PROXAMA PLC

COMPANY NUMBERED 06458458

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2014

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ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS **PAGE**

Chairman’s report	**1-2**
Chief Executive Officer’s report	**3-5**
Chief Financial Officer’s report	**6**
Corporate governance report	**7-8**
Directors’ remuneration report	**9-12**
Strategic report	**13-14**
Director’s report	**15-19**
Independent auditors’ report – Group	**20-21**
Consolidated income statement	**22**
Consolidated statement of comprehensive income	**23**
Consolidated statement of financial position	**24**
Consolidated statement of cash flows	**25**
Consolidated statement of changes in equity	**26**
Notes to the consolidated financial statements	**27-55**
Independent auditors’ report – Company	**56-57**
Company statement of financial position	**58**
Company statement of cash flows	**59**
Company statement of changes in equity	**60**
Notes to the parent company financial statements	**61-71**
Company information	**72**

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The Board is pleased to report that in 2014 the Company made good progress towards our goal of becoming a leader in mobile proximity marketing and mobile payment solutions.

The mobile marketing and mobile payments markets have both seen significant growth in 2014. There is growing confidence amongst those in the industry, and increasingly amongst consumers too, that the mobile phone will be synonymous with proximity marketing and contactless payments.

The Company adapted its strategy following Weve (a joint venture across the three largest UK mobile operators) deciding its strategy did not require the mobile wallet product Proxama were delivering. The Company moved away from providing mobile operator-led solutions into working with the Bank card issuers themselves. This has led to an important acquisition and the restructuring of the business.

Today, Proxama is focused on two divisions. The first is our Proximity Marketing Division which connects consumers to retailers and brands via mobile proximity marketing using Bluetooth Beacon and NFC technology. The Company has successfully deployed proximity services with many major brands, retailers and media owners in 2014, including Exterion Media, Harrods, William Hill, First Group, Coral, Kia Oval, Ubisoft, Gala, Purple Seven and Argos. In these deployments, Proxama's existing or newly-established proximity networks in high footfall locations such as city centres and retail outlets, communicate to consumers via messages to mobiles when the consumer is in close proximity.

Our second division is the Digital Payments Division which provides end-to-end software solutions for card issuers with the ability to migrate customers from magnetic stripe to chip-and-pin cards and from contactless cards to mobile devices.

Fundamental to the establishment of this division was the acquisition, in December 2014, of Aconite Technology Ltd, for the initial purchase price of £2.06m and further earn out payment of up to £1.75m in shares (or cash) to be paid subject to performance criteria.

The acquisition of Aconite brought a set of proven card issuer solutions with a strong customer presence in the USA, Europe and Middle East. Critically, the combination of Aconite and Proxama technology provides a complete end-to-end solution for card issuers to migrate from magnetic stripe cards to chip cards, and from contactless chip cards to mobile devices. Aconite is expected to accelerate the financial performance of the payments business considerably both as a result of material cost synergies which can be achieved from putting the two companies together but also from clients having a much broader range of services and products available.

In December 2014, the Company completed an equity fundraising for £4m before expenses, leaving a healthy cash balance at the year end of £5.5m, allowing the business to focus on delivering the strategy in a market which is now ready.

In January 2015, we announced the appointment of John Kennedy as CFO and Mike Woods, the founder of Aconite to the board as CEO of the payments division. These appointments have significantly strengthened the commercial experience of the Board. Adrianus van Breda, the former

CFO, and Miles Quitmann, the former CCO, left the business in January and March respectively.

Today, we would like to thank Neil Garner, the founder of Proxama, who has indicated a desire to step down from his CEO role, having led Proxama for almost 10 years. Neil who has been the technical inspiration behind the Company, supports the decision that the business requires new leadership to focus on commercialisation of the Group's technical expertise and IP. Neil will remain in the role until a new appointment is made, at which time, it is expected that he will continue to support the Company in a strategic role, developing new technologies, products and partnerships.

The acquisition of Aconite changed the shape of the business and this is further reflected in our decision to re-structure the company under the Digital Payments and Proximity Marketing divisions. Through Aconite we will have the benefit of a significant increase in revenues with contracted revenues of £7.3m and a further potential £17.5m over the next 5 years, providing the basis for Proxama becoming cash positive by the end of 2015. Our goal to become a leader in mobile proximity marketing and mobile contactless payments remains unchanged but our routes to getting there are now much clearer.

David J Bailey

Chairman

19 May 2015

CHIEF EXECUTIVE OFFICER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

Introduction

I am pleased to report on what has been an important year for our Company and one which we believe has set us up for a successful 2015.

Proxama provides the mobile technology hub that connects digital and physical commerce for mobile consumers in high footfall locations; from initial discovery of information, to issuance of promotions on mobile, to mobile contactless payment and redemption of loyalty vouchers at point of sale. All this can be achieved with Proxama's TapPoint® cloud platform for Proximity Marketing and loyalty, connected with our Digital Payment Enablement Solutions for issuing and managing cards.

We have never doubted our technology and expertise in these areas as we have proved by being employed to complete projects by many of the market leaders over the past 10 years. Our challenge is to fully commercialise the technology we have and in 2014 we have shifted our focus and re-structured our business onto much more clearly defined commercial lines.

We are already seeing the benefit of this with significant new contract wins in H1 of 2015:

- **Exterion Media** – The three year contract, is for Proxama to deploy Proximity Marketing Services via the Proxama Network. Exterion are one of the largest privately owned out–of-home media owner in Europe. They own media sites in numerous high footfall locations in London and are the sole providers of advertising space on Transport for London's bus and Underground services. The first phase will look to build on the successful trial conducted on buses in Norwich late last year, with a roll-out to UK major cities.
- **Eye Airports** – The two year contract is for Proxama to deploy Proximity Marketing Services via the Proxama Network. Eye Airports are the largest owner of airport advertising space in the UK, owning advertising signage in over 25 of the UK's airports, from the more traditional static billboards to a range of digital screens. Over 100 million passengers travel through these airports each year.
- **Innovate UK £1m Grant** – Proxama has been awarded £1m over two years, to support the extended roll-out of the Proxama-owned mobile application, Loka. We are extremely excited about the prospect of rolling out Loka across the UK, an important stream of activity across our Proximity Marketing strategy.
- **Navy Federal Credit Union** – A new five year contract with Navy Federal Credit Union ("Navy Federal"), the world's largest credit union, commencing on 13 May 2015. Proxama to supply their Payment Application Manager software solution to support the migration to EMV, the international standard for chip and PIN cards, and on-going lifecycle management of a substantial credit union portfolio including several million debit cards. Navy Federal is the world's largest credit union serving the United States military and their families across the world. It has more than US$65 billion in assets, and over 5 million members globally.

Financial results

Revenue, grant income and other operating income of £798,274 (2013: £831,085) was in line with expectations. Normal trading revenue was £650,978 (2013: £813,380), whilst government grant income totalled £104,926 (2013: £8,000). Aconite accounted for £88,085 of revenue in the period following the acquisition on 4 December 2014.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

In the period under review, EBITDA loss before exceptional items were £5,613,690 (2013: £3,144,415 before exceptional items) and as at 31 December 2014, the Company had net cash of £5,503,567 (2013: £7,468,818). Loss for the financial year was £5,623,977 (2013: £5,239,789).

Operational Review

We now operate two distinct product divisions.

Proximity Marketing Division

Our Proximity Marketing Division focuses on connecting consumers to retailers and brands via mobile proximity marketing with increased emphasis on using Bluetooth Beacon technology.

A number of trial throughout 2014 proved the capabilities of our Proximity Marketing Services across a wide range of high footfall locations, including: Stores (Argos, Ubisoft, Gala Coral, William Hill); Malls (Westfield); Public events (Purple 7); Stadia (Kia Oval); Public transport (First Group); and entire cities (Norwich, Liverpool). Proximity marketing is growing rapidly around the world. In the US 57% of consumers are said to be more likely to engage with proximity-based advertising. Our objective now is to move these client relationships onto long term commercial contracts in 2015.

This Proximity Marketing service was extended through Proxama's development of the Loka consumer mobile application, which allows passengers to receive location-based messages while travelling on the buses and walking around the city centres. Through maximising the high passenger dwell time spent on buses, local brands saw an increase in loyalty, footfall and engagement. The Loka service in Norwich has now been deployed into Jersey and is sold as a subscription service.

The success of Norwich and the insights we are gaining in terms of consumer take up and responses to promotions is proving invaluable in helping us articulate our proposition to potential clients and deciding on the best way to commercialise our services. Currently, we generate revenue from charging event fees per click or mobile interaction in response to signals from our beacon network or from taking a small share of the transactional fees relating to redeeming offers or promotions.

We have signed a number of recent long term strategic deals and have a healthy pipeline of potential partners such as shopping centres, sports stadia and retailers as well as advertising agencies and brands who will join and broaden this mobile advertising network. Our objective is to increase our beacon network up to 10,000 locations across the UK by the end of 2015.

Digital Payments Division

Our Digital Payments Division provides end-to-end software solutions for card issuers enabling them to migrate customers from magnetic stripe to chip-and-pin cards and from contactless cards to mobile devices.

Early in 2014, our payment activity was split between working with Mobile Operator Joint Ventures (Weve and ISIS) and exploring new Host Card Emulation (HCE) opportunities with Banks, as the major card schemes started to release specifications and support for the new technology. It became increasingly clear that the greater opportunity for Proxama was to focus all our attention on supporting Banks and Card issuers to migrate their existing solutions towards mobile payments.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

Aconite is one of a very small number of independent global companies with software solutions for card issuers to manage EMV migration, chip card issuance management, tokenization and PIN management. The capabilities and customers of Aconite perfectly complement the mobile and NFC positioning of Proxama, creating a truly unique end-to-end solution for card issuers looking to better manage a portfolio of physical and digital cards.

In addition to the technology and platform capability resulting from the acquisition of Aconite, the acquisition has significantly enhanced the financial position of the business through:

- New profitable revenue streams from existing customers migrating from mag-stripe cards in the United States of America, securely managing chip cards and reducing costs of managing card PINs.
- Significant cost savings of no less than £1.5m.
- Long standing and trusted bank relationships and credibility.
- New channels to market for mobile contactless enablement products.

In the payment division we expect to grow revenues significantly as we increase marketing activities, launch new products and increase our sales force across the USA and Canada. These markets are critical as the US card market migrates from magnetic stripe to chip and pin with the liability shift targeted in October 2015 and expected to run over the next two to three years. Proxama is well placed to benefit from this enforced change.

Our focus on supporting Banks and Card issuers requires the migration of their customer's credit and debit cards to chip and PIN as well as digitisation and securing of other relevant processes. Proxama's PIN Manager offers electronic PIN delivery via SMS or web browser, and tokenisation secures distribution of customer card data, substituting card details with a token that has no exploitable meaning or value.

Outlook

We now have a clear commercial path to follow and the financial resources to achieve our plans, supplemented by a strong pipeline of good commercial opportunities. Our most recent announcements demonstrate our progress and potential for our services to become widespread.

Our longstanding vision of mass market proximity commerce is happening and we are very excited to be in prime position to be able to deliver highly scalable services for our customers and partners, and demonstrate significant returns to our shareholders.

Dr Neil Garner

CEO & Founder

19 May 2015

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

Revenue, grant income and other operating income of £798,274 (2013: £831,085) was in line with expectations. Normal trading revenue was £650,978 (2013: £813,380), whilst government grant income totalled £104,926 (2013: £8,000). Aconite accounted for £88,085 of revenue in the period following the acquisition on 4 December 2014.

The Company is concentrating on delivering long term, strategic contracts that deliver regular sustainable revenues and cash. Equally important, is the shift to a more focussed cash and cost management culture, with an explicit emphasis to drive investment into top line growth.

The geographic split of the revenue was 78% UK, 4% USA, and 18% from other countries compared to 49%, 8%, and 7% respectively for the 2013 period, with the remaining 36% coming from Canada.

The product revenue mix saw a reduction in wallet related business from 78% in 2013 to 70%, with an increase of loyalty and marketing related revenues from 22% for 2013 to 30% 2014.

The group total loss after taxation for 2014 was £5,623,977 and EBITDA loss before exceptional items was £5,613,690 in line with expectations and compares to the 2013 group loss of £5,239,789 and EBITDA loss of £3,144,415. The 2014 Group loss includes £135,703 of amortisation and depreciation compared to 2013's £160,690.

The pipeline is strong, through a combination of acquiring Aconite and the existing Proxama relationships. It is anticipated incremental revenues will flow during 2015 to drive significant growth of the Company.

Balance sheet

As at 31 December 2014 total equity was £8,509,625 (2013: £7,367,514) of which £5,503,567 (2013: £7,468,818) were cash and cash equivalents.

Net current assets are £4,572,313 (2013: £7,353,942) comprised of £5,503,567 (2013: £7,468,818) cash and cash equivalents, trade receivables of £453,963 (2013: £162,673), other receivables £211,855 (2013: £143,427), current tax receivable £649,087 (2013: £172,723), trade and other payables £1,976,627 (2013: £739,033) and current portion of long term borrowings £563,676 (2013: £16,838).

Details of the acquisition of Aconite for £1,613,667 are included on pages 53 to 55 of these accounts.

John Kennedy

Chief Financial Officer

19 May 2015

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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 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 adopts guidance from the Code as it grows. However, the board considers that at this stage in the group's development the expense of compliance with the Code is not appropriate.

Directors and Board

The Board comprises three executive and three 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 three committees; the Audit, Remuneration and Nomination 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.

On behalf of the board

Dr Neil R Garner

Director

19 May 2015

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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.

Remuneration Committee

The Remuneration Committee, consisting of the chairman David Bailey, Gavin Breeze and Shaun Gregory, 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 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 2014

Directors' detailed emoluments and compensation (audited)

	Year to 31 December 2014			
Director	**Salary and fees**	**Bonus**	**Benefits**	**Total**
Miles L Quitmann (CCO)	143,011	-	432	143,443
Dr Neil R Garner (CEO)	146,596	-	6,213	152,809
Adrianus GJC van Breda (CFO)	150,000	-	-	150,000
Gavin DP Breeze (Non-executive)	25,000	-	-	25,000
David J Bailey (Non-executive)	24,503	-	-	24,503
Shaun Gregory (Non-executive)	14,000	-	-	14,000
	503,110	-	6,645	509,755

	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)	-	-	-	-
Shaun Gregory (Non-executive)	-	-	-	-
	343,336	75,000	7,752	426,088

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

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

Director	**Grant date**	**Exercise price**	**At 31 December 2014 Number**	**At 31 December 2013 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	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 grant 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 grant 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).

New options granted vest 3 years from the grant date and include relevant performance criteria as the Board may determine from time to time.

On behalf of the board

David J Bailey

Chairman, Remuneration Committee

19 May 2015

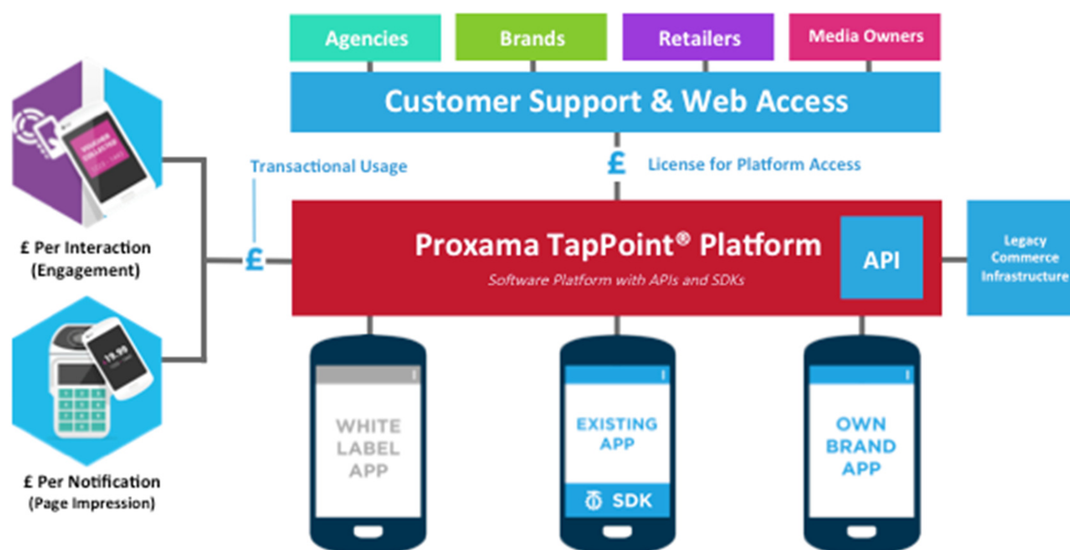
STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report for the year ended 31 December 2014.

Strategy & Business Model

Proxama's vision is to be the mobile technology hub that connects digital and physical world commerce allowing mobile consumer to engage and transact with brands & retailers in high footfall locations; Proxama's platforms support initial information discovery, issuance of promotions on mobile, mobile contactless payment and redemption of loyalty at point of sale. All this can be achieved with Proxama's TapPoint® cloud platform for Proximity Marketing and loyalty vouchers, connected with our Digital Payment Enablement Solutions for issuing and managing cards.



For Proximity Marketing, Proxama generates revenue from charging event fees per tap or mobile interaction, which is further enhanced by transactional fees relating to redeeming offers or initiating a payment transaction.

For Digital Payments, Proxama charges on a 'charge per card' basis, support & maintenance basis for enabling card issuers and processors, which is typically linked to the volume of cards being managed.

Business Review and Future Developments

We have seen a number of significant technology changes driven by mobile phone manufacturers, in particular Apple, that have had a significant impact on the mobile payments landscape. Our focus for Digital Enablement is to pursue opportunities in markets like the USA and emerging world where chip cards are being introduced, and in low Apple penetration markets (or following the launch of Apple Pay in new geographies) assist card issuers to enable contactless payments on all of other phone manufacturer's devices.

Our TapPoint® platform has been proven by many proximity marketing campaigns by global brands using QR, NFC, Geo-fence and Bluetooth technologies. The major market shift for 2015 is to focus on

rolling out Bluetooth Low Energy (BLE) beacons into high footfall locations in collaboration with our physical media owner partners. Key development activities for 2015 will be building out improved tools and operational capabilities to manage networks and campaigns for multiple media owners and brands, plus investment in data analytics and insights to continually improve services and demonstrate clear benefits.

Key Performance Indicators

The Board monitors progress on the overall group strategy and the individual strategic elements by reference to KPIs. The primary measures are revenue, costs, EBITDA before exceptional items and working capital levels. The Board has a set of secondary measures that are lead indicators to delivering the primary measures. These secondary indicators include pipeline size, win ratio, number of beacon networks, trading territories and cities, SDK (software development kit) clients and new contracts.

Principal Risks and Uncertainties

The key financial risks affecting the group are set out in the Directors' report. The group's performance is dependent on its products and solutions keeping pace with market and technological changes, frequent introductions of new services and products and evolving industry standards. Advances in technology may result in changing customer preferences for products and services and delivery formats and any such change in preferences may be rapid. The group manages this risk by a commitment to research and development, combined with ongoing dialogue with key industry players.

Strategic Risks

Our Digital Payments business has been significantly de-risked following the acquisition of Aconite as we now have solutions for non-mobile card issuance and management of those that are already installed with global card issuers creating recurring annuity revenues. We believe card issuers will now only progress to mobile contactless when Apple Pay launches in their geographies, so our mobile contactless revenues in the short term will be linked to issuer launches on non-Apple devices. In the medium- to long- term we believe that our issuer solutions will be able to connect into the Apple Pay infrastructure to allow Apple to penetrate tier 2 issuers and new geographies.

Our Proximity Marketing business is currently driven primarily by deployment of Bluetooth beacons until Apple opens up their NFC to support 'reader/writer mode'. Our primary risk is speed of roll-out of our network with our partners to ensure that we are managing the technology platform behind the largest number of high footfall physical locations, initially in the UK and subsequently into EU and USA.

This report, in conjunction with the Chief Executive Officer's Report on pages 3 to 5 and the Chief Financial Officer's Report on page 6 form the Strategic Report for the purposes of s414A of the Companies Act 2006

On behalf of the board

Dr Neil R Garner

Director 19 May 2015

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors are pleased to present their annual report and audited financial statements of Proxama Plc for the year ended 31 December 2014.

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" £817,715 of development expenditure has been capitalised (2013: £515,258). 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, trade receivables and payables and borrowings. 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 income 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. Borrowings are mainly on fixed interest rate terms and as a result the exposure to interest rate expense risk is also low.

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. Equity funds of £4.9m were raised in the year.

Foreign currency risk – the main functional currency is sterling. The group has two US Dollar accounts and one Euro account. Throughout 2014, the company's transactions have primarily been denominated in sterling and the group has had low exposure to foreign currency risk. The incorporation of Proxama Inc. has increased the exposure to exchange rate fluctuations but the low volume of US transactions and assets held in Proxama Inc. has kept this risk to a minimum. Further information on financial instruments is disclosed in note 18.

Business Combination

On 4 December 2014 the Company acquired Aconite Technology Limited to facilitate the group in combining technologies to provide a complete end to end solution for card issuers (see note 24).

Post Balance Sheet Events

There are no post balance sheet events requiring disclosure for the year ending 31 December 2014.

Substantial shareholdings

As at 31 March 2015 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	35,600,000	3.5%
Investec Wealth and Investment	31,126,565	3.1%
Charles Stanley and Co Ltd	32,381,432	3.2%
Elderstreet Investment Limited	31,731,358	3.1%
FXCM Nominees Ltd	61,986,950	6.1%
Dr Neil Robert Garner [1]	119,761,130	11.8%
Hargreave Hale Nominees Ltd	95,966,675	9.4%
HSBC Global Custody Nominee (UK) Ltd [2]	178,396,651	17.5%
Octopus Investments Nominees Ltd	123,479,233	12.1%
	710,429,994	69.8%

1. Includes 2,000,000 shares held by C L Garner.
2. G Breeze, a director of the Group, holds an interest in 139,556,651 ordinary shares owned by HSBC Global Custody Nominee (UK) Ltd.

Directors and their interests in shares

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

Gavin DP Breeze

Dr Neil R Garner

Miles L Quitmann – resigned 27 March 2015

Adrianus GJC van Breda – resigned 30 January 2015

David J Bailey

Shaun Gregory – appointed 9 June 2014

John Kennedy – appointed 20 January 2015

Michael J Woods – appointed 20 January 2015

The company maintains director and officers' liability insurance.

The directors held the following interests in Proxama plc:

	At 31 December 2014 Ordinary shares of 1p each	**At 31 December 2014** Options over ordinary shares of 1p each	At 31 December 2013 Ordinary shares of 1p each	At 31 December 2013 Options over ordinary shares of 1p each
Gavin DP Breeze [1]	150,006,651	-	150,006,651	-
Dr Neil R Garner [2]	119,761,130	1,468,284	119,761,130	1,468,284
Miles L Quitmann	14,101,926	13,866,192	14,101,926	13,866,192
Adrianus GJC van Breda	-	17,860,194	-	17,860,194
David Bailey [3]	12,824,126	-	6,024,126	-

1. 9,200,000 shares are owned by White Angle Ltd, a company registered in Jersey in which G Breeze has an interest. 139,556,651 shares are held by a nominee company.
2. Includes 2,000,000 shares held by C L Garner.
3. 3,000,000 of these shares are held in a self investing pension fund.

The market price of the Company's shares at the end of the financial year was 2.17p.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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 build on Proxama's platforms and technologies to enable the new proximity commerce ecosystem as well as developing new products to join up existing Proxama and Aconite capabilities. Development of further media owner partnerships will also be a focus to enable the delivery of recurring highly scalable revenues.

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

19 May 2015

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 2014 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 page 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 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/auditscopeukprivate.

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 2014 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 2014.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
19 May 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014**	2013
		£	£
Revenue	3	**650,978**	813,380
Cost of sales		**(741,489)**	(422,007)
Gross (loss)/profit		**(90,511)**	391,373
Grant income		**104,926**	8,000
Other income		**42,370**	9,705
Administrative expenses		**(5,806,178)**	(3,714,183)
Administrative expenses – exceptional item	6	**(109,375)**	(2,063,921)
Operating loss	6	**(5,858,768)**	(5,369,026)
Finance income	4	**31,621**	2,503
Finance expense	5	**(72,121)**	(45,989)
Loss on ordinary activities before taxation		**(5,899,268)**	(5,412,512)
Taxation	9	**275,291**	172,723
Loss for the year attributable to owners of the parent		**(5,623,977)**	(5,239,789)
Loss per share – basic	10	(0.68p)	(1.25p)
Loss per share - diluted	10	(0.68p)	(1.25p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	£	£
Loss for the year	**(5,623,977)**	(5,239,789)
Items that will be reclassified subsequently to profit and loss:		
Foreign exchange difference arising on consolidation	**8,162**	-
Other comprehensive income	**8,162**	-
Total comprehensive loss for the financial year attributable to owners of the parent	**(5,615,815)**	(5,239,789)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	**2014**	2013
		£	£
Assets			
Non-current Assets			
Intangible assets	11	**4,921,777**	420,655
Property, plant and equipment	12	**199,729**	102,621
		5,121,506	523,276
Current Assets			
Trade and other receivables	13	**959,962**	468,272
Current tax asset		**649,087**	172,723
Cash and cash equivalents	14	**5,503,567**	7,468,818
		7,112,616	8,109,813
Current Liabilities			
Trade and other payables	15	**(1,976,627)**	(739,033)
Current portion of borrowings	16	**(563,676)**	(16,838)
		(2,540,303)	(755,871)
Net Current Assets		**4,572,313**	7,353,942
		9,693,819	7,877,218
Non-current liabilities			
Non-current borrowings	16	**(560,194)**	(509,704)
Deferred tax liabilities	17	**(624,000)**	-
Net Assets		**8,509,625**	7,367,514
Equity			
Share capital	19	**10,187,672**	7,724,336
Share premium account		**8,703,332**	5,811,795
Share based payment reserve		**599,449**	332,323
Merger relief reserve		**11,605,556**	10,960,607
Translation reserve		**8,162**	-
Capital reserve		**209,791**	209,791
Equity reserve		**546,178**	55,200
Other reserve		**(9,225,108)**	(9,225,108)
Retained earnings		**(14,125,407)**	(8,501,430)
Total Equity		**8,509,625**	7,367,514

The financial statements on pages 22 to 55 were authorised for issue by the board of directors on 19 May 2015 and were signed on its behalf by:

John Kennedy

Director

Registered number - 06458458

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
Cash flows from operating activities	**£**	£
Loss before taxation	**(5,899,268)**	(5,412,512)
Adjustments for:		
Depreciation of property, plant and equipment	**93,183**	56,562
Amortisation of intangible assets	**42,520**	104,128
Profit on disposal of assets	**(5,129)**	-
Loss on disposal of intangibles	**53,361**	-
Financial income	**(31,621)**	(2,503)
Financial expense	**72,121**	45,989
Share-based payments	**267,126**	258,564
Deemed cost of listing arising on reverse acquisition	**-**	2,063,921
	(5,407,707)	(2,885,851)
(Increase) in trade and other receivables	**(168,180)**	(98,472)
(Decrease)/Increase in trade and other payables	**(207,902)**	419,080
Cash used in operations	**(5,783,789)**	(2,565,243)
Income taxes received	**-**	214,352
Net cash used in operating activities	**(5,783,789)**	(2,350,891)
Cash flows from investing activities		
Interest received	**31,621**	2,503
Additions to intangible assets	**(817,715)**	(517,296)
Purchase of property, plant and equipment	**(196,863)**	(30,316)
Proceeds on disposal of property, plant and equipment	**12,627**	-
Acquisition of subsidiaries net of cash acquired	**18,178**	1,791,572
Net cash (used in)/from investing activities	**(952,152)**	1,246,463
Cash flows from financing activities		
Interest paid	**(6,976)**	(7,486)
Issue of share capital	**4,937,596**	8,210,000
Share issue costs	**(60,463)**	(475,773)
Proceeds from issue of convertible notes	**-**	500,000
Repayment of borrowings	**(107,629)**	(14,874)
Net cash from financing activities	**4,762,528**	8,211,867
Net (decrease)/increase in cash and cash equivalents	**(1,973,413)**	7,107,439
Cash and cash equivalents at beginning of year	**7,468,818**	361,379
Exchange differences on cash and cash equivalents	**8,162**	-
Cash and cash equivalents at end of year	**5,503,567**	7,468,818

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Capital Reserve	Translation reserve	Merger relief reserve	Share based payment reserve	Equity reserve	Other reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£	£	£
At 1 January 2013	3,562,609	1,228,968	209,791	-	-	73,759	-	(989,378)	(3,261,641)	824,108
Loss 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
At 1 January 2014	7,724,336	5,811,795	209,791	-	10,960,607	332,323	55,200	(9,225,108)	(8,501,430)	7,367,514
Loss for the year	-	-	-	-	-	-	-	-	(5,623,977)	(5,623,977)
Other comprehensive income	-	-	-	8,162	-	-	-	-	-	8,162
Total comprehensive income for the period attributable to equity holders	-	-	-	8,162	-	-	-	-	(5,623,977)	(5,615,815)
Issue of shares	2,463,336	2,952,000	-	-	644,949	-	-	-	-	6,060,285
Equity to be issued	-	-	-	-	-	-	490,978	-	-	490,978
Share based payments	-	-	-	-	-	267,126	-	-	-	267,126
Share issue costs	-	(60,463)	-	-	-	-	-	-	-	(60,463)
Total transactions with owners	2,463,336	2,891,537	-	-	644,949	267,126	490,978	-	-	6,757,926
Total movement in shareholder's equity	2,463,336	2,891,537	-	8,162	644,949	267,126	490,978	-	(5,623,977)	1,142,111
At 31 December 2014	10,187,672	8,703,332	209,791	8,162	11,605,556	599,449	546,178	(9,225,108)	(14,125,407)	8,509,625

1. GENERAL INFORMATION

Proxama PLC ("the Company") and its subsidiaries (together 'the Group') specialise in next generation proximity marketing, loyalty, contactless payment solutions and card issuing. The TapPoint® platform delivers proximity engagement and loyalty solutions for retailers, media owners and brands by utilising technologies such as NFC, Bluetooth LE (beacons), geo-fencing and QR codes. CardGateway® is the mobile contactless (NFC) payment platform that enables banks to transition their card portfolio onto mobile for mobile contactless payments. Proxama's TapPoint® and CardGateway® platforms connect existing retail loyalty and payment infrastructure onto mobile. Our partners are retail loyalty providers, point of sale vendors, payment security software specialists, integrators and card schemes.

Card issuers are provided with a suite of end-to-end integrated solutions for EMV enablement, electronic PIN delivery, tokenisation and NFC mobile payments, including HCE. The focus is on simplifying the adoption of NFC payments for card issuers by providing a single platform capable of supporting multiple technologies, such as Secure Elements and HCE, and new solutions such as ApplePay as standards emerge.

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.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union, 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Company beneficially owns 100% of the voting rights in all of its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated from that date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Acquisition costs are expensed as incurred.

Consideration where payment is contingent on future employment is excluded from the acquisition accounting and is recognised as a post acquisition expense charged to the income statement.

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 acquisition of the Aconite group of companies in December 2014 along with further share issues at the end of 2014 has raised £4m and cash and cash equivalents at the year end are £5.5m. Forecasts show that the group will become profitable from December 2015 onwards as significant opportunities remain within the market. 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 2014.

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 2014. 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 2015, or later periods, have been adopted early. The directors do not consider that the adoption of the following standards and interpretations will have a material impact on the Group's financial statements;
IFRS 9 Financial Instruments (effective 1 January 2018)
IFRS11 Joint Arrangements – amended (effective 1 January 2016)
IFRS15 Revenue from contracts with customers (effective 1 January 2017).

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.

Revenue from software development is recognised to the extent that the group has obtained the right to consideration through its performance.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the Parent's functional and Group's presentational 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.

The results and financial position of all Group entities that have a functional currency different from the presentational currency of the group are translated into sterling as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at the average exchange rate for the month where these approximate the exchange rate at the date of the transaction; and

- All resulting exchange differences are recognised within other comprehensive income and taken to the foreign exchange reserve.

Financial instruments

Loans and receivables are recognised initially at fair value and subsequently held at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall within this class.

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.

The group's financial liabilities include trade and other payables, accruals and borrowings.

Trade and other 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 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.

Convertible loan notes are also stated at amortised cost using the effective interest method.

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 administrative expenses within the consolidated income statement.

The principal annual rates used for this purpose are:

Computer and office equipment	33.33% per annum
Motor Vehicles	25% per annum

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired and is capitalised.

Goodwill is subject to annual impairment testing. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the group at which management monitors the related cash flows. The recoverable amount is tested annually or when events or changes in circumstances indicate that it may be impaired. The recoverable amount is the higher of the fair value less costs and the value in use in the group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount. In determining a value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit that have not already been included in the estimate of future cash flows.

Internally developed software

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, 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 development costs are recognised within administrative expenses in the consolidated income statement in the period in which they are incurred.

Other intangibles

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
Customer relationships	25% 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 goodwill and 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.

Current 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. This is calculated using rates and laws enacted or substantively enacted at the reporting date.

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 other than those relating to goodwill on investments in subsidiaries. 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 or a binomial options valuation model as appropriate depending on the terms of the options.

Grants

Grants receivable are recognised on a work done basis to match the related expenditure to the extent that the conditions for receipt have been substantially fulfilled and recoverability is expected.

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).

Equity reserve – represents the equity element of the convertible loan note and the fair value of shares to be issued under deferred consideration arrangements.

Merger relief reserve - the difference between cost or fair value and the nominal value of shares issued on the exchange of shares with Proxama Solutions Ltd and on acquisition of subsidiaries where shares are issued as part of the consideration.

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, further to the reverse acquisition basis of accounting adopted in 2013 on the share exchange by Proxama Plc for 100% of the shares of Proxama Solutions Limited.

Translation reserve – the foreign exchange difference arising on consolidation.

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

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:

Business combinations

Management uses valuation techniques when determining the fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset arising from a deferred consideration arrangement. Where future payments are dependent on performance, a probability is applied when recognising the liability. This probability is based on management estimate discounted at an appropriate discount rate to reflect the timing of payment.

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 development costs meet the criteria for capitalisation

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable.

Impairment of goodwill and other intangible assets

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets, as determining whether such assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

Earn-out consideration

There are a number of conditions associated with the deferred and contingent elements of the consideration payable under the terms of the Sale and Purchase Agreement (SPA) for the Acquisition of the Aconite group of companies. In order to incentivise the former owners to remain with the business as employees following the transaction, an element of consideration is contingent on them remaining employed for a certain period of time post-acquisition. Management have assessed, based on the terms on the SPA, whether these arrangements may be accounted for as consideration in the business combination, and concluded they are required to be accounted for as employee remuneration which should be recognised as a post-acquisition expense.

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 were centred on providing bespoke near field communication solutions to its customers, primarily mobile wallet functionality during 2014. The group issues licences as part of the overall service package provided to its customers. The trading business is now structured as four trading companies and its financial reporting is set to report to the CODM information on two segments: payments and marketing from 2015 onwards. Of these, payments and marketing are considered to be operating segments. For 2014 management 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:

	2014	2013
	£	£
Payments	455,501	637,113
Marketing	195,477	176,267
Total revenue	650,978	813,380

The geographical analysis of revenue is as follows:

	2014	2013
	£	£
United Kingdom	507,280	400,695
United States of America	27,528	67,000
Canada	-	292,583
Other	116,170	53,102
Total revenue	650,978	813,380

For this disclosure revenue is determined by the location of the customer.

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

	2014	2013
	£	£
United Kingdom customer 1	192,006	-
Canada customer 1	-	162,595
United Kingdom customer 2	-	160,236
Canada customer 2	-	129,988

4. FINANCE INCOME

	2014	2013
	£	£
Income from cash and cash equivalents	31,621	2,503

5. FINANCE EXPENSE

	2014	2013
	£	£
Bank interest	371	463
Finance lease interest	2,828	2,894
Interest payable on convertible loan note	65,145	38,503
Other loan interest	3,777	4,129
	72,121	45,989

6. LOSS BEFORE TAXATION

	2014	2013
	£	£
The loss before taxation is stated after charging:-		
Depreciation of property, plant and equipment		
- Owned	81,649	42,195
- Held under hire purchase agreements	11,534	14,367
Profit on disposal of tangible assets	(5,129)	-
Amortisation of intangible assets	42,520	104,128
Elimination of intangible assets	53,361	-
Research and development expense (excluding amortisation)	139,449	580,277
Operating lease rentals		
- Land and buildings	247,575	168,648
- Plant and machinery	616	2,663
Share based payments	267,126	258,564
Net foreign exchange losses	1,307	113
Auditors remuneration:		
For audit services		
- Company audit	14,000	12,000
- Subsidiary audits	22,000	10,000
For other non-audit services		
- Interim review	3,800	2,000
- Tax compliance services	5,450	3,500
- Tax advisory services	13,050	7,000
- Advisory services on reverse acquisition	-	120,903
- Advisory services on acquisitions	34,605	-
- Nomad services	26,821	36,103
- Reporting accountant services	-	50,000
Exceptional item	109,375	2,063,921

The exceptional item in 2014 is the earn-out consideration accounted for as contingent post acquisition remuneration on the acquisition of Aconite which can be settled by either cash or shares and is due on 31 March 2016.

The exceptional item in 2013 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:

	2014 Number	2013 Number
Management	12	9
Research and development	31	24
Commercial and client services	30	24
	73	57

Their aggregate remuneration comprised:

	2014 £	2013 £
Wages and salaries	3,458,353	2,546,676
Social security costs	410,572	290,252
Expense of share based payments	267,126	236,976
	4,136,051	3,073,904

8. KEY MANAGEMENT COMPENSATION

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

	2014 £	2013 £
Salaries and other short term employee benefits	566,927	478,416
Expense of share based payments	186,308	193,055
	753,235	671,471

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 2014, key management comprised six people.

The remuneration of the highest paid director is £152,809 (2013: £152,965).

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

9. CORPORATION TAX CHARGE

(a) Analysis of credit in the period

	2014	2013
	£	£
Current tax:		
UK corporation tax based on the results for the year at 20% (2013: 20%)	(275,291)	(172,723)

(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% (2013: 20%).

	2014	2013
	£	£
Loss before tax	(5,899,268)	(5,412,512)
Loss before tax multiplied by the standard rate of corporation tax	(1,179,854)	(1,082,502)
Non-deductible expenses	118,303	421,157
Losses carried forward	877,732	521,771
Research and development allowances	(237,348)	(174,467)
Research and development relief given at less than corporation tax rate	145,876	141,318
Current tax for the period	(275,291)	(172,723)

Subject to the UK tax authority's agreement, the group has UK tax losses of approximately £13,230,000 (2013: £5,250,000) available for carry forward and offset against future taxable profits arising from the same trade. The group has a potential deferred tax asset of £2,646,000 (2013: £1,050,000) 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. In addition no deferred tax asset is recognised in respect of future tax deductions on exercise of share options.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the loss of £5,623,977 (2013: £5,239,789) and on the number of shares in issue, being the weighted average number of equity shares in issue during the period of 825,290,390 (2013: 419,904,967) ordinary 1p shares. A separate adjusted earnings per share calculation has been prepared related to the loss before exceptional items.

Dilutive instruments

Instruments that could potentially dilute basic earnings per share in the future but are not included in the calculation of diluted earnings per share because they are anti-dilutive in the period related to share options and deferred consideration.

	2014	2013
Loss for the year	(5,623,977)	(5,239,789)
Add back:		
Exceptional items	109,375	2,063,921
Adjusted loss	(5,514,602)	(3,175,868)
Loss per share – basic and diluted	(0.68p)	(1.25p)
Adjusted loss per share – basic and diluted	(0.67p)	(0.76p)

11. INTANGIBLE ASSETS

	Trademarks	Goodwill	Customer relationships	Intellectual Property Rights	Development costs	Total
	£	£	£	£	£	£
Cost						
At 1 January 2013	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
Additions, internally developed	-	-	-	-	817,715	817,715
On acquisition	-	659,288	1,000,000	-	2,120,000	3,779,288
Disposals	-	-	-	-	(66,702)	(66,702)
At 31 December 2014	5,102	659,288	1,000,000	6,001	3,386,271	5,056,662
Amortisation and impairment						
At 1 January 2013	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
Charge for the year	510	-	20,000	600	21,410	42,520
Disposals	-	-	-	-	(13,341)	(13,341)
At 31 December 2014	1,364	-	20,000	2,400	111,121	134,885
Net book amount						
At 31 December 2014	**3,738**	**659,288**	**980,000**	**3,601**	**3,275,150**	**4,921,777**
At 31 December 2013	4,248	-	-	4,201	412,206	420,655

Internal 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.

The directors have identified two R & D projects which have become impaired due to the fact that the market has moved on and therefore this R & D work has become obsolete, and the assets have been retired. If no future economic benefit is expected assets are derecognised. Impairment of research and development is considered within the conditions

of capitalisation. Amortisation charges are included in administrative expenses in profit and loss.

Other intangible assets represent amounts paid to third parties for acquiring trademarks and intellectual property rights and the goodwill and separable intangible assets on the acquisition of the Aconite group of companies (note 24). The valuation and the recoverable amounts were determined based on management's estimates of future revenue and profits for a period of 3 years. The discount rate applied was 25% given the small size and high risk nature of the business.

Formal impairment testing will be undertaken for goodwill in future accounting periods. The management of the Group is not currently aware of any reasons that would create an impairment charge.

12. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Motor Vehicles	Computer Equipment	Total
	£	£	£	£
Cost				
At 1 January 2013	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
Additions	110,753	-	86,110	196,863
Acquisition through business combination	-	-	926	926
Disposals	-	(23,995)	-	(23,995)
At 31 December 2014	207,829	-	209,168	416,997
Depreciation				
At 1 January 2013	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
Charge for the year	49,890	500	42,793	93,183
Eliminated on disposal	-	(16,497)	-	(16,497)
At 31 December 2014	102,392	-	114,876	217,268
Net book amount				
At 31 December 2014	**105,437**	**-**	**94,292**	**199,729**
At 31 December 2013	44,574	7,998	50,049	102,621

Hire purchase agreements

Included within the net book value of £199,729 is £8,176 (2013: £27,208) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of such assets amounted to £11,534 (2013: £14,367).

13. TRADE AND OTHER RECEIVABLES

	2014	2013
	£	£
Trade receivables	453,963	162,673
Prepayments and accrued income	294,144	162,172
Other receivables	211,855	143,427
	959,962	468,272

Trade receivables comprise amounts due from customers for services provided. All amounts are short term. The net carrying amount of trade receivables is considered a reasonable approximation of fair value. An impairment adjustment of £3,050 has been considered necessary. Average credit terms were 30 days (2013: 30) and average debtor days outstanding were 70 (2013: 20).

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

	2014	2013
	£	£
Outstanding between one and two months	37,585	24,101
Outstanding between two and three months	274,483	11,053
Outstanding over three months	21,600	-
	333,668	35,154

The increase in past due trade receivables is primarily due to Aconite invoicing for 2015 annual support fees of £269,573 in October for one customer. These were paid in January 2015.

14. CASH AND CASH EQUIVALENTS

	2014	2013
	£	£
Bank balances	5,503,567	7,468,818

15. TRADE AND OTHER PAYABLES

	2014	2013
	£	£
Trade payables	408,281	248,159
Taxation and social security	383,119	114,051
Accruals	300,633	293,660
Deferred income	720,723	65,473
Contingent consideration	109,375	-
Other payables	54,496	17,690
	1,976,627	739,033

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

	2014	2013
	£	£
Non-current borrowings		
Bank loans	8,999	10,290
Finance lease agreements	2,747	16,111
Convertible loan notes (note 23)	548,448	483,303
	560,194	509,704
Current portion of borrowings		
Bank loans	1,250	1,885
Finance lease agreements	6,014	14,953
Other loans	556,412	-
	563,676	16,838

Bank loans	2014	2013
	£	£
Non-current borrowings	8,999	10,290
Current portion of borrowings	1,250	1,885
	10,249	12,175
Amounts included in non-current borrowings falling due later than five years	425	2,725

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.

Details of the other loans are as follows:

- Thin Cats Loans – 3 loans totalling £472,967 secured by way of a debenture with a corporate guarantee and a personal guarantee by the directors of Aconite Technology Limited. Interest is payable at 10.75%. The loans are repayable by monthly instalments until May 2016.
- Funding Circle Loan – £18,445 outstanding, secured by way of a personal guarantee from the directors of Aconite Technology Limited. Interest is payable at 10%. The loan is repayable by monthly instalments until May 2015.
- Shareholders loan – £65,000 outstanding, no security provided on this loan. Interest is accruing at 10% and the loan is repayable in December 2015.

Convertible loans

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, being March 2016, if not earlier converted to equity (note 23).

Finance lease agreements	**2014**	2013
	£	£
Gross finance lease liabilities – minimum lease payments:		
Within one year	6,618	17,046
Later than one year and no later than five years	2,909	17,100
Less: Future finance charges on finance leases	(766)	(3,082)
Present value of finance lease liabilities	8,761	31,064

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

	2014	2013
	£	£
Within one year	6,014	14,953
Later than one year and no later than five years	2,747	16,111
	8,761	31,064

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. DEFERRED TAX LIABILITIES

The group has recognised a deferred tax liability on the fair value of the intangible assets acquired through the acquisition of Aconite as follows:

	£
At 1 January 2014	-
Additions in the year	624,000
At 31 December 2014	624,000

18. 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. Interest on significant borrowings is at fixed interest rates (note 16).

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 a return with minimal risks such that the group has access to cash resources as required. The group primarily invests in no-notice deposits and has no fixed interest deposits. The consolidated income statement would be affected by £5,000 (2013: £5,000,) 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 £624,927 (2013: £350,233). 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 and the USA. 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 operates two US Dollar bank accounts and a Euro bank account.

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 2014.

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. All such payment terms are within 6 months.

The group has long term financial liabilities in the way of one bank loan (2013: one), convertible loan note, five other loans and two (2013: three) 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, other loans and hire purchase agreements are fixed. The statement of comprehensive income would be affected by £200 (2013: £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 and support their commercialisation. The group keeps investors informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

The group manages capital on the basis of the carrying amount of equity.

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

	2014 **£**	2013 £
Capital		
Total equity	8,509,625	7,367,514
Total equity	8,509,625	7,367,514
Borrowings	1,123,870	526,542
Overall financing	9,633,495	7,894,056
Equity to overall financing ratio	0.88	0.93

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 2014 are categorised as follows:

	2014	2013
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	624,927	350,233
Cash and cash equivalents	5,503,567	7,468,818
	6,128,494	7,819,051
Financial liabilities at amortised cost		
Trade and other payables	872,785	624,982
Convertible loan notes	548,448	483,303
Other borrowings	566,661	12,175
	1,987,894	1,120,460

19. SHARE CAPITAL

Allotted, called up and fully paid:

	2014	2013
	£	£
1,018,767,209 (2013: 772,433,600) ordinary shares of 1p each	10,187,672	7,724,336

Shares issued during the year

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

On 29 October 2014 1,459,334 1p shares were issued at par as 6 employees exercised their right to purchase share options.

On 28 November 2014 130,925,040 1p shares were issued at a premium of 1.5 pence per share, and on 9 December 2014 29,074,960 1p shares were issued at a premium of 1.5 pence per share, together raising funds of £4m.

On 8 December 2014 47,773,998 1p shares were issued at a premium of 1.35 pence per share, further to the acquisition of Aconite (note 24). The premium arising is credited to the merger relief reserve in accordance with the Companies Act 2006.

On 17 December 2014 300,277 1p shares were issued at par as 2 employees exercised their right to purchase share options.

20. SHARE BASED PAYMENTS

The share option scheme was adopted 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.

Details of the share options outstanding at the year end are as follows:

Date of grant	Number of options outstanding at 1 January 2014	Issued in the year	Exercised in the year	Lapsed in the year	Number of options outstanding at 31 December 2014	Date from which options may be first exercised	Lapse date	Exercise price per option
29/09/2011	19,281,332	-	-	-	19,281,332	29/09/2012	29/09/2021	0.53p
27/02/2012	5,144,045	-	766,163	126,286	4,251,596	27/02/2013	27/02/2022	0.53p
31/12/2012	4,908,313	-	993,448	547,239	3,367,626	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	-	-	350,000	2,350,001	04/12/2014	04/12/2023	3.12p
05/11/2014	-	8,584,523	-	-	8,584,523	05/11/2017	05/11/2024	2.53p
18/11/2014	-	75,865	-	-	75,865	18/11/2017	18/11/2024	2.47p
09/12/2014	-	197,249	-	-	197,249	09/12/2017	09/12/2027	2.30p
	49,893,885	8,857,637	1,759,611	1,023,525	55,968,386			

The options exercised in the year had a weighted average market value at the date of exercise of 2.5p.

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

Options issued from August 2013 have been valued using a Binomial option pricing model that takes into account factors specific to the share incentive planned including performance conditions. The performance conditions include either a 15% compound growth in the share

price over a three year period or a target share price. The inputs into the model were as follows:

Date of issue	**04/12/13**	**05/11/14**	**18/11/14**	**09/12/14**
Share value at grant	3.12p	2.53p	2.47p	2.30p
Exercise price	3.12p	2.53p	2.47p	2.30p
Risk free interest rate	2.77%	2.24%	2.12%	2.02%
Volatility	55.00%	55.00%	55.00%	55.00%

The expected volatility was determined with reference to both historic volatility and the industry volatility given the short period of time the company has been listed. 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 remuneration expenses of £267,126 (2013: £258,564) related to equity-settled, share-based payment transactions during the year.

21. OPERATING LEASE COMMITMENTS

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

	Property	**Plant and machinery**	**Total**	Property	Plant and machinery	Total
	2014	**2014**	**2014**	2013	2013	2013
	£	**£**	**£**	£	£	£
No later than one year	273,583	616	274,199	149,555	616	150,171
Later than one year and no later than five years	495,031	564	495,595	447,906	1,180	449,086
Later than five years	-	-	-	31,760	-	31,760
	768,614	1,180	769,794	629,221	1,796	631,017

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.

22. CAPITAL COMMITMENTS

No capital expenditure was committed to as at 31 December 2014 (2013: £nil).

23. RELATED PARTY TRANSACTIONS

As at 31 December 2014, Dr N R Garner was owed £821 by the group (2013: £525), M L Quitmann was owed £71 (2013: £212) and A GJC van Breda was owed £nil (2013: £1,000).

As at 31 December 2014, Gavin Breeze Consulting Ltd was owed £6,250 (2013: £25,000) by the group. Gavin Breeze is a director and shareholder of Proxama PLC.

During 2013 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 £65,145 (2013: £38,503) and the balance of the loan as at 31 December 2014 is £603,648 (2013: £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. The liability element recognised has a carrying value of £548,448 (2013: £483,303).

As at 31 December 2014, a loan of £65,000 was owed to the former shareholders of Aconite Technology Limited, payable in December 2015. This included £10,000 owed to M J Woods.

24. BUSINESS COMBINATIONS

In July 2014 a subsidiary in the USA, Proxama Inc. was incorporated to provide a presence for sales in the USA.

On 4 December 2014, the Group acquired 100% of the share capital of Aconite Technology Limited, a UK based business, which in turn owns 100% of the share capital of Aconite Consulting Limited and Aconite Solutions Limited, thereby gaining control. The acquisition combines technologies to provide a complete end-to-end solution for card issuers and is expected to accelerate the financial performance of the payments business.

Details of the business combination are as follows:

Fair value of consideration transferred	£
Amount settled in shares	1,122,689
Fair value of deferred consideration	490,978
Total	**1,613,667**

	Book value	Fair value adjustment	Fair value
Recognised amounts of identifiable net assets	£	£	£
Property, plant and equipment	926	-	926
Intangible assets	-	3,120,000	3,120,000
Total non-current assets	926	3,120,000	3,120,926
Trade and other receivables	524,583	-	524,583
Cash and cash equivalents	18,178	-	18,178
Total current assets	542,761	-	542,761
Borrowings	(500,257)	-	(500,257)
Deferred tax liabilities	-	(624,000)	(624,000)
Total non-current liabilities	(500,257)	(624,000)	(1,124,257)
Trade and other payables	(163,225)	-	(163,225)
Other liabilities	(1,421,826)	-	(1,421,826)
Total current liabilities	(1,585,051)	-	(1,585,051)
Identifiable net assets	**(1,541,621)**	**2,496,000**	**954,379**
Goodwill on acquisition			**659,288**
Acquisition costs charged to expenses			56,988

Consideration transferred

The acquisition of Aconite Technology Limited was settled by the issue of 47,773,998 ordinary 1p shares at a premium of 1.35p per share. Deferred base consideration of an additional 20,892,669 ordinary 1p shares is issuable on 31 March 2016. The consideration based on a share price of 3p amounts to £2,060,000. The fair value of the consideration amounts to £1,613,667. The deferred consideration shares can be withheld if there is a claim against the sellers under warranties but is fully expected to be settled. The purchase agreement included an additional 'earn-out consideration' relating to contingent post acquisition payments of up to £1,750,000 which is stepped based upon turnover between £3,000,000 and £4,500,000. The additional consideration can be settled by either cash or shares and is due on 31 March 2016. As at 31 December 2014, a liability of £109,375 for this earn-out consideration has been included. This earn out consideration is dependent on employment continuing throughout the earn-out period, subject to good leaver provisions. Further to IFRIC guidance, since the earn-out element is forfeited if employment terminates it is required to be accounted for as a post combination service and will be expensed to the

consolidated income statement.

Acquisition costs amounting to £56,988 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated income statement, as part of other expenses.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to £524,583, the gross contractual amount receivable is £527,633.

Goodwill

Goodwill of £659,288 is related to expected cost synergies and growth expectations related to the combining of the technologies of Aconite and Proxama, as well as the value of the Aconite workforce acquired.

Aconite's contribution to the Group results

The Aconite Group incurred a loss of £78,979 for the period 4 December 2014 to 31 December 2014 and revenues were £88,085.

If Aconite had been acquired on 1 January 2014, revenue of the Group for 2014 would have increased by £1,117,054, and the loss for the year would have increased by £637,000.

25. POST BALANCE SHEET EVENTS

There are no post balance sheet events requiring disclosure for the year ending 31 December 2014.

INDEPENDENT AUDITOR'S REPORT - COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 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 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/auditscopeukprivate.

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 2014;
- 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 2014

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 2014.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
19 May 2015

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Non-current Assets			
Investments	3	**16,753,499**	14,872,706
Current Assets			
Trade and other receivables	5	**8,317,174**	2,209,562
Cash and cash equivalents	6	**5,202,962**	7,267,184
		13,520,136	9,476,746
Current Liabilities			
Trade and other payables	7	**(257,799)**	(89,965)
Net Current Assets		**13,262,337**	9,386,781
Non-current liabilities			
Non-current borrowings	8	**(548,448)**	(483,303)
Net Assets		**29,467,388**	23,776,184
Equity			
Share capital	10	**10,187,672**	7,724,336
Share premium account		**8,703,332**	5,811,795
Merger relief reserve		**11,605,556**	10,960,607
Share based payment reserve		**599,449**	332,323
Equity reserve		**546,178**	55,200
Retained earnings		**(2,174,799)**	(1,108,077)
Total Equity		**29,467,388**	23,776,184

The financial statements were authorised for issue by the board of directors on 19 May 2015

and were signed on its behalf by:

John Kennedy

Director

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2013**	2013
		£	£
Cash flows from operating activities			
Loss before taxation		**(1,066,722)**	(492,040)
Adjustments for:			
Interest income		**(31,560)**	(7,184)
Interest expense		**65,145**	21,518
Share based payments lapsed in the year		**-**	(21,588)
		(1,033,137)	(499,294)
Increase in trade and other receivables		**(6,107,612)**	(2,128,614)
Increase in trade and other payables		**167,834**	107,000
Net cash outflows from operating activities		**(6,972,915)**	(2,520,908)
Cash flows from investing activities			
Interest received		**31,560**	7,184
Cash flows from financing activities			
Interest paid		**-**	(21,518)
Proceeds of share issues		**4,937,596**	8,448,600
Proceeds from issue of convertible notes		**-**	500,000
Funding costs		**(60,463)**	(475,773)
		4,877,133	8,451,309
Net (decrease)/increase in cash and cash equivalents		**(2,064,222)**	5,937,585
Cash and cash equivalents at beginning of year		**7,267,184**	1,329,599
Cash and cash equivalents at end of year		**5,202,962**	7,267,184

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Merger relief reserve	Share based payment reserve	Equity reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2013	680,801	1,228,968	-	21,588	-	(616,037)	1,315,320
Loss 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
At 1 January 2014	7,724,336	5,811,795	10,960,607	332,323	55,200	(1,108,077)	23,776,184
Loss for the year	-	-	-	-	-	(1,066,722)	(1,066,722)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	(1,066,722)	(1,066,722)
Issue of shares	2,463,336	2,952,000	644,949	-	-	-	6,060,285
Equity to be issued	-	-	-	-	490,978	-	490,978
Share based payments	-	-	-	267,126	-	-	267,126
Share based payments lapsed	-	-	-	-	-	-	-
Share issue costs	-	(60,463)	-	-	-	-	(60,463)
Total transactions with owners	2,463,336	2,891,537	644,949	267,126	490,978	-	6,757,926
Total movement in shareholder's equity	2,463,336	2,891,537	644,949	267,126	490,978	(1,066,722)	5,691,204
At 31 December 2014	10,187,672	8,703,332	11,605,556	599,449	546,178	(2,174,799)	29,467,388

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union, 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 acquisition of the Aconite group of companies in December 2014 along with further share issues has raised £4m and cash and cash equivalents at the year end are £5.2m. 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 2014.

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 2014. 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 2015, 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. The company grants options over its equity instruments to the employees of its subsidiaries. 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.

Financial instruments

Loans and receivables are recognised initially at fair value and subsequently held at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall within this class.

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.

The company's financial liabilities include trade and other payables, accruals and borrowings.

Trade and other payables are recognised initially at fair value and subsequently held at amortised cost.

Trade payables are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial instruments issued by the company 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 company 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.

Convertible loan notes are also stated at amortised cost using the effective interest method.

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.

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.

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.

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

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

Equity reserve – represents the equity element of the convertible loan note and the fair value of shares to be issued under deferred consideration arrangements.

Merger relief reserve - the difference between cost or fair value and the nominal value of shares issued on the exchange of shares with Proxama Solutions Ltd and on acquisition of subsidiaries where shares are issued as part of the consideration.

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

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 estimates 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.

Impairment of group balances

The board is required to consider whether investments and balances with group companies are impaired. This requires an estimation of the expected future cash flows from the trading subsidiaries which depend on the future commercial success and profitability of the entities. Given the stage of development, no impairment provisions are currently recognised.

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 £1,066,722 (2013: £492,040).

3. FIXED ASSET INVESTMENTS

	2014	2013
	£	£
Investment in Proxama Solutions Limited	**14,614,142**	14,614,142
Investment in Aconite Technology Limited	**1,613,667**	-
Capital contributions arising from IFRS2 share based payments charge	**525,690**	258,564
	16,753,499	14,872,706

Proxama Plc has five subsidiaries, details of which are as follows:

- Proxama Solutions Limited, a 100% owned subsidiary, acquired on 22 August 2013, which is incorporated in the United Kingdom.
- Aconite Technology Limited, a 100% owned subsidiary, acquired on 4 December 2014, which is incorporated in the United Kingdom.
- Aconite Solutions Limited, a 100% owned subsidiary, acquired on 4 December 2014, which is incorporated in the United Kingdom.
- Aconite Consulting Limited, a 100% owned subsidiary, acquired on 4 December 2014, which is incorporated in the United Kingdom.
- Proxama Inc, a 100% owned subsidiary, incorporated on 8 July 2014, which is incorporated in the United States of America.

4. LOSS BEFORE TAXATION

	2014	2013
	£	£
The loss before taxation is stated after charging:-		
Auditors remuneration:		
For audit services	**1,000**	1,000
For non-audit services		
- Tax compliance services	**2,500**	2,500
- Other services	**-**	-

5. TRADE AND OTHER RECEIVABLES

	2014 £	2013 £
Prepayments	**2,875**	35,607
Other receivables	**28,374**	89,449
Due from Proxama Solutions Limited	**7,509,229**	2,084,506
Due from Aconite Technology Limited	**630,603**	-
Due from Proxama Inc.	**146,093**	-
	8,317,174	2,209,562

6. CASH AND CASH EQUIVALENTS

	2014 £	2013 £
Bank balances	**5,202,962**	7,267,184

7. TRADE AND OTHER PAYABLES

	2014 £	2013 £
Trade payables	**130,359**	71,428
Accruals	**17,878**	18,537
Contingent consideration (note 24)	**109,375**	-
Other payables	**187**	-
	257,799	89,965

8. BORROWINGS

	2014 £	2013 £
Non-current borrowings		
Convertible loan notes (note 12)	**548,448**	483,303
	548,448	483,303

9. 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 and intercompany 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 a return with minimal risks. The company primarily invests in no-notice deposits and has no fixed interest deposits. The income statement would be affected by £5,000 (2013: £5,000) 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 £8,288,488 (2013: £2,086,255). 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 small values.

Liquidity risk

Operational cash flow represents financing support together with head office costs. 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 2014.

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 repayable in March 2016, if not earlier converted to equity.

Interest rates on the convertible loan are fixed at 10%.

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.

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 and support their commercialisation. 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:

	2014	2013
	£	£
Capital		
Total equity	29,467,388	23,776,184
Total equity	29,467,388	23,776,184
Borrowings	548,448	483,303
Overall financing	30,015,836	24,259,487
Equity to overall financing ratio	0.98	0.98

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 1. The carrying amounts of financial assets and liabilities as at 31 December 2014 are categorised as follows:

	2014	2013
Carrying value of financial assets and liabilities within the company statement of financial position:	**£**	£
Financial assets classified as loans and receivables		
Trade and other receivables	8,288,488	2,086,255
Cash and cash equivalents	5,202,962	7,267,184
	13,491,450	9,353,439
Financial liabilities at amortised cost		
Trade and other payables	257,799	89,965
Convertible loan notes	548,448	483,303
	806,247	573,268

10. SHARE CAPITAL

Allotted, called up and fully paid:

	2014	2013
	£	£
1,018,767,209 (2013: 772,433,600) Ordinary shares of £0.01 each	**10,187,672**	7,724,336

Shares issued during the year

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

On 29 October 2014 1,459,334 1p shares were issued at par as 6 employees exercised their right to purchase share options.

On 28 November 2014 130,925,040 1p shares were issued at a premium of 1.5 pence per share, and on 9 December 2014 29,074,960 1p shares were issued at a premium of 1.5 pence per share, together raising funds of £4m.

On 8 December 2014 47,773,998 1p shares were issued at a premium of 1.35 pence per share, further to the acquisition of Aconite (note 24). The premium arising is credited to the merger relief reserve in accordance with the Companies Act 2006.

On 17 December 2014 300,277 1p shares were issued at par as 2 employees exercised their right to purchase share options.

11. CAPITAL COMMITMENTS

No capital expenditure was committed to as at 31 December 2014.

12. RELATED PARTY TRANSACTIONS

During 2013 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 £65,145 (2013: £38,503) and the balance of the loan as at 31 December 2014 is £603,648 (2013: £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. The liability element recognised has a carrying value of £548,448 (2013: £483,303).

At 31 December 2014, Proxama Plc was owed £7,509,229 (2013: £2,084,506) by Proxama Solutions Ltd, £630,603 (2013: nil) by Aconite Technology Ltd and £146,093 (2013: nil) by Proxama Inc.

13. POST BALANCE SHEET EVENTS

There are no post balance sheet events requiring disclosure for the year ending 31 December 2014.

COMPANY INFORMATION

Directors	Gavin DP Breeze Dr Neil R Garner John Kennedy David J Bailey Michael J Woods Shaun Gregory
Company secretary	Cargil Management Services Ltd
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