amounts due from customers for services provided. No impairment adjustments have been considered necessary. Average credit terms were 30 days and average debtor days outstanding were 20 (2012: 18).

An aged analysis of trade receivables that were past due at the year end but not impaired is presented below:

	2013	2012
	£	£
Outstanding between one and two months	24,101	-
Outstanding between two and three months	11,053	-
	35,154	-

14. CASH AND CASH EQUIVALENTS

	2013	2012
	£	£
Bank balances	7,468,818	361,379

15. TRADE AND OTHER PAYABLES

	2013	2012
	£	£
Trade payables	248,159	75,028
Taxation and social security	114,051	80,705
Accruals	359,133	86,430
Other payables	17,690	11,442
	739,033	253,605

Trade payables and accruals principally comprise amounts outstanding for on-going costs.

The directors consider that the carrying amount of trade and other payables approximated their fair value.

Trade payables are paid between 30 and 60 days of receipt of the invoice.

16. BORROWINGS

	2013	2012
	£	£
Non-current borrowings		
Bank loan	10,290	12,212
Finance lease agreements	16,111	20,059
Convertible loan notes (note 22)	483,303	-
	509,704	32,271
Current portion of non-current borrowings		
Bank loan	1,885	1,825
Finance lease agreements	14,953	10,129
	16,838	11,954

Bank loan	**2013**	2012
	£	£
Non-current borrowings	10,290	12,212
Current portion of non-current borrowings	1,885	1,825
	12,175	14,037

Amounts included in non-current borrowings falling due later than five years	2,725	4,917

The bank loan is secured by way of a debenture over the assets of the Group.

Interest on the bank loan is payable at 3% above the National Westminster Bank Plc's base rate. The loan is repayable by monthly instalments over ten years.

Interest is accruing on the loan note at 10% per annum (non-compound). Both the interest and the loan notes are repayable on the third anniversary of the issue of the loan note instrument.

Finance lease agreements	**2013**	2012
	£	£
Gross finance lease liabilities – minimum lease payments:		
Within one year	17,046	12,187
Later than one year and no later than five years	17,100	21,595
Less: Future finance charges on finance leases	(3,082)	(3,594)
Present value of finance lease liabilities	31,064	30,188

The present value of finance lease liabilities is analysed as follows:

	2013	2012
	£	£
Within one year	14,953	10,129
Later than one year and no later than five years	16,111	20,059
	31,064	30,188

Finance lease agreements are secured on the assets concerned.

Interest rates are fixed for the term of the agreements which are payable by equal fixed monthly amounts.

17. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT

Treasury risk management

The group manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risks.

Credit risk

The group's principal financial assets are bank balances, cash, trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK banks with high credit ratings assigned by international credit rating agencies.

The group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. The group's investment policy is therefore one of achieving high returns with minimal risks. The group primarily invests in no-notice deposits and has no fixed interest deposits. The consolidated income statement would be affected by £5,000 (2012: £3,600, 2011: £1,500) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis in respect of interest earning bank balances.

The maximum exposure due to credit risk for the group on trade and other receivables during the year was £435,687 (2012: £423,740, 2011: £234,298). No collateral is held in respect of these amounts which are expected to be received in full and no impairment has been made.

Currency risks

The group's operations are located in the United Kingdom. The group's transactions are primarily denominated in sterling with little exposure to foreign currency risks. Due to the limited risks to the group, forward exchange contracts are not considered necessary and are not used. The group does not operate foreign currency bank accounts.

The translation risk on the group's foreign exchange payables and receivables is considered to be immaterial due to their short-term nature.

Liquidity risk

Operational cash flow represents on going trading revenue and costs, administrative costs and research and development activities. The group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The group's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts. The group currently has no undrawn committed facilities as at 31 December 2013.

The financial market turbulence and associated illiquidity in credit markets during the year has had no impact on the group's ability to meet its financing requirements.

The group actively manages its working finance to ensure it has sufficient funds for operations and planned research and development activities.

The group's main financial liabilities are primarily trade payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines.

The group has long term financial liabilities in the way of one bank loan, convertible loan note and three (2012: two, 2011: one) finance lease agreements which are repayable by monthly instalments. The bank loan bears interest at a floating rate whilst interest rates on the convertible loan and hire purchase agreements are fixed. The statement of comprehensive income would be affected by £200 (2012: £200, 2011: £200) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis in respect of the bank loan.

Derivative financial instruments

The group does not currently use derivative financial instruments as hedging is not considered necessary. Should the group identify a requirement for the future use of such financial instruments, a comprehensive set of policies and systems as approved by the directors will be implemented.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard. No material embedded derivatives have been identified.

Commodity contracts

The group does not use commodity forward contracts and futures to hedge against price risk in commodities as these are not considered necessary.

Capital management

The group's activities are of a type and stage of development where the most suitable capital structure is that of one almost entirely financed by equities. The directors will reassess the future capital structure when projects under development are sufficiently advanced.

The group's financial strategy is to utilise its resources and current trading revenue streams to further appraise and test the group's research and development projects. The group keeps investors informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

The amounts managed as capital by the group for the reporting periods under review are summarised as follows:

	2013	2012
	£	£
Total equity	7,367,514	824,108
Total equity	7,367,514	824,108
Borrowings	526,542	44,225
Overall financing	7,894,056	868,333
Equity to overall financing ratio	0.93	0.95

Categories of financial instruments

All of the group's financial assets are classified as loans and receivables, and all of the group's financial liabilities are classified as being measured at amortised cost.

The accounting policies applied are set out in note 2. The carrying amounts of financial assets and liabilities as at 31 December 2013 are categorised as follows:

	2013	2012
Carrying value of financial assets and liabilities within the consolidated statement of financial position:	**£**	£
Financial assets classified as loans and receivables		
Trade and other receivables	350,233	362,097
Cash and cash equivalents	7,468,818	361,379
	7,819,051	723,476
Financial liabilities at amortised cost		
Trade and other payables	624,982	171,771
Convertible loan notes	483,303	-
Bank borrowings	12,175	14,037
	1,120,460	185,808

18. SHARE CAPITAL

Allotted, called up and fully paid:

	2013 £
772,433,600 ordinary shares of 1p each	7,724,336

Shares issued and cancelled during the year

Pursuant to a share option deed dated 10 May 2013 and made between the company and Arlington Group Asset Management Limited (AGAM), the company granted to AGAM an option to subscribe 10,000,000 new ordinary shares at an exercise price of 4 pence per share, conditionally on the approval of shareholders at the annual general meeting of the company which was held on 24 May 2013. The option is exercisable in whole or in part at any time during the 5 years ending on 24 May 2018. The option is subject to adjustment in certain circumstances, including on any share consolidation, capitalisation or capital distribution by the company.

On 22 August 2013 Proxama plc acquired 100% of the share capital of Proxama Ltd (which subsequently changed its name to Proxama Solutions Ltd) by way of a reverse takeover. The shareholders of Proxama Ltd were issued 1p ordinary shares in Proxama plc at a ratio of approximately 16.84 shares in Proxama Plc for every share held.

On 6 December 2013 307,200,000 ordinary 1p shares were issued at a premium of 1.5p per share.

Costs of £475,773 relating to the share issue on 6 December have been deducted from equity.

At 31 December 2012, Proxama Limited had issued ordinary share capital of £2,116. On the basis of exchange ratio established at the date of the reverse takeover this equates to 356,260,900 ordinary shares of 1p each in Proxama Plc.

19. SHARE BASED PAYMENTS

The share option scheme was adopted by the company on 29 September 2011. It was established to attract and retain the best available personnel for positions of responsibility, to provide additional incentive to employees, officers or consultants of the company and to promote the success of the company's business. The share option scheme is administered by the directors.

Five tranches of share options have been issued as detailed below.

Details of the share options outstanding at the year end are as follows; as restated for the shareholding in Proxama Plc:

Date of grant	Number of options 1 January 2013	Issued in the year	Lapsed in the year	Number of options 31 December 2013	Date from which options may be first exercised	Lapse date	Exercise price per option
29/09/2011	22,396,386	-	(3,115,054)	19,281,332	29/09/2012	29/09/2021	0.53p
27/02/2012	5,144,045	-	-	5,144,045	27/02/2013	27/02/2022	0.53p
31/12/2012	4,908,313	-	-	4,908,313	31/12/2013	31/12/2022	0.53p
18/01/2013	-	17,860,194	-	17,860,194	18/01/2014	18/01/2023	0.53p
04/12/2013	-	2,700,001	-	2,700,001	04/12/2014	04/12/2023	3.12p

The weighted average fair value of the options granted in the year was 2p.

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.2 years.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Date of issue	29/09/11	27/02/12	31/12/12	18/01/13	04/12/13
Weighted average exercise price	0.53p	0.53p	0.53p	0.53p	3.12p
Expected volatility	14.00%	13.00%	12.00%	12.00%	11.00%
Expected life	10 years	10 years	10 years	10 years	10 years
Risk free rate	2.52%	2.02%	1.85%	1.85%	2.02%
Expected dividend yield	nil	nil	nil	nil	nil

The expected volatility was determined with reference to the industry volatility. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company recognised total expenses of £258,564 (2012: £63,319) related to equity-settled, share-based payment transactions during the year.

20. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Property 2013 £	**Plant and machinery 2013 £**	Property 2012 £	Plant and machinery 2012 £
No later than one year	149,555	616	62,862	-
Later than one year and no later than five years	447,906	1,180	256,687	-
Later than five years	31,760	-	-	-
	629,221	1,796	319,549	-

The company leases all of its properties. The terms of property leases vary between properties, although they all tend to be tenant-repairing with periodic rent reviews and break clauses. The company also leases office equipment under a non-cancellable operating lease agreement.

21. CAPITAL COMMITMENTS

No capital expenditure was committed to as at 31 December 2013.

22. RELATED PARTY TRANSACTIONS

As at 31 December 2013, Dr N R Garner was owed £525 by the company (2012: £965), M L Quitmann was owed £212 (2012: £333) and A GJC van Breda was owed £1,000.

As at 31 December 2013, Gavin Breeze Consulting Ltd was owed £25,000 (2012: £6,250) by the company. Gavin Breeze is a director and shareholder of Proxama PLC.

During 2013 Gavin Breeze loaned the company £170,000 which was repaid during the year. Interest of £4,129 relating to this was also repaid.

During the period the company issued a total of 1,000,000 50p loan notes to White Angle Ltd, a company wholly owned by Gavin Breeze for a total of £500,000. Interest is accruing on the loan notes at 10% per annum (non compound). Both the interest and the loan notes are repayable on the third anniversary of the issue of the loan note instrument. The interest charge included in these accounts amounts to £38,503 and the balance of the loan as at 31 December 2013 is £538,503. The total amount expected to be repaid on 19 March 2016 is £650,000.

The holder of the loan note has the right to convert it, together with accrued interest if he so chooses, into ordinary shares at the rate of one ordinary share per 50p loan note. The loan note is a compound financial instrument, containing both elements of liability and equity. Included in the amount above, an amount of £55,200 has been estimated as being in relation to the equity element.

23. BUSINESS COMBINATIONS

On 22 August 2013, Longships Plc (now Proxama Plc) acquired 100% of the share capital of Proxama Limited (now Proxama Solutions Limited) by way of a reverse acquisition. This acquisition was facilitated in order that Proxama could become AIM listed.

On acquisition 365,353,532 new 1p ordinary shares were issued to the shareholders of Proxama at a premium of 3p per share.

24. POST BALANCE SHEET EVENTS

On 9 January 2014 a further 36,800,000 1p shares were issued at a premium of 1.5 pence per share.

INDEPENDENT AUDITOR'S REPORT - COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2013

Independent auditor's report to the members of Proxama Plc

We have audited the parent company financial statements of Proxama Plc for the year ended 31 December 2013 which comprise the statement of financial position, the statement of cash flows, the 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 applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the parent company 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 parent company 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013;
- have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT - COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2013

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.

Other matter

We have reported separately on the group financial statements of Proxama Plc for the year ended 31 December 2013.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
30th April 2014

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013	2012
		£	£
Non-current Assets			
Investments	6	**14,872,706**	-
Current Assets			
Trade and other receivables	7	**2,209,562**	7,189
Cash and cash equivalents	8	**7,267,184**	1,329,599
		9,476,746	1,336,788
Current Liabilities			
Trade and other payables	9	**(89,965)**	(21,468)
Net Current Assets		**9,386,781**	1,315,320
Non-current liabilities			
Non-current borrowings	10	**(483,303)**	-
Net Assets		**23,776,184**	1,315,320
Equity			
Share capital	12	**7,724,336**	680,801
Share premium account		**5,811,795**	1,228,968
Merger relief reserve		**10,960,607**	-
Share based payment reserve		**332,323**	21,588
Option premium on convertible notes		**55,200**	-
Retained earnings		**(1,108,077)**	(616,037)
Total Equity		**23,776,184**	1,315,320

The financial statements were authorised for issue by the board of directors on 30 April 2014

and were signed on its behalf by:

Adrianus GJC van Breda

Director

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013**	2012
		£	£
Cash flows from operating activities			
Loss before taxation		**(492,040)**	(200,325)
Adjustments for:			
Interest income		**(7,184)**	(7,120)
Interest expense		**21,518**	-
Share based payments lapsed in the year		**(21,588)**	
Loss on disposal of financial assets at fair value through profit or loss		-	4
		(499,294)	(207,441)
Increase in trade and other receivables		**(2,128,614)**	(134)
Increase/(Decrease) in trade and other payables		**107,000**	(3,348)
Purchase of financial assets at fair value through profit or loss		**-**	(2,308,010)
Net cash outflows from operating activities		**(2,520,908)**	(2,518,933)
Cash flows from investing activities			
Interest received		**7,184**	7,120
Interest paid		**(21,518)**	-
Cash flows from financing activities			
Proceeds of share issue		**8,448,600**	900,013
Proceeds from issue of convertible notes		**500,000**	-
Costs of redemption of B shares		-	(76,826)
Funding costs		**(475,773)**	-
Net increase/(decrease) in cash and cash equivalents		**5,937,585**	(1,688,626)
Cash and cash equivalents at beginning of year		**1,329,599**	3,018,225
Cash and cash equivalents at end of year		**7,267,184**	1,329,599

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Share premium	Merger relief reserve	Share based payment reserve	Convertible loan	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2012	230,800	3,086,962	-	21,588	-	(338,886)	3,000,464
Income statement for the year	-	-	-	-	-	(200,325)	(200,325)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	(200,325)	(200,325)
Issue of B shares	2,308,006	(2,308,006)	-	-	-	-	-
Issue of shares	450,001	450,012	-	-	-	-	900,013
Redemption of B shares	(2,308,006)	-	-	-	-	(76,826)	(2,384,832)
Total transactions with owners	450,001	(1,857,994)	-	-	-	(76,826)	(1,484,819)
Total movement in shareholder's equity	450,001	(1,857,994)	-	-	-	(277,151)	(1,685,144)
At 31 December 2012	680,801	1,228,968	-	21,588	-	(616,037)	1,315,320
At 1 January 2013	680,801	1,228,968	-	21,588	-	(616,037)	1,315,320
Income statement for the year	-	-	-	-	-	(492,040)	(492,040)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	(492,040)	(492,040)
Issue of shares (pre reverse)	318,000	450,600	-	-	-	-	768,600
Cost of acquisition	3,653,535	-	10,960,607	-	-	-	14,614,142
Issue of shares	3,072,000	4,608,000	-	-	-	-	7,680,000
Share based payments	-	-	-	258,564	-	-	258,564
Transfer of share based payments on acquisition	-	-	-	73,759	-	-	73,759
Equity element of convertible loan	-	-	-	-	55,200	-	55,200
Share based payments lapsed	-	-	-	(21,588)	-	-	(21,588)
Share issue costs	-	(475,773)	-	-	-	-	(475,773)
Total transactions with owners	7,043,535	4,582,827	10,960,607	310,735	55,200	-	22,952,904
Total movement in shareholder's equity	7,043,535	4,582,827	10,960,607	310,735	55,200	(492,040)	22,460,864
At 31 December 2013	7,724,336	5,811,795	10,960,607	332,323	55,200	(1,108,077)	23,776,184

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going Concern

The Directors have a reasonable expectation that the company has adequate resources to continue its operational existence for the foreseeable future based on future projections and cash flow forecasts. The fund raising in December 2013 and January 2014 has raised £8.6m and cash and cash equivalents at the year end are £7.3m. The Board considers it appropriate to use the going concern basis of preparation for the company's financial statements for the year ended 31 December 2013.

Adoption of new accounting standards

For the purposes of the preparation of these entity financial statements, the company has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2013. The adoption of new standards and interpretations in the year has not had a material impact on the company's financial statements.

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the company's accounting periods beginning on or after 1 January 2014, or later periods, have been adopted early. The directors do not consider that the adoption of these standards and interpretations will have a material impact on the company's financial statements.

Foreign currencies

The company's functional currency is sterling and all of its assets are held in this currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Investments

Investments are stated at cost, less any provisions for impairment in value.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash, subject to insignificant risk of changes in value, and have a maturity of less than 3 months from the date of acquisition.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and bank deposits.

Taxation

The tax currently receivable is based on the taxable loss for the period and relates to R & D tax credits. Taxable loss differs from net loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in full for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences carried forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax credits and unused losses can be utilised.

The carrying amount of deferred tax assets is assessed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Employee benefits
Share-based compensation

The company grants options over its equity instruments to the employees of Proxama Solutions Ltd. The carrying value of the investment in this subsidiary is increased by an amount equal to the value of the share based payment charge attributable to the option holders in the subsidiary.

Critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. An assessment of the impact of these estimates and judgements on the financial statements is set out below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information is available.

Critical judgements in applying the company's accounting policies:

Fair values for employee share schemes

The establishment of fair values in respect of employee services received in exchange for share options require the exercise of judgement and estimation in respect of the life of the option, the expected dividend yield and, in particular, the expected volatility of the underlying shares. A calculated value for the latter may not accurately reflect the future share price movements given the company's stage of development.

2. LOSS FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss after tax for the financial year was £492,040 (2012: £200,325).

3. FINANCE INCOME

	2013	2012
	£	£
Interest receivable and similar income	7,184	7,120

4. LOSS BEFORE TAXATION

	2013	2012
	£	£
The loss before taxation is stated after charging:-		
Auditors remuneration:		
For audit services	1,000	12,000
For non-audit services		
- Tax compliance services	2,500	-
- Other services	-	3,360

5. CORPORATION TAX CHARGE

(c) Analysis of charge in the period

	2013	2012
	£	£
Current tax:		
UK corporation tax based on the results for the year	-	-
at 20% (2012: 20%)	-	-
Total current tax	-	-

(d) Factors affecting the tax charge for the period

The tax assessed for the period does not reflect an expense equivalent to the profit before tax multiplied by the UK standard rate of corporation tax of 20% (2012: 20%).

	2013	2012
	£	£
Loss before tax	(492,040)	(200,325)
Loss before tax multiplied by the standard rate of UK corporation tax	(98,408)	(40,065)
Non-deductible expenses	55,982	13,547
Losses carried forward	42,426	26,518
Current tax for the period	-	-

Subject to the UK tax authority's agreement, the company has tax losses of approximately £685,000 (2012: £470,000) available for carry forward and offset against future taxable profits arising from the same trade. The company has a potential deferred tax asset of £137,000 (2012: £94,000) which will not be recognised until it is regarded as more likely than not that there will be sufficient taxable profits from which the tax losses can be deducted.

6. FIXED ASSET INVESTMENTS

	2013	2012
	£	£
Investment in Proxama Solutions Limited	**14,614,142**	-
Capital contributions arising from IFRS2 share based Payments charge	**258,564**	-
	14,872,706	-

Proxama Plc has one subsidiary, Proxama Solutions Limited, a 100% owned subsidiary, acquired on 22 August 2013, which is incorporated in the United Kingdom.

7. TRADE AND OTHER RECEIVABLES

	2013 £	2012 £
Prepayments	**35,607**	7,189
Other debtors	**89,449**	-
Proxama Solutions Limited	**2,084,506**	-
	2,209,562	7,189

8. CASH AND CASH EQUIVALENTS

	2013 £	2012 £
Bank balances	**7,267,184**	1,329,599

9. TRADE AND OTHER PAYABLES

	2013 £	2012 £
Trade payables	**71,428**	9,228
Accruals	**18,537**	12,240
	89,965	21,468

10. BORROWINGS

	2013 £	2012 £
Non-current borrowings		
Convertible loan notes	483,303	-

11. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT

Treasury risk management

The company manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risks.

Credit risk

The company’s principal financial assets are bank balances, cash, trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK banks with high credit ratings assigned by international credit rating agencies.

The company currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. The company's investment policy is therefore one of achieving high returns with minimal risks. The company primarily invests in no-notice deposits and has no fixed interest deposits. The consolidated income statement would be affected by £5,000 (2012: £3,600, 2011: £1,500) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis in respect of interest earning bank balances.

The maximum exposure due to credit risk for the company on trade and other receivables during the year was £2,209,562 (2012: £7,189). No collateral is held in respect of these amounts which are primarily intercompany and expected to be received in full and no impairment has been made.

Currency risks

The company's operations are located in the United Kingdom. The company’s transactions are primarily denominated in sterling with little exposure to foreign currency risks. Due to the limited risks to the company, forward exchange contracts are not considered necessary and are not used. The company does not operate foreign currency bank accounts.

The translation risk on the company's foreign exchange payables and receivables is considered to be immaterial due to their short-term nature.

Liquidity risk

Operational cash flow represents on going trading revenue and costs, administrative costs and research and development activities. The company manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The company's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts. The company currently has no undrawn committed facilities as at 31 December 2013.

The financial market turbulence and associated illiquidity in credit markets during the year has had no impact on the company's ability to meet its financing requirements.

The company actively manages its working finance to ensure it has sufficient funds for operations and planned research and development activities.

The company's main financial liabilities are primarily trade payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines.

The company has long term financial liabilities in the way of one convertible loan note.

Interest rates on the convertible loan are fixed.

Derivative financial instruments

The company does not currently use derivative financial instruments as hedging is not considered necessary. Should the company identify a requirement for the future use of such financial instruments, a comprehensive set of policies and systems as approved by the directors will be implemented.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard. No material embedded derivatives have been identified.

Commodity contracts

The company does not use commodity forward contracts and futures to hedge against price risk in commodities as these are not considered necessary.

Capital management

The group's activities are of a type and stage of development where the most suitable capital structure is that of one almost entirely financed by equities. The directors will reassess the future capital structure when projects under development are sufficiently advanced.

The company's financial strategy is to utilise its resources and current trading revenue streams to further appraise and test the group's research and development projects. The company keeps investors informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

The amounts managed as capital by the company for the reporting periods under review are summarised as follows:

	2013	2012
	£	£
Total equity	23,776,184	1,315,320
Total equity	23,776,184	1,315,320
Borrowings	483,303	-
Overall financing	24,259,487	1,315,320
Equity to overall financing ratio	0.98	1.00

Categories of financial instruments

All of the company's financial assets are classified as loans and receivables, and all of the company's financial liabilities are classified as being measured at amortised cost.

The accounting policies applied are set out in note 2. The carrying amounts of financial assets and liabilities as at 31 December 2013 are categorised as follows:

	2013	2012
Carrying value of financial assets and liabilities within the consolidated statement of financial position:	**£**	£
Financial assets classified as loans and receivables		
Trade and other receivables	2,209,562	7,189
Cash and cash equivalents	7,267,184	1,329,599
	9,476,746	1,336,788

	2013	2012
Financial liabilities at amortised cost		
Trade and other payables	89,965	21,468
Convertible loan notes	483,303	-
	573,268	21,468

12. SHARE CAPITAL

Allotted, called up and fully paid:

	2013	2012
	£	£
772,433,600 (2012: 68,080,100) Ordinary shares of £0.01 each	**7,724,336**	680,801

13. CAPITAL COMMITMENTS

No capital expenditure was committed to as at 31 December 2013.

14. RELATED PARTY TRANSACTIONS

During the period the company was assigned 1,000,000 50p loan notes to White Angle Limited, a company wholly owned by Gavin Breeze for a total of £516,985. Interest is accruing on the loan notes at 10% per annum (non compound). Both the interest and the loan notes are repayable on the third anniversary of the issue of the loan note instrument. The interest charge included in these accounts amounts to £21,518 and the balance of the loan as at 31 December 2013 is £538,503.

The holder of the loan note has the right to convert it, together with accrued interest if he so chooses, into ordinary shares at the rate of one ordinary share per 50p loan note. The loan note is a compound financial instrument, containing both elements of liability and equity. Included in the amount above, an amount of £55,200 has been estimated as being in relation to the equity element.

At 31 December 2013, Proxama Plc was owed £2,084,506 by Proxama Solutions Ltd.

15. POST BALANCE SHEET EVENTS

On 9 January 2014 a further 36,800,000 1p shares were issued at a premium of 1.5 pence per share.

COMPANY INFORMATION

Directors	Gavin DP Breeze Dr Neil R Garner Miles L Quitmann Adrianus GJC van Breda David J Bailey
Company secretary	Dr Neil R Garner
Registered Office	27/28 Eastcastle Street London W1W 8DH
Auditors	Grant Thornton UK LLP 101 Science Park Milton Road Cambridge CB4 0FY
Bankers	Bank of Scotland 33 Old Broad Street London