

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take you should consult a person authorised under the Financial Services and Markets Act 2000, as amended ("FSMA") who specialises in advising on the acquisition of shares and other securities if you are resident in the United Kingdom, or, if you are not resident in the United Kingdom, from another appropriately authorised independent adviser.

If you have sold or transferred all of your Ordinary Shares in the Company, please forward this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you have sold or transferred some of your Ordinary Shares in the Company, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies published by the London Stock Exchange Plc, has been issued in connection with the application for Re-admission. This document does not constitute an offer to the public requiring an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules published by the Financial Conduct Authority ("FCA") and has not been approved by or filed with the FCA or any other authority which could be a competent authority for the purposes of the Prospectus Directive. Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU, United Kingdom from the date of this document and shall remain available for a period of one month from Re-admission.

Application will be made for the Re-admission of the Existing Ordinary Shares and admission of the Consideration Shares to trading on AIM. Subject to the passing of the Resolutions, it is expected that Re-admission will become effective and that dealings in the Existing Ordinary Shares and the Consideration Shares will commence on or around 23 August 2013. It is emphasised that no application is being made for the Existing Ordinary Shares or the Consideration Shares to be admitted to the Official List or to any other recognised investment exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the FCA ("Official List"). The rules of AIM are less demanding than those of the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange Plc on Re-admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange Plc has not itself examined or approved the contents of this document.

The whole of this document should be read in full and in particular your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this document and which contains a unanimous recommendation by the Directors that you vote in favour of the Resolutions. You should be aware that an investment in the Company involves a high degree of risk. The attention of prospective investors is drawn, in particular, to the section headed "Risk Factors" which is set out in Part 2 of this document. All statements regarding the Company's business should be viewed in light of these factors.

Longships Plc

(Incorporated in the UK with registered number 06458458)
www.longshipsplc.com

Proposed acquisition of Proxima Limited

Issue of 365,353,532 new Ordinary Shares at 4 pence per share

Approval for waiver of obligations under Rule 9 of the Takeover Code

Change of name to Proxima Plc

**Re-admission of Existing Ordinary Shares and admission of
Consideration Shares to trading on AIM**

and

Notice of General Meeting

Nominated Adviser

Grant Thornton UK LLP

Broker

Simple Investments

Share capital immediately following Re-admission

465,233,632 Ordinary Shares of one penny each, issued and fully paid

The Consideration Shares will, following allotment and Re-admission rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions hereinafter declared made or paid on the Ordinary Shares.

A notice convening a General Meeting of the Company to be held at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU on 22 August 2013 at 11.00 a.m. is set out at the end of this document. The Form of Proxy for use at the meeting is enclosed with this document and should be returned as soon as possible and, in any event, to arrive at the offices of the Company's Registrars, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible but in any event not later than 20 August 2013 at 11.00 a.m., being 48 hours before the time for the holding of the General Meeting. The completion and depositing of a Form of Proxy will not preclude Shareholders from attending, speaking at and/or, where eligible, voting in person at the General Meeting should they wish to do so.

This document does not constitute, and may not be used for the purposes of, an offer for, or the solicitation of any offer to subscribe for or buy any Ordinary Shares. The information contained in this document has been prepared solely for the purposes of the Re-admission and the other proposals referred to herein and is not intended to inform or be relied upon by any subsequent purchaser of shares in the Company. The distribution of this document may be restricted by law. Persons who come into possession of this document should inform themselves about and observe any restrictions on the acquisition of Ordinary Shares and/or the distribution of this document in their particular jurisdiction. Failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction.

In particular, this document should not be distributed, published, reproduced or otherwise made available in whole or in part (directly or indirectly) in or into the United States of America, Canada, Australia, Japan or South Africa or any other country outside the United Kingdom where such distribution may lead to a breach of any law or regulatory requirements, save pursuant to an exemption from the registration or prospectus or other regulatory requirements of any such jurisdiction. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, Japan or South Africa (and their respective territories and possessions) or to or for the account or benefit of any national, resident or citizen of the United States of America, Canada, Australia, Japan or South Africa (and their respective territories and possessions). The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) ("US Securities Act") or under the securities legislation of any state of the United States of America, Canada, Japan or South Africa (and their respective territories and possessions) and they may not be offered or sold except pursuant to an available exemption from, or in a transaction not subject to the registration requirements of the US Securities Act and applicable US state securities laws.

Certain risks to the Company of which the Directors and the Proposed Directors are currently aware are specifically described in Part 2 of this document entitled "Risk Factors". If one or more of these risks or uncertainties arises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these uncertainties, potential prospective investors should not place over-reliance on forward-looking statements and are advised to read, in particular, Part 2 of this document for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates. Other than in compliance with the Company's obligations under the AIM Rules for Companies, the Company undertakes no obligation to update forward-looking statements or risk factors other than as required by applicable law, whether as a result of new information, future events or otherwise.

Grant Thornton UK LLP, which is authorised and regulated in the UK by the FCA is acting as the Company's nominated adviser in connection with the Proposals. Simple Investments, which is authorised and regulated in the UK by the FCA, is acting as broker in connection with the Re-admission. The responsibilities of Grant Thornton UK LLP as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or Proposed Director, or to any other person in respect of his, her or their decision to acquire or subscribe for Ordinary Shares, either in reliance on any part of this document or otherwise. No liability whatsoever is accepted by Grant Thornton UK LLP or Simple Investments for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company, the Directors and the Proposed Directors are solely responsible. Grant Thornton UK LLP and Simple Investments will not be offering advice and will not otherwise be responsible for providing customer protections to any person other than the Company in relation to the contents of this document or for advising any such person in connection with Admission. Neither Grant Thornton UK LLP nor Simple Investments has approved this document for the purposes of FSMA.

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DIRECTORS AND ADVISERS

Directors	Malcolm Alec Burne Nathan Anthony Steinberg All of: 15 Whitehall London SW1A 2DD	<i>Non-executive Chairman</i> <i>Non-executive Director</i>
Company Secretary	Ross Ainger	
Proposed Directors	David John Bailey Neil Robert Garner Adrianus Gerrit Jan Coenraad (Coen) van Breda Miles Lionel Quitmann Gavin Duncan Paul Breeze All of: 68 King William Street London EC4N 7DZ	<i>Proposed Chairman and Senior Non-executive Director</i> <i>Proposed Chief Executive Officer</i> <i>Proposed Chief Financial Officer</i> <i>Proposed Managing Director</i> <i>Proposed Non-executive Director</i>
Registered office	15 Whitehall London SW1A 2DD	
Telephone number	0207 389 5010	
Nominated Adviser	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU	
Broker	Simple Investments 1 High Street Godalming Surrey GU7 1AZ	
Solicitors to the Company	Bird & Bird LLP 15 Fetter Lane London EC4A 1JP	
Solicitors to Proxama	Taylor Vinters LLP Tower 42, 33rd Floor 25 Old Broad Street London EC2N 1HQ	
Solicitors to the Nominated Adviser and Broker	Fox Williams LLP Ten Dominion Street London EC2M 2EE	
Reporting Accountants	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY	
Registrars	Computershare Investor Services Plc The Pavilions Bridgwater Road Bristol BS13 8AE	
ISIN number	GB00B2PKZ581	
Website	www.longshipsplc.com	

DEFINITIONS

The following definitions apply throughout this document, unless the context applies otherwise:

“Act” or “Companies Act”	The Companies Act 2006 (as amended);
“Acquisition”	the proposed acquisition by the Company of the entire issued and to be issued share capital of Proxama;
“Acquisition Agreements”	together, the Principal Acquisition Agreement and the Minority Acquisition Agreements;
“AIM”	AIM, the market of that name operated by the London Stock Exchange;
“AIM Rules for Companies”	the rules for companies whose securities are traded on AIM, published by the London Stock Exchange (as amended) from time to time;
“AIM Rules for Nominated Advisers”	the rules of the London Stock Exchange which set out the eligibility, on-going obligations and certain disciplinary matters in relation to nominated advisers published by the London Stock Exchange (as amended) from time to time;
“Articles”	the articles of association of the Company as at the date of this document;
“Board” or “Directors”	the directors of the Company for the time being, currently being Malcolm Burne and Nathan Steinberg;
“CAGR”	compound annual growth rate;
“Company” or “Group” or “Longships”	Longships Plc, a company registered in England and Wales with registered number 06458458;
“Completion”	Completion of the Acquisition;
“Computershare” or “Registrar”	Computershare Investor Services Plc;
“Concert Party”	Neil Garner, Miles Quitmann, Coen van Breda, Gavin Breeze, White Angle, Christopher Chapman, MyBusinessFD Limited and Tessa Ogden, details of whom are set out in paragraph 1 of Part 3 of this document;
“Consideration Shares”	the 365,353,532 new Ordinary Shares of Longships proposed to be issued at the Issue Price by way of consideration pursuant to the Acquisition;
“CREST”	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title to shares in uncertificated form, operated by Euroclear UK & Ireland;
“EMI Options”	options which are enterprise management incentive options satisfying the provisions of Schedule 5 to ITEPA;
“Enlarged Group”	the Company and its subsidiaries, as enlarged by the Acquisition;
“Enlarged Share Capital”	together, the Existing Ordinary Shares and the Consideration Shares;
“Euroclear UK & Ireland”	Euroclear UK & Ireland (formerly known as CRESTCo Limited);

“Existing Ordinary Shares”	the 99,880,100 existing issued Ordinary Shares in issue at the date of this document;
“FCA”	the Financial Conduct Authority of the United Kingdom;
“Form of Proxy”	the form of proxy to be used by Shareholders in connection with the General Meeting;
“FSMA”	the Financial Services and Markets Act 2000, of the United Kingdom (as amended);
“General Meeting”	the general meeting of the Company to be held at 11.00 a.m. on 22 August 2013 at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU, notice of which is set out at the end of this document;
“Grant Thornton” or “Nominated Adviser”	Grant Thornton UK LLP which is authorised by the FCA to carry on investment business, acting as nominated adviser to the Company;
“Group”	Longships and its subsidiary companies;
“Independent Shareholders”	those existing Shareholders, other than member of the Concert Party who also hold Existing Ordinary Shares;
“Introduction Agreement”	the conditional agreement dated 25 July 2013 between the Company, the Directors, the Proposed Directors, Grant Thornton and Simple Investments pursuant to which the Company has retained Grant Thornton and Simple Investments to advise as nominated adviser and broker respectively in connection with the Re-admission, details of which are set out in paragraph 12.1(e) of Part 5 of this document;
“Irrevocable Undertakings”	the agreements by each of the Directors to vote in favour of the Resolutions as summarised in paragraph 18 of Part 1 of this document;
“Issue Price”	the price at which each Consideration Share is proposed to be issued, being 4 pence per share;
“ITEPA”	the Income Tax (Earnings and Pensions) Act 2003;
“Latest Practicable Date”	25 July 2013;
“Lock-in and Orderly Market Undertakings”	the agreements by each of the Proposed Directors and White Angle to accept certain restrictions on the disposal of Ordinary Shares held by them following Re-admission, as summarised in paragraph 12 of Part 1 of this document;
“London Stock Exchange”	London Stock Exchange Plc;
“Minority Acquisition Agreements”	the agreements dated 25 July 2013 and made between the Company and the Relevant Minority Sellers, further details of which are set out in paragraph 6 of Part 1 and paragraph 12.1(g) of Part 5 of this document and the agreements in the same form to be entered into between the Company and all other shareholders of Proxama (other than the Principal Vendors and the Relevant Minority Sellers), pursuant to Proxama’s articles of association;
“MyBusinessFD”	MyBusinessFD Limited, a company which is registered in England and Wales with registered number 07209314;

“New Longships Note”	the £500,000 unsecured convertible loan note to be issued by the Company to White Angle on Completion by way of consideration for the acquisition of the Proxama Convertible Note;
“New Options”	the options proposed to be granted pursuant to the New Share Option Schemes on Completion under the terms for the Acquisition, details of which are set out in paragraph 10 of Part 1 of this document;
“New Share Option Schemes”	the new share option schemes proposed to be adopted by the Company on Completion for the purposes of granting the New Options, details of which are set out in paragraph 10 of Part 1 of this document;
“Notice”	the notice of the General Meeting, as set out at the end of this document;
“Ordinary Shares”	ordinary shares of one penny each in the share capital of the Company;
“Panel”	the Panel on Takeovers and Mergers;
“Principal Acquisition Agreement”	the agreement dated 25 July 2013 and made between the Company and the Principal Vendors, further details of which are set out in paragraph 6 of Part 1 and paragraph 12.1(f) of Part 5 of this document;
“Principal Vendors”	Neil Garner and White Angle;
“Proposals”	the Acquisition, the Waiver, the proposed change of name of the Company and Re-admission;
“Proposed Directors”	David Bailey, Neil Garner, Coen van Breda, Miles Quitmann and Gavin Breeze, details of whom are set out in paragraph 8 of Part 1 of this document;
“Prospectus Rules”	the FCA rules which set out the form, content and approval requirements for prospectuses;
“Proxama”	Proxama Limited, a company registered in England and Wales with registered number 05523420;
“Proxama Convertible Note”	the £500,000 unsecured loan note issued by Proxama to White Angle Limited, which is currently convertible into ordinary shares of Proxama and is to be acquired by the Company on Completion in exchange for the issuance of the New Longships Note under the terms of the Principal Acquisition Agreement;
“Proxama Options”	the existing outstanding options to subscribe for new shares in Proxama as detailed in paragraph 10 of Part 1 of this document and which will be automatically rolled over into equivalent New Options on Completion in accordance with the Rules of the Proxama Share Options Scheme;
“Proxama Share Option Scheme”	the existing unapproved and EMI share options scheme operated by Proxama;
“QCA Guidelines”	the corporate governance guidelines for AIM companies published by the Quoted Company Alliance in force as at the date of this document;

“Re-admission”	the re-admission of the Existing Ordinary Shares and the admission of the Consideration Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies;
“Relevant Minority Sellers”	David John Bailey, Miles Lionel Quitmann, Tessa Ogden and MyBusinessFD;
“Resolutions”	the resolutions of the Company to be proposed to Shareholders, as set out in the Notice;
“Shareholders”	the holders of Ordinary Shares;
“Simple”, “Simple Investments” or “Broker”	Simple Investments, a trading name of SI Capital Limited (registered number 4870280) the Company’s stockbroker which is authorised and regulated by the FCA;
“Sterling” or “Pounds Sterling” or “£”	the legal currency of the UK;
“Takeover Code”	The City Code on Takeovers and Mergers as published by the Panel;
“UK Corporate Governance Code”	the Principles of Good Governance and Code of Best Practice published in September 2012 by the Financial Reporting Council;
“United Kingdom Listing Authority” or “UKLA”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“USA”, “US” or “United States”	the United States of America, its territories and possessions;
“US Dollar” or “US\$”	the legal currency of the USA;
“Waiver”	the waiver proposed to be granted by the Takeover Panel of the obligation that would otherwise arise on the Concert Party under Rule 9 of the Takeover Code to make a general offer to all Shareholders of the Company, subject to the approval of Independent Shareholders as set out in paragraph 7 of Part 1 of this document;
“White Angle”	White Angle Limited, a company wholly owned by Gavin Breeze and registered in Jersey with registered number 111869.

GLOSSARY OF TECHNICAL TERMS

“m-commerce”	Mobile commerce, meaning the delivery of electronic commerce capabilities directly into the consumer’s hand, anywhere, via wireless technology;
“MNOs”	Mobile Network Operators;
“NFC”	Near Field Communication;
“PIN”	Personal Information Number;
“POS”	Point of Sales;
“QR”	QR code (abbreviated from Quick Response Code), is the trademark for a type of matrix barcode (or two-dimensional barcode), an optically machine-readable label that is attached to an item and that records information related to that item.

ACQUISITION AND RE-ADMISSION STATISTICS

Issue Price per Consideration Share	4 pence
Number of Existing Ordinary Shares in issue	99,880,100
Number of Consideration Shares	365,353,532
Number of Ordinary Shares in issue on Re-admission	465,233,632
Percentage of the Enlarged Share Capital represented by the Consideration Shares	78.53%
Percentage of the Enlarged Share Capital attributable to the shareholders of Proxama on a fully diluted basis	80.00%
AIM ticker symbol	PROX
ISIN Code	GB00B2PKZ581

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	26 July 2013
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 20 August 2013
General Meeting	11.00 a.m. on 22 August 2013
Re-admission to trading on AIM effective and commencement of dealings in the Enlarged Share Capital	23 August 2013
Definitive share certificates despatched (as applicable)	29 August 2013

FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Company’s future prospects, developments and business strategies.

These forward-looking statements are identified by their use of forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” or the negative of those variations, or comparable expressions, including reference to assumptions, or by discussions of strategy, plans, aims, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. These statements are contained in a number of places throughout this document and include statements concerning projections of the Company’s future results, operating profits and earnings, financial condition, prospects growth strategies and the industry in which the Company operates, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual results of operations, financial condition and the development of the business sector in which the Company operates, may differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Company’s results of operations, financial condition and the development of the business sector in which the Company operates, are consistent with the forward-looking statements contained in this document, those results or development may not be indicative of results or developments in subsequent periods.

PART 1:
LETTER FROM THE CHAIRMAN

Longships Plc

(Incorporated and registered in the UK with registered number 06458458)

Directors:

Malcolm Alec Burne *(Non-executive Chairman)*
Nathan Anthony Steinberg *(Non-executive Director)*

Registered Office:

15 Whitehall
London
SW1A 2DD

26 July 2013

To Shareholders and, for information only, the holders of options

Dear Shareholder,

Proposed acquisition of Proxama Limited
Issue of 365,353,532 new Ordinary Shares at 4 pence per share
Approval for waiver of obligations under Rule 9 of the Takeover Code
Change of name to Proxama Plc
Re-admission to trading on AIM
and
Notice of General Meeting

1. Introduction

On 26 July 2013, Longships announced that it entered into conditional contracts for the acquisition of the entire issued and to be issued share capital of Proxama, through the issue of 365,353,532 new Ordinary Shares at an issue price of 4 pence per new Ordinary Share. By virtue of its size, the Acquisition constitutes a “reverse takeover” under Rule 14 of the AIM Rules for Companies and, as such, is subject to the approval of Shareholders, which is being sought at the General Meeting convened for 22 August 2013.

The Acquisition is conditional, amongst other things, on a waiver of the obligation that would otherwise arise under Rule 9 of the Takeover Code on certain of the selling shareholders of Proxama to make a general offer for all the shares of the Company as a result of their proposed acquisition of in excess of 30 per cent. of the Enlarged Share Capital. Independent Shareholders are therefore also being asked to vote on the proposed Waiver at the General Meeting.

The purpose of this document is to provide you with background to and information regarding the Acquisition, the Enlarged Group and the Waiver and to seek your approval of the Resolutions which are required to implement the Proposals. This document also comprises an admission document issued in connection with the application for Re-admission.

Notice of the General Meeting is set out at the end of this document.

2. Background to and reasons for the Acquisition

The Company was incorporated on 20 December 2007 and its Ordinary Shares admitted to trading on AIM on 21 April 2008 as an investing company for the purpose of, *inter alia*, investing in strategic and special situations. Because of the expertise and commercial experience of the Board, Longships initially focussed primarily on companies operating in the natural resources sector.

Between April 2008 and April 2012 the Board investigated a number of opportunities, none of which were ultimately considered suitable. As reported in the Company’s annual report for the financial year ended

31 December 2011, the Board focused its attention on one specific transaction in 2011 and for much of the year was carrying out legal and commercial due diligence on this target company, the principal asset of which was a near term revenue generating bulk commodity project in West Africa. However, as a result of the due diligence exercise carried out by the Board, certain issues arose which led the Board to conclude that the Company should not proceed with this transaction.

On 27 July 2012, Shareholders approved an investment of £2.3 million in Praetorian Resources Limited (“Praetorian”) a Guernsey incorporated natural resources focused investing company several times larger than Longships. The shares in Praetorian acquired by the Company were subsequently returned to Shareholders by way of a capital reduction, details of which were set out in a circular to shareholders dated 9 July 2012. The investment in Praetorian and subsequent return of capital left the Company with approximately £550,000 of cash. The Company resolved to maintain its listing on AIM and continue its existing investing policy. Since 27 July 2012, the Board has continued to investigate new opportunities to effect a transaction in accordance with that investment strategy.

Following the investment in Praetorian, the Board came to the view that there was a change in market conditions in the small cap sector and that the residual cash balance less continuing running costs would be insufficient to attract a potentially rewarding reverse takeover transaction. Accordingly, on 21 December 2012, the Company raised £900,000 through a placing of new Ordinary Shares and on 7 May 2013, it announced a further placing to raise an additional £795,000. As a result of this additional funding, the Company’s cash resources are currently approximately £2 million.

Whilst Longships had previously been focusing its search for an acquisition opportunity in the natural resources sector, the Board acknowledged the difficulty currently faced by natural resource companies in raising follow-on funding. As a result, the Directors started to consider opportunities in other sectors and in April 2013, the Board was introduced to Proxama, a company that develops near field communications products and services for global blue-chip clients. The Directors have been impressed by the business potential of Proxama and believe that, by acquiring Proxama, Shareholders will get exposure to the rapidly expanding field of m-commerce.

3. Information on Proxama

Introduction

Proxama is a Near Field Communication (“NFC”) m-commerce company whose stated vision is to connect the physical and digital worlds through enabling consumers to manage their bank accounts and credit cards, pay for goods and services, participate in and benefit from loyalty programmes and access information and marketing material through their mobile phones.

NFC is already widespread with train tickets (such as the London based Oyster Card), access to buildings and increasingly cashless payments all enabled using NFC technology. Proxama is seeking to integrate these and other types of services within a mobile phone. Its technology, products and platforms enable consumers to launch secure mobile wallets, connect with brands, receive promotional offers and make contactless payments through simply tapping their NFC mobile phone on a card reader or other physical media.

Proxama uses its expertise to develop NFC solutions for its customers, currently on a fee for service basis, in two key areas:

1. mobile proximity marketing; and
2. secure mobile contactless payments.

Working with card issuers, mobile network operators (“MNOs”), handset manufacturers, brands, agencies and out-of-home media companies, Proxama enables its partners and clients to rapidly launch NFC payment services and location-based marketing campaigns worldwide. Among its achievements so far, Proxama has done the following:

- in partnership with MasterCard®, launched the first prepaid mobile contactless payment solution in the UK;
- Proxama’s Mobile Reference Kit has been used by card issuers and terminal vendors to help ensure they are compliant with the latest MasterCard® specifications for mobile contactless payments;

- Proxama's NFC mobile wallet technology, TapTransact™, is being deployed by some of the largest global mobile wallet brands; and
- Proxama has secured a position as a TrustZone® partner of ARM® – and ARM's new spin-out joint venture, Trustonic – making possible the next generation of highly secure m-commerce.

Proxama has also executed over 400 proximity marketing campaigns globally, including an award-winning NFC marketing campaign for Nokia and VOX cinemas, the first UK NFC outdoor media campaign for the launch of the X-Men: First Class movie and the UK's first NFC consumer marketing campaign with Orange and EAT.

The quality of Proxama's work has won it a number of awards such as winner in the category of Best Marketing Campaign using Contactless/NFC Technology at the Contactless & Mobile Awards 2012, for its Nokia and VOX Cinemas Voucher Campaign and winner in the technology category at the Cambridge Wireless Discovering Start-Ups 2011.

As of the Latest Practicable Date, Proxama has 56 full time employees, mainly based at its Norwich offices, with a small team based in London and a representative office in New York, where two part time sub-contractors are based. Of these employees, between 35 and 40 at any time are employed as software engineers whose job is to work on research and development projects, create new software and products and customise existing products to meet customer specific requirements.

The remainder of Proxama's employees are divided among the management team, the sales team and the dedicated Client Services team. The Client Services team is comprised of 8 employees based in Norwich who are focused solely on delivering Proxama's various marketing campaigns using the standard features of the core technology platform and who are in daily contact with the brands and media facing customers with which Proxama is currently working.

Background

Proxama was founded by its Chief Executive, Dr Neil Garner, in August 2005. From incorporation through to the first half of 2010, the directors of Proxama focused mainly on research and development projects and also worked on multiple prototype NFC projects, developing solutions for companies such as MasterCard®, Sky, Tesco and Virgin Mobile. At the time, there were only prototype NFC phones available in the market and m-commerce was not widespread until the mass adoption of the smartphone in the late 2000s. Because of the nature of its early work, Proxama generated income on a fee for service basis. However, as the market grows, Proxama intends as far as possible to move to a usage based recurring revenue model.

Throughout 2010 Proxama worked closely with Nokia who were developing the C7 mobile phone, which was intended to be the first mass market NFC smartphone. Proxama provided Nokia with software which enabled the C7 to easily create and manage NFC enabled customer loyalty schemes under a global license agreement which also allowed the Proxama software to be pre-loaded on the Nokia N9 phone.

In November 2010, Gavin Breeze, the current Chairman of Proxama, who was well known to Neil Garner, made an investment in Proxama. Gavin Breeze was the founder of Datacash which was sold for circa £300 million in 2010 and brings extensive experience in mobile payments to the Proxama management team.

In January 2011, Proxama acquired Hypertag, which brought to Proxama ten years of proximity marketing product and service experience. During the course of 2011 and 2012, owing largely to the commercial roll out of NFC technology, Proxama became involved in many NFC projects and activities. Examples of these included:

- collaborating with Posterscope on some of the very first global NFC outdoor media marketing campaigns;
- signing a licensing deal with Barclays Bank Plc for Proxama's CardGateway technology, which was used to create the QuickTap™ Contactless Payment App for Blackberry devices;
- creating a Mobile PayPass reference kit, in collaboration with MasterCard®; and
- announcing a strategic partnership with ARM regarding the development of secure m-commerce applications using ARM's Trustzone® technology.

Near Field Communication

Near Field Communication is a standards-based connectivity technology enabling consumers to make transactions, exchange digital content, and connect electronic devices with a touch, a tap or by bringing NFC enable devices into close proximity (typically less than 4 centimetres). Current and future solutions are made possible by NFC in areas such as:

- Access control;
- Consumer electronics;
- Healthcare;
- Information collection and exchange;
- Loyalty and coupons;
- Payments; and
- Transport.

Well known examples of NFC devices include Transport for London's Oyster Card and NFC enabled credit cards compatible with chip and PIN terminals at an increasing number of high street retailers such as Boots, Marks & Spencer, McDonalds and EAT. The Proposed Directors believe that most payment, loyalty and other cards will be accessed using a mobile phone as opposed to plastic cards in a physical wallet. The potential market is expanding at a rapid rate, as evidenced by the increasing number of NFC mobile phones: in April 2013 there were estimated to be approximately 181 million NFC mobile phones in use globally and by the end of 2014 it is anticipated that this will have increased to approximately 300 million.

The Proposed Directors consider that Proxama is well positioned as a recognised leader in the market to address this growing market through the breadth and depth of its expertise and the range of NFC solutions that it currently offers and which they believe is wider than that offered by its competitors.

Proxama's solutions

Proxama's product and service offering falls into two main categories: Mobile Wallet and Proximity Marketing.

Mobile Wallet

Proxama offers card issuers, banks and Mobile Network Operators (MNOs) a range of NFC mobile wallet products and services. Its customisable mobile wallet technology allows financial institutions to launch highly secure mobile contactless payments, without the need for high capital outlay. Proxama's mobile wallet products are cross-platform mobile OS compatible.

Proxama's TapTransact™ product family manages multiple payment card issuers' cards within one mobile wallet application. It provides a range of Visa and MasterCard card management facilities including card activation and selection and balance and transaction summaries. As well as enabling consumers to hold a potentially very large number of cards in virtual form within the mobile wallet, Proxama provides its clients with the ability to offer marketing incentives and offers via the *TapPoint™* marketing platform.

As a *TrustZone®* partner of ARM®, Proxama can offer *TrustZone®*-enabled applications which seamlessly switch the device to a secure mode of operation, ensuring only secure software is able to interact with the phone's touchscreen. Proxama's mobile wallet technology, when running on *TrustZone®*-enabled phones can secure any passcodes, PINs or transaction information so that data cannot be intercepted or compromised. This functionality is also used to support greater security for authorising high value transactions, supporting PIN change, loading funds to the relevant card and logging into online banking to view card transactions.

Marketing

Existing marketing campaigns can be enhanced using Proxama's *TapPoint™* platform which provides a way of enabling consumers to access NFC tags embedded in physical marketing media such as advertising bill boards and point of sale material, delivering the mobile content for these campaigns and monitoring the results. *TapPoint™* is used to deliver services such as voucher collection and redemption, loyalty cards, video and audio downloads, product information (such as recipes, meal deals and price comparisons), competitions (such as scratch cards, bingo) and interactive games.

Diageo have been working with Proxama to NFC-enable the harp logo on the new Guinness beer fonts across UK and Irish pubs.

By using NFC enabled mobile phones, consumers are able to “tap-the-harp” in pubs. This will immediately launch a one-to-one engagement between the brand’s loyalty system and the consumer promoting prize draws, customer feedback and downloading Apps to their mobile phone. The management of this campaign is conducted through Proxama’s SaaS *TapPoint™* platform.

Proxama is also NFC-enabling the Guinness App for Android. This means that when consumers (with the App installed) tap the harp, the Guinness App immediately launches on their mobile phone and all further engagement is presented through the Guinness App making the customer’s experience more personal.

TapPoint™ has been deployed to deliver the first out-of-home NFC consumer marketing campaigns, including the largest NFC campaign in the UK for EAT and Orange and the award-winning NFC voucher campaign for VOX cinemas and Nokia.

Proxama’s TapPoint™ reward product enables wallet owners to provide value added services such as coupons, loyalty and instant win: all fully integrated within their wallet environment via *TagCenter™*. The *TapPoint™* also provides wallet owners with a set of on-line management utility tools including App lifecycle management, language variants and user interface configuration for different brands.

The Proposed Directors believe that NFC will become the *de facto* method by which consumers interact with products, signage and POS terminals.

Proxama’s key customers

The Proposed Directors are focused on maintaining a blue-chip client base and developing a strong pipeline of projects. Proxama’s key customers currently include the following major organisations:

MasterCard® Proxama has been party to a Global Vendor Agreement with MasterCard® since September 2006. This agreement sets out the framework which enables Proxama to act as a preferred supplier to MasterCard® and, as a result of this agreement, Proxama’s sales teams are able to negotiate fees for the services they provide MasterCard® on an *ad hoc* basis, with each project that MasterCard® engages Proxama to work being subject to a separate specific contract. Since 2007, Proxama has supplied MasterCard® with a range of solutions including smart posters, coupons, and numerous prototypes and specifications relating to the mobile wallet.

Barclaycard Barclaycard has been one of Proxama’s customers since September 2011. Proxama has helped Barclaycard develop its *QuickTap™* technology which turns a contactless payment card into an application which can be used on an NFC mobile phone. Proxama’s current contract with Barclaycard enables Proxama to generate revenue from licensing core technology and customisation as well as ongoing maintenance.

Posterscope Posterscope is a leading out-of-home communications agency whose mission is to make out-of-home marketing campaigns easy for its customers to execute and manage. In 2011, Proxama worked with Posterscope on one of the first NFC enabled marketing campaigns for the *X-Men: First Class* movie.

Diageo Diageo is a global premium drinks business with a popular collection of beverage alcohol brands across spirits, beer and wine including Guinness, Smirnoff and Johnnie Walker. Proxama have implemented a tap point marketing platform which can be used as an NFC touch point on Guinness beer pumps in the UK. By touching the NFC mobile phone against the pump, customers are able to download the application which will grant them benefits such as special offers on Guinness and selected other drinks.

Orange Proxama has been engaged by Orange on a number of projects. For example, in 2012 Proxama helped Orange launch Quick Tap Treats, an NFC loyalty service based on a rebranding of Proxama's TagCenter™ product using Proxama's TapPoint™ platform.

ISIS Proxama and JVL Ventures LLC (the corporate vehicle for the ISIS m-commerce payment platform) have agreed arrangements for Proxama to work together with JVL Ventures LLC on NFC based solutions for the ISIS mobile wallet solution.

UK Banking Group Proxama has provided a major UK banking group with a number of solutions on an ad hoc basis including building one of the UK banking group's first contactless payment demonstrations in 2005 and several research and development projects relating to mobile banking and commerce.

The majority of Proxama's historical contacts with the customers listed above were agreed on a project by project basis where the scope determined the nature, duration and value of each project.

The Proposed Directors believe that the TapPoint™ platform will enable it to scale its revenue base as NFC becomes more widely adopted in the market. It further believes that the market will evolve toward a success based usage revenue model and anticipates that it will itself move away from a pure fee for service model towards forms of revenue sharing based on usage of its technology.

Strategic partners

Proxama has entered into several partnership agreements, of which the Proposed Directors consider the following to be currently Proxama's four most important strategic relationships:

ARM ARM is a leading semiconductor intellectual property ("IP") supplier. ARM's IP enables the development of low power, high performance digital products and as such is at the heart of more than 35 per cent. of all consumer devices worldwide. Proxama is a TrustZone® partner of ARM and as a result of this partnership, ARM has provided Proxama funding for various research projects and demonstrations of new NFC applications.

Trustonic Trustonic works with global handset manufacturers and global network operators to provide the secure operating system which runs in TrustZone®. Proxama is a Silver partner of Trustonic and has worked together with Trustonic on several early stage customer prototypes and is positioned as a preferred partner for m-commerce applications.

MasterCard® and VISA MasterCard® and Visa supply Proxama with specifications for their mobile payment schemes. Proxama's mobile wallet products must be compatible with all MasterCard® and Visa cards and payment terminals.

The Logic Group Proxama has partnered with The Logic Group to deliver an NFC enabled loyalty and voucher system, where vouchers and loyalty points are issued in real-time through TapPoint™ and are redeemed and validated on The Logic Group platform.

Intellectual property

Proxama's intellectual property comprises know how, copyrights, trademarks and domain names, together with licensed-in rights.

Know how: Proxama's know how is embodied in a knowledge database which enables efficient development of software programs for customer applications and continued development of its core technologies.

Copyright: Proxama owns the copyright in, or has the right to use under licence, all of the software code in its two core technology products: *TapTransact*™ for its mobile

wallet technology platform and *TapPoint*[™] for its NFC marketing technology platform.

In addition, Proxama owns the copyright in, or has the right to use under licence, all of the software code in software development kits (which include large libraries of mobile application software programs) which allow the integration of NFC capability into third party mobile applications and interoperability between most mobile phone operating systems and Proxama's core technology products.

Proxama owns the copyright in the underlying code in its core SaaS platform TapPoint.com as well as the code underlying its website.

The code for which Proxama owns the copyright has either been created by its employees in the course of their employment (in which case the intellectual property rights automatically vests in the employer) or contractors. In the latter case, all contractors utilised by Proxama have entered into agreements that provide that Proxama owns the intellectual property rights in any work product created by the relevant contractor.

Trademarks: Proxama has UK trade mark registrations for "Proxama"; "Hypertag-point.click.receive"; "Cardgateway"; "TapPoint"; "Tagmanager"; "TagCenter" and "CardContainer".

Proxama has made UK trademark applications for each of "TapTransact" and "TapSecure". Pending registration, Proxama asserts ownership over the unregistered trademarks that are the subject of its trademark applications.

Domain Names: Proxama owns more than 20 domain name registrations to further protect its trademarks and brands.

Patents: Although the Proposed Directors do not believe that the protection that would be afforded by the grant of a patent is material to the commercial success of its business, Proxama has made four patent applications to protect particular features of its technology. These patent applications are proceeding through the patent registration process, but none have as yet been granted.

Licensed in Rights: Proxama licences in technology from some of its strategic partners as set out above in order to have access to specifications for the purpose of ensuring interoperability between Proxama software and the products marketed and sold by those strategic partners.

Proxama's Competitors

The Proposed Directors believe that Proxama currently has three different types of competitor in the NFC market, none of which have the full range of services and functionality that Proxama offers, but have individual components which may compete with part of Proxama's suite of products and services. These types of competitor are:

- Large global wallet and systems integrator companies such as: C-Sam, which is a US based mobile wallet platform provider, CorFire, a global company with a South Korean Management team with US presence and Gemalto, a global producer of SIM cards, payment cards and provider of trusted services management (TSM) services. These organisation offer mobile wallet as part of their broader offering to banks and telecom operators.
- Start-up NFC marketing companies who have developed QR Code marketing applications and extend them to include NFC capability such as: Tapit which is based in Australia, Zappit, which is based in the UK and Thinaire, which is based in the United States.
- Large systems integrator companies such as: Accenture, Logica, IBM and the research and development teams of global mobile phone companies such as Telefonica and Vodafone.

The Proposed Directors believe that Proxama is currently the only NFC company which is providing both mobile wallet technology and an NFC marketing platform. As a result of this, they believe that companies which currently appear to be in direct competition with Proxama in one area could end up being a strategic partner in the other.

4. Current trading, future prospects and significant trends

Current trading

Financial information about Proxama is set out in Part 4 of this document. The Proposed Directors believe that sales will continue to improve in line with the significant growth predicted for both the NFC enabled mobile handsets and POS systems in the marketplace, particularly once the market moves from piloting technology to a commercial roll-out phase where Proxama moves from a pure fee for service basis to a usage based revenue model.

Future prospects

Proxama is presently focussing on developing its business primarily in the UK. The Proposed Directors believe that the United States and Canada will be the first markets outside of the UK which they target for international expansion, given that their relationship with ARM has already given them significant exposure to these markets. Proxama also currently has a significant mobile wallet project in progress for a US customer. In the medium term, the Proposed Directors believe that Proxama's products can be rolled out worldwide including in high growth economies such as Brazil and other Latin American markets, for example through a potential partner which is a large card issuer and systems integrator with which Proxama is currently in discussions.

Significant trends: Contactless POS, cards and transactions

In March 2013, there were approximately 32.5 million cards with contactless functionality in use in the UK, coupled with 147,000 contactless POS terminals. Visa Europe expect these figures to rise with 34 million contactless Visa-branded cards in issue and 175,000 contactless POS terminals deployed by the end of 2013.

Incorporating the whole of Europe, it is anticipated that there will be 70 million Visa-branded contactless cards and 650,000 contactless POS terminals in use by the end of 2013. Consumers in the whole of Europe did 19 million transactions with Visa-branded contactless bank cards in March 2013, an increase of nearly 50 per cent. from December 2012. It is predicted that monthly contactless transactions in Europe will increase to 52 million by the end of 2013.

Globally, shipments of NFC-ready POS terminals, doubled to an estimated 3.9 million units in 2012 and Berg forecasts that the global installed base will grow at a compound annual growth rate (CAGR) of 46.1 per cent. from 6.7 million units in 2012 to 44.6 million units by 2017.

Significant trends: NFC phones

It is estimated that there will be 30.9 million smartphone users in the UK by the end of 2013, representing 48.4 per cent. of all UK residents and 60.4 per cent. of all UK mobile phone users. Of these mobile phone users, approximately 8 million UK customers are currently NFC enabled.

Berg Insight estimated that total NFC handset sales grew approximately 300 per cent. to 140 million units worldwide in 2012. It is estimated that between 2012 and 2017 the installed base of NFC-enabled handsets will increase at a CAGR of approximately 65 per cent. and will reach 2.1 billion units. The global penetration rate for NFC across all handsets will similarly increase to approximately 32 per cent. by 2017.

Significant trends: m-commerce

In the UK, sales through mobile devices totalled £7.5 billion in 2012, equating to 12 per cent. of the £62.4 billion total e-retail sales for the year. This value tripled from 2011, when mobile sales accounted for 4 per cent. of e-retail sales.

m-commerce accounted for 20.2 per cent. of the online sales seen in the UK during the first quarter of 2013. This is an increase from the 15.4 per cent. of sales that m-commerce represented in the fourth quarter of 2012.

Gartner, the American consultancy, predicts that there will be an increase in global mobile transaction volume and value of approximately 42 per cent. per annum between 2011 and 2016. The consultancy also forecasts a market worth US\$617 billion with 448 million users by 2016.

5. Financial information

Financial information on Proxama covering the three years ended 31 December 2012 is set out in Part C of Part 4 of this document. An accountants' report thereon is included in Part B of Part 4 of this document.

Pursuant to Rule 28 of the AIM Rules for Companies, financial information on Longships is not reproduced in this document, but may be found on the Company's website at the following web-address: www.longshipsplc.com.

6. Principal terms of the Acquisition

Under the terms of the Principal Acquisition Agreement and the Minority Acquisition Agreements already entered into with the Relevant Minority Sellers, Longships has conditionally agreed to acquire at Completion the shares of Proxama held by the Principal Vendors and the Relevant Minority Sellers.

As at the Last Practical Date, the Principal Vendors and the Relevant Minority Sellers hold 16,392,400 shares in Proxama representing approximately 75.55 per cent. of the issued shares of Proxama.

Under the terms of the Principal Acquisition Agreement and the Minority Acquisition Agreements with the Relevant Minority Sellers, it is a requirement to Completion that all other existing shareholders of Proxama agree to sell all of the shares in Proxama held by them and that completion of the sale and purchase of such shares with the Company takes place at the same time as completion of the sale of shares in Proxama held by the Principal Vendors and the Relevant Minority Sellers.

The board of Proxama intends to request that all other such existing shareholders of Proxama enter into a Minority Acquisition Agreement. However, in order to ensure that the entire issued share capital of Proxama is acquired by the Company at Completion, the Principal Vendors and the Relevant Minority Sellers have also agreed to serve a drag-along notice on the other shareholders in Proxama pursuant to Proxama's articles of association. The effect of the drag-along notice is that in the event that any such shareholders do not enter into a Minority Acquisition Agreement, whether by choice or default, the Principal Vendors and the Relevant Minority Sellers may require them to do so and if necessary may appoint a person to execute share transfers, the Minority Acquisition Agreement and other ancillary documentation on their behalf.

The consideration for the Acquisition consists of the issue to the Principal Vendors, the Relevant Minority Sellers and all other existing shareholders in Proxama of the Consideration Shares on the basis of approximately 16.84 Ordinary Shares for every Proxama ordinary share held.

Pursuant to the Proxama Convertible Note, White Angle (a company wholly owned by Gavin Breeze) made a loan of £500,000 to Proxama. The Proxama Convertible Note comprises 1,000,000 notes of £0.50 nominal value, each of which is currently convertible into an ordinary share of Proxama. Under the terms of the Principal Acquisition Agreement, on Completion the Company will acquire and White Angle will sell its interest in the Proxama Convertible Note. The consideration for this acquisition will be the issue of the New Longships Note to White Angle. The New Longships Note will be redeemable on substantially the same terms as those applicable under the Proxama Convertible Note, but will be convertible, at the request of White Angle into a maximum of 16,838,120 Ordinary Shares (using the same conversion ratio as applies to the acquisition of the issued share capital of Proxama).

Further details of the Principal Acquisition Agreement and the Minority Acquisition Agreements (including details of the terms applicable to the New Longships Note) are set out in paragraphs 12.1(f) and (g) respectively of Part 5 of this document. A summary of the terms of the Proxama Convertible Note is set out in paragraph 12.2(c) of Part 5 of this document.

7. The City Code on Takeovers and Mergers

The issue of the Consideration Shares to the Concert Party (and, following Completion, the subsequent conversion of the New Longships Note or exercise of certain of the New Options) gives rise to certain considerations under the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford to Shareholders are described below.

The Takeover Code is issued and administered by the Panel. Proxama is a company to which the Takeover Code applies and its shareholders are entitled to the protection afforded by the Takeover Code. Under Rule 9 of the Takeover Code ("Rule 9"), where any person acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company that is subject to the Takeover Code, that person is normally required by the Panel to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, where any person or persons acting in concert already is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such company but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, a general offer will normally be required if any further interests in shares are acquired by any such person. An offer under Rule 9 must be in cash and at the highest price paid within 12 months prior to the announcement of the offer for any interest in shares of that class in the company by the person required to make the offer or any person acting in concert with him in the previous 12 months.

Under the Takeover Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of that company. Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control. The members of the Concert Party, as the principal selling shareholders of Proxama, are deemed to be acting in concert for the purposes of the Takeover Code. Certain members of the Concert Party already own existing Ordinary Shares. At Re-admission, and following allotment of the Consideration Shares, the Concert Party will hold, in aggregate, 283,443,075 Ordinary Shares, representing 60.92 per cent. of the Enlarged Share Capital.

The individual holdings of Ordinary Shares of members of the Concert Party, as at the date of this document and as they will be immediately following Re-admission, are as follows:

	<i>Number of Ordinary Shares held prior to the Acquisition</i>	<i>Percentage of Ordinary Shares held prior to the Acquisition</i>	<i>Number of New Ordinary Shares to be acquired pursuant to the Acquisition</i>	<i>Number of Ordinary Shares following completion of the Acquisition</i>	<i>Percentage of Ordinary Shares held following completion of the Acquisition</i>
Neil Garner	–	–	119,761,130	119,761,130	25.74
Miles Quitmann	–	–	14,101,926	14,101,926	3.03
Coen van Breda	–	–	–	–	–
Gavin Breeze*	10,450,000	10.46	115,556,651	126,006,651	27.08
Chris Chapman**	–	–	20,205,744	20,205,744	4.34
Tessa Ogden	–	–	3,367,624	3,367,624	0.72
TOTAL	10,450,000	10.46	272,993,075	283,443,075	60.92

* held either in his own name or through White Angle

** held through MyBusinessFD

In addition, following Completion it is expected that certain members of the Concert Party will hold options to subscribe new Ordinary Shares under the New Options and White Angle will have the right to acquire further new Ordinary Shares on conversion of the New Longships Note. Below is a summary of the maximum

number of Ordinary Shares that may be held by members of the Concert Party (assuming full exercise of all New Options held by them and full conversion of the New Longships Note by White Angle, but also assuming no further issue of Ordinary Shares.

	<i>Number of Ordinary Shares the subject of options under the New Share Option Schemes</i>	<i>Number of Ordinary Shares acquired on conversion of the New Longships Note</i>	<i>Maximum Number of Ordinary Shares held (assuming exercise of New Options and conversion of the New Longships Note, but no other issue of new Ordinary Shares)</i>	<i>Maximum Percentage of Ordinary Shares held (assuming exercise of New Options and conversion of the New Longships Note, but no other issue of new Ordinary Shares)</i>
Neil Garner	1,468,284	–	121,229,414	23.51
Miles Quitmann	13,866,192	–	27,968,118	5.42
Coen van Breda	17,860,194	–	17,860,194	3.46
Gavin Breeze*	–	16,838,120	142,844,771	27.70
Chris Chapman**	422,637	–	20,628,381	4.00
Tessa Ogden	–	–	3,367,624	0.65
TOTAL	33,617,307	16,838,120	333,898,502	64.75

*held either in his own name or through White Angle

**held through MyBusinessFD

The Panel has agreed, subject to Resolution 2 being passed (on a poll) by the Independent Shareholders at the General Meeting, to waive the obligation on the Concert Party under Rule 9 to make a general offer for the entire issued share capital of the Company which would otherwise arise either by virtue of the allotment to them of the Consideration Shares or by virtue of the additional Ordinary Shares that may be allotted to them on exercise of New Options or (in the case of White Angle, on conversion of the New Longships Note. Accordingly, Independent Shareholders' approval (on a poll) for the Waiver is sought in Resolution 2 to be proposed at the General Meeting).

Shareholders should note that, if Resolution 2 is passed and no further Ordinary Shares are issued, following Completion the Concert Party would between them be interested in shares carrying more than 50 per cent. of the voting rights of the Company and (for so long as they continue to be treated as acting in concert) would be able to acquire further Ordinary Shares, without incurring an obligation to make an offer to Shareholders of the Company under Rule 9. However, individual members of the Concert Party will not be able to increase their percentage interest in Ordinary Shares through or between a Rule 9 threshold without Panel consent. As a consequence, each individual member of the Concert Party will be able to acquire additional shares without being required to make an offer pursuant to Rule 9, provided their respective individual holdings do not exceed 29.9 per cent.

Further information on the members of the Concert Party is set out in Part 3 of this document.

8. Directors and Management

(a) Directors and Proposed Directors

The Board of the Company currently comprises Malcolm Burne and Nathan Steinberg, both of whom will resign from the Board on Completion and the Proposed Directors will join the Board at that time.

Following Completion, the Board will be made up of three executive directors and two non-executive directors, of whom only David Bailey, the proposed Chairman of the Company, is considered to be an independent non-executive director. It is the intention of the Proposed Directors to appoint at least one

additional independent non-executive director after Re-admission. Details of the Proposed Directors are set out below:

David Bailey, aged 64 – *Proposed Chairman*

David Bailey was a stockbroker with Phillips and Drew for 18 years from 1970, specialising in equity and derivative markets. Since 1988, he has been a non-executive director of a number of public and private companies, including Appleyard Group Plc, Hay & Robertson Group Plc, Finsbury Asset Management Limited and Sutherlands (Stockbrokers) Limited. He served as Chairman of DataCash Group Plc, the AIM listed payment service provider and GoIndustry Plc. David is presently a director of a number of other companies including the web based legal publisher Mondaq Limited and Brand Finance Plc. David's wide experience includes mergers and acquisitions, venture capital, business angel financing and corporate governance through membership of various audit and remuneration committees.

Dr Neil Garner, aged 41 – *Proposed Chief Executive Officer*

Neil Garner has a DPhil and MEng (First Class) from York University and is a Chartered Engineer. Prior to Proxama, Neil was a director at Consult Hyperion, responsible for the systems integration division. While there, Neil led a team which worked closely with MasterCard® to develop PayPass for the first pilot projects which is now the core technology used for contactless payments. Neil was also responsible for the teams that delivered the first mobile banking service for Barclaycard, the first text alert services for RBS, the ground-breaking interactive TV credit card (SkyCard) and Teletext's first mobile interactive services. He also led the team which designed and built the SIM card application for Vodafone's M-pesa which allows millions of citizens in Kenya to transact using their mobile phone instead of cash. Neil is a passionate believer in creating compelling user experiences using technology and loves the challenge of designing the complex systems required to enable consumers to simply and securely engage with brands.

Miles Quitmann, aged 49 – *Proposed Managing Director*

Miles Quitmann has operated at a very high level in the electronic document management, e-billing & e-invoice markets. He has successfully started, grown and sold two venture-backed businesses and achieved an MBO in a third. Miles established Wishstream as an outsourced provider of electronic bill and invoice presentation services. which he then steered through three years of growth, culminating in the successful trade sale to major competitor. Most recently Miles was Managing Director of OneVu Limited, a joint venture between Checkfree Corporation (now Fiserv) and Vocalink Limited. Within sales, Miles has a successful sales track record, being honoured, for example, as Candle Corp (now IBM)'s European Top Performer) and winning major contracts with companies such as Virgin, Orange, Lloyds, E.ON and Barclays.

Coen van Breda, aged 46 – *Proposed Chief Financial Officer*

Coen van Breda has over 25 years of business experience across a broad range of sectors with a primary focus on mobile technology. He is a qualified chartered accountant (New Zealand Institute of Chartered Accountants) and his background includes working for blue chip organisations including KPMG, Goldman Sachs through to NASDAQ listed and non-listed companies, SMEs and start-ups as well as investing in the latter. Coen has worked and raised funds for a number of early stage technology businesses most recently as CFO of Truphone, a global mobile GSM operator which he joined in 2006 as employee number 18 and helped build it from a VoIP only business to a full global operator with offices in 8 countries and over 300 staff. Between 2006 and 2011, Truphone raised over £80 million despite some challenging economic conditions.

Gavin Breeze, aged 52 – *Proposed Non-executive Director*

Gavin Breeze is a successful entrepreneur and investor in the electronics payment space and has served as a director at a number of companies in that sector. Gavin co-founded DataCash Group Plc of which he was a director, and which was sold to MasterCard® in 2010. Gavin was a non-executive director of Envoy Services Limited which was sold to Worldpay in 2010 and is presently a non-executive director of Mobank Group Limited and Mi-Pay Limited as well as being non-executive Chairman of Proxama and serving on the boards of a number of companies in his home base of Jersey. Gavin has a degree in History from the University of Cambridge.

(b) Key Management and employees

Graham Tricker, aged 35 – *Operations Director*

Since graduating with a degree in engineering from the University of Hull in 2000, Graham has gained 13 years' experience working in fast-paced software and technology businesses, successfully delivering innovative products and services. For almost five years after graduating, Graham worked for BorgWarner BERU, running a number automotive projects and programmes for customers which included Volkswagen Audi Group. From August 2005 to December 2010, Graham served as Chief Technology Officer of Hypertag prior to its acquisition by Proxama in January 2011. Since then, Graham has led Proxama's product strategy, product development and commercial operations teams.

9. Reasons for the Re-admission

The directors of Proxama resolved to enter into the Acquisition Agreements in order to gain access to funds within Longships to provide working capital and help fund the growth of the Proxama business. In addition, the Proposed Directors believe that admission to AIM will raise the profile of the Enlarged Group, enable it to access funds through placings of shares after Re-admission and to enhance the value of share-based management incentive schemes thereby making it easier to attract and retain talented individuals. In addition, should the Enlarged Group identify potential acquisition targets, the Proposed Directors believe that it may be possible to fund or part-fund such acquisitions through issuing the vendors of such businesses with AIM quoted securities.

10. Share Option Schemes

The Proposed Directors recognise the importance of ensuring that employees of the Enlarged Group are well motivated and identify closely with the future success of the Enlarged Group.

The Directors and Proposed Directors aim to align the interests of all employees' as closely as possible with the interests of Shareholders and regard employee share ownership as a key incentive. The Company intends to administer the New Share Option Schemes with the object of giving employees at all levels and consultants the opportunity to acquire and hold shares in the Company. The New Share Option Schemes comprise an EMI Scheme and an unapproved share incentive scheme for the purposes of recruiting and incentivising consultants, employees and directors of the Enlarged Group who would not be eligible for the EMI Scheme

Proxama currently operates the Proxama Share Option Scheme, under which, as at the date of this document, it had granted options over 2,802,800 ordinary shares in Proxama to current and former employees, consultants and directors. There is a further pool of unallocated options in respect of up to 601,900 ordinary shares in Proxama. Proxama Options have been granted as either EMI Options or unapproved options. As at the date of this document 2,777,700 of the Proxama Options were EMI Options granted to employees and directors of Proxama and 25,100 were unapproved options granted to consultants.

Under the terms of the Principal Acquisition Agreement, the Company has agreed to make a rollover offer to holders of such Proxama Options in accordance with the rules of the Proxama Share Option Scheme. The effect of the rollover offer is to deem that the holder accepts the grant to them of equivalent New Options in consideration for the release of their existing Proxama Options. Accordingly, on completion of the Acquisition, holders of Proxama Options will automatically receive approximately 16.84 New Options for every one Proxama Option. The New Options will have an exercise price of 0.5345 pence per Ordinary Share.

Any such New Options taken up would be subject to the rules of the New Share Option Schemes to be adopted by the Enlarged Group on completion of the Acquisition and, in accordance with such proposed rules, will normally become exercisable over a three year period from the date of grant of the option in three equal annual instalments (equivalent to the vesting provisions of the existing Proxama Options).

In respect of those new EMI Options granted pursuant to the New Share Option Schemes, confirmation has been sought from the Shares and Assets Division of HM Revenue & Customs that such replacement options will be of equivalent value and as such will continue to be treated as qualifying EMI Options.

If all of the New Options were exercised in full (including those currently unallocated), this would result in the issue of 57,328,748 new Ordinary Shares representing approximately 10.97 per cent. of the Enlarged Issued Share Capital, as diluted by the issue of such Ordinary Shares (assuming no other further issue of Ordinary Shares).

Further details of the rules of the New Share Option Schemes are set out in paragraph 11 of Part 5 of this document.

11. Dividend policy and future funding requirements

Because of the nature of Proxama's business and the stage of its development, the Proposed Directors believe that any funds available to the Enlarged Group will be used to develop the business and that it is unlikely that the Proposed Directors will recommend a dividend in the first few years following Re-admission. The Proposed Directors believe the Company should seek to generate capital growth for its Shareholders, but may recommend distributions at some future date, depending upon the generation of sustainable profits and when it becomes commercially prudent to do so.

The Directors and the Proposed Directors believe that the Company, following Re-admission, will have sufficient working capital for at least a year after Re-admission. However, the Directors and the Proposed Directors also believe that additional funds will enable the Company to accelerate the development of the Proxama business and, subject to market conditions, the Proposed Directors intend that the Company should seek to raise further equity capital through a placing of shares within nine months of Re-admission.

12. Lock-in arrangements

At Re-admission, the Proposed Directors and persons connected with them will own 265,893,833 Ordinary Shares representing approximately 57.15 per cent. of the Enlarged Share Capital. These interests may be increased in certain circumstances on exercise of New Options (and in the case of White Angle, on conversion of the New Longships Note).

Each of the Proposed Directors and White Angle has undertaken to the Company, Simple Investments and to Grant Thornton not to dispose of any interest in Ordinary Shares held by him/it for a period of one year following the date of Re-admission (save in certain limited circumstances as set out below) and for a period of one year thereafter only to deal in Ordinary Shares through the Company's broker.

The limited circumstances in which the lock-in arrangements referred to in this paragraph will not apply include disposals requested by the Company's broker to meet market demand provided that any such disposal has the prior written approval of the Company and the Company's nominated adviser, disposals required in the event of an intervening court order, the death of a party that is subject to these lock-in arrangements and in respect of the giving of an irrevocable undertaking in respect of, or an acceptance of, a take-over offer for the Company which is open to all shareholders.

In addition, the Proposed Directors and White Angle will be entitled to dispose of Ordinary Shares to the extent necessary to meet any liability in respect of certain warranties and indemnities given by them to the Company pursuant to the Principal Acquisition Agreement and/or under the Introduction Agreement, provided any such disposal is effected through the Company's broker for the time being. Furthermore, it has been agreed that Neil Garner will be entitled to dispose of some of his Ordinary Shares as part of any secondary fundraising with the consent of the Company's nominated adviser, such consent not to be unreasonably withheld, where the demand to subscribe for shares in the Company exceeds the amount required pursuant to the fundraising (taking into account any proposed sale of Ordinary Shares by Neil Garner).

13. Corporate governance

The Proposed Directors recognise the importance of sound corporate governance and intend that the Company should comply with the main provisions of the UK Corporate Governance Code and the QCA Guidelines, insofar as they are appropriate given the Company's size and stage of development.

At the date of Re-admission, the Board will comprise three executive directors and two non-executive directors, only one of whom (David Bailey, the Senior Independent Non-Executive Director), is considered to be independent. The Board intends to appoint at least one further non-executive director in due course.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Following Re-admission, the Proposed Directors intend to hold board meetings at least quarterly and at other times as and when required. The Company has also implemented procedures to evaluate any potential related party transactions, which must be discussed with the Company's Nominated Adviser and approved by a committee of directors independent from potential transactions of this nature.

The Company has established properly constituted committees of the Board with formally delegated duties and responsibilities. The committees are: audit, remuneration and nomination.

Audit Committee

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will meet not less than twice in each financial year and will have unrestricted access to the Company's auditors. The members of the audit committee will be Gavin Breeze and David Bailey, who will act as chairman of the committee.

Remuneration Committee

The remuneration committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive plan in operation from time to time. The committee will meet as and when necessary. In exercising this role, the committee shall have regard to the recommendations put forward in the QCA Guidelines. The members of the remuneration committee will be Gavin Breeze and David Bailey, who will act as chairman of the committee.

Nomination Committee

The nomination committee's primary responsibilities are to regularly review the structure, size and composition required of the board of the Company, prepare a description of the role and capabilities required of an appointment, make recommendations to the directors on all new appointments of directors and senior management, interviewing nominees, to take up references and to consider related matters. The nomination committee will, following Re-admission, comprise Neil Garner, David Bailey, (who will act as chairman of the committee), and Gavin Breeze.

Share Dealing Code

The Company has adopted and will continue to operate a share dealing code governing the share dealings of the Proposed Directors and applicable employees during close periods, in accordance with Rule 21 of the AIM Rules for Companies.

14. Taxation

General information relating to UK taxation with regards to the Proposals is set out in paragraph 16 of Part 5 of this document. These statements are intended only as a general guide to current UK tax law. The statements are not intended to be, nor should they be considered to be, tax advice to any particular Shareholder or prospective investor. **If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately. A potential shareholder who is subject to tax in a jurisdiction other than the UK, should consult his or her professional advisers immediately.**

15. CREST

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. The Ordinary Shares have been admitted to CREST and, accordingly, it is anticipated that settlement of transactions in the Ordinary Shares (including the Consideration Shares) following Re-admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

16. Re-admission to AIM and dealings in Ordinary Shares

Application will be made for the Enlarged Share Capital to be re-admitted to trading on AIM in accordance with the AIM Rules for Companies. Subject to the passing of the Resolutions and Completion of the Acquisition, it is expected that Re-admission will become effective and dealings in the Ordinary Shares (including the Consideration Shares) will commence on 23 August 2013.

17. General Meeting

Completion of the Acquisition is conditional upon Shareholders' approval being obtained at the General Meeting and on the other conditions to the Acquisition Agreements being satisfied. Accordingly, you will find set out at the end of this document a notice convening a General Meeting of the Company to be held at the offices of Grant Thornton, 30 Finsbury Square, London EC2P 2YU at 11.00 a.m. on 22 August 2013 for the purposes of considering and, if thought fit, approving the following Resolutions:

Resolution 1

This is an Ordinary Resolution to approve the Acquisition for the purposes of Rule 14 of the AIM Rules

Resolution 2

This is an Ordinary Resolution to approve the waiver by the Panel of any requirement on the part of members of the Concert Party to make a mandatory offer under Rule 9 of the Takeover Code, to the extent that any such obligation would otherwise arise:

- (i) either on Completion as a result of the allotment of Consideration Shares to them pursuant to the Acquisition Agreements; or
- (ii) following Completion as a result of the exercise by any of them of New Options to be granted to them on Completion in the manner set out in paragraph 10 of this Part 1; or
- (iii) in the case of White Angle, following Completion as a result of the conversion of the New Longships Note into new Ordinary Shares.

Resolution 3

This is an Ordinary Resolution authorising the directors of the Company to allot new Ordinary Shares. The authority to be granted pursuant to this resolution (which will supersede all previous authorities) is limited to:

- (i) the allotment of the Consideration Shares pursuant to the Acquisition Agreements;
- (ii) the allotment of up to 10,000,000 new Ordinary Shares upon exercise of the outstanding option granted in favour of Arlington Group Asset Management Limited (details of which are set out in paragraph 12.1(j) of Part 5 of this document);
- (iii) the allotment of up to 16,838,120 new Ordinary Shares on conversion of the New Longships Note;
- (iv) the allotment of up to 57,328,748 new Ordinary Shares on exercise of the New Options;
- (v) the allotment of up to 310,155,754 new Ordinary Shares pursuant to rights issues or other pre-emptive offers (equating to approximately 66.7 per cent. of the Enlarged Share Capital); and
- (vi) the allotment of up to 310,155,754 new Ordinary Shares on a non pre-emptive basis (equating to approximately 66.7 per cent. of the Enlarged Share Capital).

The Proposed Directors have no current intention to exercise the proposed authority to allot new Ordinary Shares, save for the allotments referred to in paragraphs (i) to (iv) above, although as outlined in paragraph 11 of this Part 1, the Proposed Directors do anticipate (subject to market conditions) seeking to raise further equity capital through a placing of new Ordinary Shares within nine months of Re-admission.

Resolution 4

This is a Special Resolution to approve the dis-application of the statutory pre-emption rights that would otherwise apply to the allotment of new Ordinary Shares. The authority to be granted pursuant to this resolution (which will supersede all previous authorities) is limited to:

- (i) the allotment of up to 10,000,000 new Ordinary Shares upon exercise of the outstanding option granted in favour of Arlington Group Asset Management Limited (details of which are set out in paragraph 12.1(j) of Part 5 of this document);

- (ii) the allotment of up to 16,838,120 new Ordinary Shares on conversion of the New Longships Note;
- (iii) the allotment of up to 57,328,748 new Ordinary Shares on exercise of the New Options;
- (iv) the allotment of up to 310,155,754 new Ordinary Shares pursuant to rights issues or other pre-emptive offers (equating to approximately 66.7 per cent. of the Enlarged Share Capital); and
- (v) the allotment of up to 310,155,754 new Ordinary Shares on a non pre-emptive basis (equating to approximately 66.7 per cent. of the Enlarged Share Capital).

Resolution 5

This is a Special Resolution to approve the change in the name of the Company to “Proxama Plc” with effect from Completion.

In accordance with the requirements of the Panel, Resolution 2 to approve the Waiver will be taken on a poll of Independent Shareholders.

To be passed, Resolutions 1 and 3 require a majority of not less than 50 per cent. of the Shareholders voting in person or by proxy in favour of the relevant Resolution, Resolution 2 requires a majority of not less than 50 per cent. of the Independent Shareholders voting in person or by proxy in favour of the relevant Resolution and Resolutions 4 and 5 require a majority of 75 per cent. of the Shareholders voting in person or by proxy in favour of the relevant Resolution.

The attention of Shareholders is also drawn to the recommendations and voting intentions of the Directors as set out in paragraph 22 of this letter.

18. Irrevocable undertakings

Each of Malcolm Burne and Nathan Steinberg, being the current Directors, has irrevocably undertaken to vote in favour of the Resolutions to be proposed at the General Meeting, including the Resolution to approve the Acquisition, in respect of their holdings and those of their immediate families and connected persons (within the meaning of section 346 of the Act) totalling 8,416,000 Existing Ordinary Shares, representing approximately 8.43 per cent. of the current issued ordinary share capital of the Company. Details of the individual holdings of Malcolm Burne and Nathan Steinberg to which these irrevocable undertakings relate are set out in paragraph 9.1 of Part 5 of this document.

19. Related party transaction

The Acquisition is classified as a related party transaction for the purposes of Rule 13 of the AIM Rules. This is due to the fact that Gavin Breeze, who is one of the vendors of Proxama and a member of the Concert Party, is also a substantial shareholder of the Company for the purposes of the AIM Rules.

The Directors, having consulted with the Company’s Nominated Adviser, Grant Thornton, consider that the terms of the Acquisition are fair and reasonable insofar as the Independent Shareholders are concerned.

20. Further information

Your attention is drawn to Parts 2 to 5 of this document which provide additional information on the Company and on Proxama. In particular, your attention is drawn to the Risk Factors set out in Part 2 of this document.

21. Action to be taken

A Form of Proxy is enclosed for use by Shareholders in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, Shareholders are asked to complete, sign and return the Form of Proxy to the Company’s Registrars, Computershare Investor Services Plc, The Pavilions Bridgewater Road, Bristol BS99 6ZY, as soon as possible but in any event so as to arrive no later than 11.00 a.m. on 20 August 2013.

The completion and return of a Form of Proxy will not preclude Shareholders from attending the General Meeting and voting in person should they wish to do so. Accordingly, whether or not Shareholders intend to attend the General Meeting, they are urged to complete and return the Form of Proxy as soon as possible.

22. Recommendation

Your Directors consider the Acquisition to be in the best interests of the Company and its Shareholders.

Your Directors, having been so advised by Grant Thornton, consider the Proposals to be fair and reasonable and in the best interests of independent shareholders and the Company as a whole. In providing advice to the Directors, Grant Thornton has taken into account the Directors' commercial assessments.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they have irrevocably undertaken to do (or procure to be done) in respect of their own direct or indirect holdings (all of which are beneficial) amounting to, in aggregate, 8,416,000 Existing Ordinary Shares (representing approximately 8.43 per cent. of the existing share capital of the Company as at the Latest Practicable Date).

Yours faithfully,

Malcolm Burne
Chairman

PART 2:

RISK FACTORS

In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors and the Proposed Directors consider that the risks and other factors described below are the most significant and should be considered carefully together with all the information contained in this document. It should be noted that the risks described below are not the only risks faced by the Company; there may be additional risks that the Directors and the Proposed Directors currently consider not to be material or of which they are currently unaware.

The Directors and the Proposed Directors believe that the following specific factors should be considered carefully in evaluating whether to make any investment in the Company or whether to approve the Acquisition at the General Meeting. An investment in the Company may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you are not resident in the United Kingdom, an authorised independent adviser who specialises in advising on the acquisition of shares and other securities.

The risks set out below are not presented in any assumed order of priority. A prospective investor ought not to infer any relative importance in relation to the risk factors by reference to the order in which they appear. It should be noted that the risks described below are not the only risks faced by the Company. There may be additional risks that the Directors and Proposed Directors currently consider not to be material or of which they are currently unaware.

The information below does not therefore purport to be an exhaustive list or summary of the risks affecting the Enlarged Group. Shareholders and investors should consider carefully whether they wish to approve the Acquisition or whether an investment in the Company is suitable for them, in the light of the matters referred to in this document, their personal circumstances and the financial resources available to them.

If any of these risks actually occur, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors may lose all or part of their investment.

Specific risk factors affecting the Company (as enlarged by the Acquisition)

Proxama operates in an emerging and rapidly evolving market. This makes it difficult to evaluate Proxama's future prospects and may increase the risk that it will not be successful. Proxama's services are new and evolving and it is difficult to predict the future growth rates, if any, and size of these markets. Proxama cannot provide any assurances that the markets for its services will develop or that its services will be adopted in the market.

Even if the market for Proxama's products develops as anticipated, Proxama may face severe competition from other businesses offering similar products and services and there can therefore be no assurance that Proxama will be able to secure customers for its product and services on acceptable terms and conditions.

If sales of Proxama's products and services do not grow as quickly as anticipated, it may have to raise additional funds to continue its planned level of product and business development or scale back its product or business development. This could have an adverse effect on the future profitability of the Enlarged Group.

Expected growth in the NFC payment market has been slower than some have anticipated and if this trend continues or if the market becomes saturated with competitors, or if Proxama's services do not achieve market acceptance, Proxama's business, operating results and financial condition could be adversely affected.

Because of the rapid evolution of Proxama's markets, it is difficult to make predictions regarding the Company's future operating results. Investors in the Ordinary Shares should consider the risks and difficulties that Proxama faces as a young company in a new and rapidly evolving market.

Risks relating to the NFC market

Proxama currently generates most of its revenue from earning fees for providing technical and development services to its customers. The Directors and the Proposed Directors believe that Proxama's business will only expand significantly once the number of compatible NFC handsets and POS terminals reaches a critical mass when it can start to earn fees based on the use of its products. There can be no guarantee that Proxama will be able to secure such contracts or agreements.

Risks relating to customers and customer contracts

Proxama presently has a limited number of contracts with a small number of customers. As a result of the "lumpy" nature of its business, it is not possible to forecast sales, other than in the very short term, with accuracy. Further, loss of any one customer would have a material effect on the financial results and prospects of the Enlarged Group.

Where Proxama has already secured contracts from clients, a number of those contracts have provisions enabling the client to terminate the contract on a change of control of Proxama. Should clients seek to consider that the Acquisition constitutes a change of control and avail themselves of such provisions, the loss of revenue could adversely affect the business of Proxama and thereby the financial performance of the Enlarged Group.

Contracts relating to products and services provided in the NFC sector typically: (i) have clauses which do not limit the liability of Proxama for losses suffered by customers arising out of breach of other parties' intellectual property rights or from other causes; (ii) require indemnities to be given for claims arising from the customer's use of the Proxama Products; and (iii) do not cap Proxama's liability in relation to their obligations under those contracts. Should a customer seek to take action against Proxama for losses so caused, the cost of defending such action and any damages awarded against Proxama could result in substantial losses for the Enlarged Group.

Competition risks

Although Proxama has worked with a number of blue chip customers to date, it is a small and early stage business that may face intense competition from larger, better financed organisations and that notwithstanding the technical expertise of Proxama's staff and the technological lead the Directors and the Proposed Directors believe it enjoys as compared to its known competitors, customers may prefer to engage larger, better known organisations to develop their products, systems and solutions. There can also be no assurance that competitors will not emerge with significantly better technology. Furthermore, clients may choose to move or develop equivalent services in-house.

Developments in technology

The market for the Proxama's services is characterised by 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.

If Proxama fails to enhance its current products and develop new products in response to changes in technology, industry standards or customer preferences, its services could rapidly become less competitive or obsolete. Proxama could experience delays while developing and introducing new products and product enhancements, due to difficulties developing models, acquiring data or adapting to particular operating environments.

Software errors or other defect errors in Proxama's solutions could affect the ability of its technology to work with other hardware or software products, could delay the development or release of new services or new versions of the service and could materially adversely affect Proxama's business and its reputation, financial condition and/or operating results.

Dependence on Proposed Directors and Senior Management

The Company is highly dependent on the Proposed Directors and its senior management and on its ability to attract, recruit and retain the services of highly skilled technical individuals. Whilst the Board has sought to and will continue to ensure that directors, executives, senior managers, consultants and any key

employees are incentivised, retention of such staff cannot be guaranteed, and the loss of their services to the Company may have a material adverse effect on the performance of the Company.

Furthermore, the cost base associated with the remuneration of key personnel may increase significantly. The failure to attract and retain key personnel, or the cost of doing so, could materially adversely affect the Enlarged Group and its reputation, financial condition and/or operating results.

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations or financial projections.

Risks relating to intellectual property

The Proxama business relies on a combination of trademarks, copyrights, patents and know-how to protect its brands, designs, inventions and trade secrets. The protection provided by these intellectual property rights, confidentiality laws and contractual restrictions is limited and varies between the UK and other countries. Further, Proxama has not sought to register trademarks outside the UK. There can be no guarantee that current or future applications for registered intellectual property rights will be granted or that Proxama's intellectual property rights and contractual provisions will be adequate to prevent the misappropriation, infringement or other unauthorised use of Proxama's intellectual property by third parties.

Despite steps taken by Proxama to protect its proprietary rights, third parties may attempt to copy aspects of Proxama's products and seek to use information that Proxama regards as proprietary. Competitors may also independently develop similar technologies or seek to recruit Proxama's employees who have had access to proprietary technology, processes or operations of Proxama. There is a risk that Proxama's means of protecting its intellectual property rights may not be adequate and weaknesses or failures in this area could adversely affect Proxama's business.

All of Proxama's patent applications relate to software. The law relating to whether software can be patented differs in different jurisdictions. In the UK and in the European Patent Office in order for software to be patentable, a computer program must give rise to a "technical effect". The limits of what does or does not constitute a technical effect are defined by case law and as such can change as further cases are decided. Proxama cannot be certain that patents will be issued as a result of its pending applications nor can Proxama be certain that any issued patents will provide adequate protection or provide the means to prevent third parties from selling products which compete with Proxama's products.

Litigation may be necessary to protect its proprietary rights, which could result in substantial costs to, and the diversion of efforts from, the Proxama business with no guarantee of success, and Proxama could have the validity of its ownership of rights challenged and it may even lose them. All of these issues could materially adversely affect the Proxama business or its reputation, financial condition and/or operating results.

There is a risk that Proxama is infringing or may in the future infringe the proprietary rights of third parties. Other persons might have been first to make the inventions used by Proxama (or covered by one or more of its pending patent applications) and might have been the first to file patent applications for these inventions. In addition, because the patent application process can take several years to complete, there may be currently pending applications, unknown to Proxama, that may later result in patents that cover, in whole or in part, the technology utilised by Proxama. Proxama has not undertaken a "freedom to operate" search in relation to its patents, as the Proposed Directors concluded that such a search would not identify any patents which had been applied for (and therefore have a priority date) but have not yet been published, and that any such search would be of limited value in mitigating the risk of infringing the proprietary rights of third parties.

Generally, if third parties are successful in their claims, Proxama might have to pay substantial damages, account for profits derived from the alleged infringing acts, cease to use certain technologies or take other actions that could be adverse to its business. As a result of intellectual property infringement claims, or to avoid claims, Proxama might be prohibited from selling or licensing to others any product that it may develop unless the patent holder grants a licence of the relevant intellectual property to Proxama, which the patent holder is not required to do.

Currency risk

The Company reports its financial results in Pounds Sterling. However, the Company could enter into sale contracts in foreign currency and incur certain operating expenses in local currency. The Company is not contemplating undertaking any currency hedging at this time. Consequently, fluctuations in exchange rates between currencies in which the Company operates may cause fluctuations in its financial results and may have an adverse effect on income and/or asset values.

Raising of future finance by the Company

In order to satisfy its working capital requirements, Proxama will utilise the funds currently held by the Company. The Directors and the Proposed Directors believe that the Company may need to raise additional funds in the future and believe that any future fundraisings would be by way of a placing of shares in the Company. In this regard, whilst the Directors and the Proposed Directors believe that the Company will have sufficient working capital for at least a year following Re-admission, they intend to raise, subject to market conditions, further funds through a placing of shares within nine months of Re-admission in order to accelerate the growth of the Proxama business.

Further equity financing may be dilutive to existing Shareholders or result in the issuance of securities whose rights, preference and privileges are senior to those of the owners of Ordinary Shares.

If any such future funding requirements are met through additional debt financing, Proxama may be required to adhere to covenants restricting its future operational and financial activities.

If the Company is unable to secure additional funds when needed or cannot do so on terms it finds acceptable, it may be unable to expand its operations, take full advantage of future commercial opportunities or respond adequately to competitive pressures, any of which may have an adverse effect on its business and results of its operations.

Borrowings

The Company may fund its projects partially through borrowings. The extent of borrowings and their terms will depend on the Company's ability to obtain credit facilities, the lenders' estimate of the stability of each project's cash flow and the debt market at any time. Furthermore, to the extent that the Company funds its activities through borrowing, it will be affected by changes in interest rates. Rising interest rates would have an adverse effect on the Company's financial performance by increasing the Company's cost of capital. Any delay or failure in obtaining suitable and adequate financing from time to time may impair the Company's ability to obtain credit facilities on reasonable terms.

Financial controls and internal reporting procedures

The Company has established financial controls and internal reporting procedures that the Directors and the Proposed Directors consider appropriate for the Company's current size and stage of development. As the Company grows, it may be necessary to adopt systems and controls more appropriate for a larger organisation, including the implementation of appropriate procedures to manage the risk emanating from foreign currency fluctuations as well as establishment of an internal audit function. Any failure by management to manage effectively the implementation of these systems and controls as the Company grows could have an adverse effect on the Company's business and financial performance and hinder its ability to prepare reliable financial statements in the future.

General risk factors

General business risks

The activities of the Company are subject to the usual commercial risks and factors such as competition and economic conditions may generally affect the Company's ability to generate income or achieve its objectives.

Economic conditions

Both domestic and world economic conditions may affect the performance of the Company. Factors such as the level of industrial production, inflation, currency fluctuations, interest rates, tax laws, supply and

demand, political and diplomatic events and trends and industrial disruption and other factors may substantially and adversely affect the operations of the Company and the Company's prospects.

Changes in the general economic climate, including in particular the NFC sector, may adversely affect the financial performance of the Company. Factors which may contribute to that general economic climate include, conditions in countries where customers or suppliers are located or where mobile handsets are sold, the level of government intervention in their respective economies (e.g. interest rates) and the perceived political and economic stability of the state in which the investment operates or where the Proxama products or services are sold.

The price of the Ordinary Shares may be volatile and influenced by many factors, some of which are beyond the control of the Company. For example, the performance of the overall share market, other Shareholders buying or selling large numbers of Ordinary Shares, changes in legislation or regulations and general economic conditions.

Litigation risk

Legal proceedings may arise from time to time in the course of the Company's business. The Company cannot preclude the possibility that litigation may be brought against it or anticipate the potential costs thereof. Such litigation may have an adverse effect on the Company.

Taxation risk

Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change. Any change in the Company's tax status or the tax applicable to holding of Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Company, the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders.

Changes in legislation and fiscal and regulatory policies

The Company's financial performance will be determined, in part, by the legislative and regulatory framework in which it operates. The Company is therefore subject to risks resulting from changes in legislation and regulation. Changes in legislation and regulation could have an adverse effect on the results of operations of the Group.

General risks relating to investing in the Ordinary Shares

Personal circumstances of the investor

A prospective investor should consider with care whether an investment in the Company is suitable for him in light of his personal circumstances and the financial resources available to him. An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Prospective investors should therefore consult an independent financial adviser before investing.

Nature of investment

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's assets will occur or that the objectives of the Company will be achieved. Investors may not get back the full amount of any funds invested. The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future. There is also the possibility that the market value of an asset of the Company may not reflect the true underlying value of the Company.

Currency risks relating to non-UK investors

Shareholders who use currencies other than Pounds Sterling are exposed to foreign currency risk. The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in Pounds Sterling. An investment in the Ordinary Shares by an investor whose principal currency is not Pounds Sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of Pounds Sterling in relation to such

foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms and any appreciation of Pounds Sterling will increase the value in foreign currency terms.

Certain other risks relating to non-UK investors

The rights attaching to Ordinary Shares may be different to those of shares in foreign corporations. The rights afforded to Shareholders will be governed by English law and by Proxama's constitutional documents and these rights differ in certain respects from the rights of shareholders in typical non-UK based corporations. In particular, English law currently significantly limits the circumstances under which shareholders of English companies may bring derivative actions, and, in most cases, only the corporation can bring an action in respect of wrongful acts committed against it. Neither an individual shareholder nor any group of shareholders has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders of a corporation in, for example, the US.

The price of publicly traded shares may be volatile

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of Ordinary Shares could be subject to significant fluctuations (particularly for a period of time following Re-admission) due to a variety of factors, some specific to Proxama and its operations and some which may affect the sectors in which it operates or quoted companies generally and which are outside the control of the Company, including, amongst other things, change in sentiment in the stock market regarding Ordinary Shares or securities similar to them or in response to various facts and events, such as regulatory changes affecting Proxama's operations, variations in Proxama's operating results and business developments of Proxama or its competitors.

Furthermore, the trading price of Ordinary Shares may be subject to fluctuations in response to many factors, including those referred to in this Part 2 as well as divergence in financial results from analysts' expectations, which may affect the market price of such shares, regardless of Proxama's actual performance in its key markets.

In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the operating performance of Proxama.

Any of these events could result in a decline in the market price or liquidity of the Ordinary Shares. Shareholders may therefore not be able to sell their Ordinary Shares following Re-admission at or above the price at which they commence trading on AIM.

Substantial future sales of Ordinary Shares could impact their market price

The Directors and the Proposed Directors are unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following Re-admission. Sales of a substantial number of Ordinary Shares in the public market after Re-admission, or the perception that these sales might occur, could depress the market price of Ordinary Shares, as the case may be, and could impair the Company's ability to raise capital through the future sale of additional equity securities.

Risks relating to investing in AIM quoted shares

AIM is a market designed primarily for emerging or smaller companies and the rules of the AIM market are less demanding than those of the Official List. An investment in the Ordinary Shares of the Company is highly speculative and subject to a high degree of risk. An investment in the Ordinary Shares may be difficult to realise and the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its operations and some, which may affect quoted companies generally.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares particularly as, on Re-admission, the Company will have a limited number of shareholders and a significant number of Ordinary Shares will be subject to the Lock-in and Orderly Market Undertakings. The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. Any lack of liquidity of the Ordinary Shares may have an adverse effect on the market price of the Ordinary

Shares. Any substantial disposals of Ordinary Shares, or the perception that these sales could occur, may make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate.

Forward looking statements

This document contains forward looking statements, including, without limitation, statements containing the words “believe”, “anticipate”, “expect” and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this Part 2. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. To the extent lawfully permitted, the Company disclaims any obligations to update any such forward looking statements in this document to reflect future events or developments.

PART 3:

INFORMATION ON THE CONCERT PARTY

1. Composition of the Concert Party

The Concert Party comprises Neil Garner, Miles Quitmann, Coen van Breda and Gavin Breeze, all directors and shareholders in Proxama and all Proposed Directors and Principal Vendors, together with White Angle, Christopher Chapman, MyBusinessFD and Tessa Ogden. Information relating to the Proposed Directors is set out in paragraph 8 of Part 1 of this document. Information relating to White Angle, Chris Chapman and Tessa Ogden is set out below. The address for each of the individual members of the Concert Party is the offices of Proxama at 68 King William Street, London EC4N 7DZ.

White Angle: White Angle is a private limited liability company which serves as Gavin Breeze's investment vehicle. It was incorporated on 20 November 2012 and is wholly owned by Gavin Breeze who is its sole director. White Angle's registered office address is Kensington Chambers, 46-50 Kensington Place, St Helier, Jersey JE1 1ET. White Angle has published no accounts since incorporation.

Christopher Chapman: Chris Chapman is a chartered accountant who has over 20 years of international business experience. Chris started his career with Lotus Cars and has since worked in the rail industry, with Cambridge software business Smallworld, General Electric, outsourcing business RR Donnelly and the investment research firm Library House. In 2008 Chris founded My Business FD and has subsequently developed the business into a team of experienced finance professionals delivering flexible part time FD support to growth companies, as well as specialised interim roles and handling the recruitment of high performance finance teams. Chris acts as either Non-executive director, board advisor, investor or part time Finance Director for a variety of businesses, including Proxama of which he is a Non-executive director, Armadillo LED Limited, Brightpearl Limited and Responsive Sports Limited. Chris is also on the Board of The Cambridge Phenomenon, a non-profit organisation focusing on the growth of the Cambridge Technology Cluster, and is a mentor with many early stage accelerator programs including Springboard and Wayra.

MyBusinessFD is a private limited liability company incorporated on 31 March 2010 through which Chris Chapman provides his services and those of the rest of the team as part-time or interim financial officers. It is jointly owned by Chris Chapman and Trevor Overall (via Trevor Overalls's wholly owned company, Cantarra Limited). The directors of MyBusinessFD are Chris Chapman and Trevor Overall. MyBusinessFD's registered office address is 1A Metcalfe Way, Haddenham, Ely, CB6 3UP, United Kingdom. MyBusinessFD published abbreviated accounts which showed net assets of £107 as at 31 March 2012

Tessa Ogden: Tessa Ogden is the sister of Miles Quitmann and invested in Proxama at his suggestion. Tessa is a passive investor in Proxama and is not involved in its management and will have no role to play in the management of the Enlarged Group. She is not an active investor in other companies.

2. Interests and dealings

2.1 For the purposes of this paragraph 2:

2.1.1 "acting in concert" has the meaning attributed to it in the Takeover Code.

2.1.2 "arrangement" includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

2.1.3 "connected person" has the meaning attributed to it in section 252 of the Act.

2.1.4 "control" means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control.

2.1.5 "dealing" or "dealt" includes the following:

- (a) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;

- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
 - (c) subscribing or agreeing to subscribe for relevant securities;
 - (d) the exercise or conversion of any relevant securities carrying conversion or subscription rights;
 - (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities; or
 - (f) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position.
- 2.1.6 “derivative” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security.
- 2.1.7 “disclosure date” means the Latest Practicable Date.
- 2.1.8 “disclosure period” means the period commencing on 26 July 2012, being the date 12 months prior to the date of the posting of this document and ending on the disclosure date.
- 2.1.9 being “interested” in relevant securities includes where a person:
- (a) owns relevant securities;
 - (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
 - (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (d) is party to any derivative whose value is determined by reference to its price and which results, or may result, in his having a long position in it.
- 2.1.10 “relevant securities” means shares in the Company (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof.
- 2.1.11 “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

- 2.2 As at the close of business on the disclosure date, the interests of the Directors and the Proposed Directors and their immediate families, related trusts and the interests of persons connected with them in the issued share capital of the Company (and showing the effect on those interests as if the Acquisition were completed on the assumption that (i) no other changes to the issued share capital occur during the period; and (ii) all of the Consideration Shares are issued) were as follows:

	<i>Number of Ordinary Shares held prior to the Acquisition</i>	<i>Percentage of Ordinary Shares held prior to the Acquisition</i>	<i>Number of New Ordinary Shares to be acquired pursuant to the Acquisition</i>	<i>Number of Ordinary Shares following completion of the Acquisition</i>	<i>Percentage of Enlarged Share Capital</i>
Neil Garner	–	–	119,761,130	119,761,130	25.74
Miles Quitmann	–	–	14,101,926	14,101,926	3.03
Coen van Breda	–	–	–	–	–
Gavin Breeze*	10,450,000	10.46	115,556,651	126,006,651	27.08
David Bailey**	3,000,000	3.00	3,024,126	6,024,126	1.29
Tessa Ogden	–	–	3,367,624	3,367,624	0.72
Malcolm Burne	6,537,500	6.55	–	6,537,500	1.41
Nathan Steinberg***	1,878,500	1.88	–	1,878,500	0.40

* the Ordinary Shares in which Gavin Breeze are interested are held either in his own name or through White Angle.

** all of the Ordinary Shares in which David Bailey has an interest are held through a self-invested personal pension account.

*** all of the Ordinary Shares in which Nathan Steinberg has an interest are held through a self-invested personal pension account.

- 2.3 As at the close of business on the disclosure date, the interests of the members of the Concert Party and their immediate families, related trusts and the interests of persons connected with them in the issued share capital of the Company (and showing the effect on those interests as if the Acquisition were completed on the assumption that (i) no other changes to the issued share capital occur during the period; and (ii) all of the Consideration Shares are issued) were as follows:

	<i>Number of Ordinary Shares held prior to the Acquisition</i>	<i>Percentage of Ordinary Shares held prior to the Acquisition</i>	<i>Number of New Ordinary Shares to be acquired pursuant to the Acquisition</i>	<i>Number of Ordinary Shares following completion of the Acquisition</i>	<i>Percentage of Enlarged Share Capital</i>
Neil Garner	–	–	119,761,130	119,761,130	25.74
Miles Quitmann	–	–	14,101,926	14,101,926	3.03
Coen van Breda	–	–	–	–	–
Gavin Breeze*	10,450,000	10.46	115,556,651	126,006,651	27.08
Chris Chapman**	–	–	20,205,744	20,205,744	4.34
Tessa Ogden	–	–	3,367,624	3,367,624	0.72

* the Ordinary Shares in which Gavin Breeze is interested are held either in his own name or through White Angle.

** the Ordinary Shares in which Chris Chapman is interested are held through MyBusinessFD.

2.4 During the disclosure period, the following dealings in Ordinary Shares have taken place by the Directors, the Proposed Directors or members of the Concert Party:

	<i>Date of dealing</i>	<i>Nature of dealing</i>	<i>Number of New Ordinary Shares the subject of the dealing</i>	<i>Price at which dealing occurred</i>
Nathan Steinberg	21 December 2012	Sale and purchase*	1,500,000	2.88p
Gavin Breeze	21 December 2012	Purchase**	1,250,000	2.00p
Gavin Breeze	13 May 2013	Purchase***	9,200,000	2.50p
David Bailey	13 May 2013	Purchase**	3,000,000	2.50p

* transfer of shares previously held in own name to a self-invested personal pension account.

** subscription of new Ordinary Shares pursuant to a placing undertaken by the Company.

*** subscription of new Ordinary Shares by White Angle Limited pursuant to a placing undertaken by the Company.

2.5 Save as disclosed in this document, as at the close of business on the disclosure date:

- (a) no member of the Concert Party nor any person acting in concert with any member of the Concert Party had any interest in or right to subscribe for, or had any short position, including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in relation to, any relevant securities in the Company, nor had any of them dealt in any relevant securities in the Company during the disclosure period;
- (b) there are no relevant securities of the Company in respect of which any member of the Concert Party nor any person acting in concert with any member of the Concert Party has borrowed or lent at any time during the disclosure period;
- (c) the Company has not redeemed or purchased any relevant securities in the Company during the disclosure period;
- (d) neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) nor any person acting in concert with the Company had any interest in or right to subscribe for, or had any short position, including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in relation to any shares in Proxama nor had any of them dealt in any relevant securities in Proxama during the disclosure period;
- (e) neither the Company nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) nor any person acting in concert with the Company had any interest in or right to subscribe for, or had any short position, including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in relation to any relevant securities in the Company nor had any of them dealt in any relevant securities in the Company during the disclosure period;
- (f) there are no relevant securities of the Company in respect of which any of the Directors or any person acting in concert with the Company has borrowed or lent at any time during the disclosure period.

2.6 Save as disclosed in this document:

- (a) no agreement, arrangement or understanding (including any compensation arrangement) exists in relation to a transfer or otherwise between any member of the Concert Party or any person acting in concert with a member of the Concert Party and any of the Directors, recent directors, Shareholders or recent Shareholders in the Company having any connection with or dependence upon the Proposals; and
- (b) there is no agreement, arrangement or understanding whereby the beneficial ownership of the Consideration Shares to be issued to the Concert Party pursuant to the Acquisition will be transferred to any other person.

3. Intentions of the Concert Party

Save as described in paragraph 7 of Part 1 of this document, the Concert Party is not intending to seek any changes to the Board and has confirmed that it is its intention that, following Completion, the business of the Company would become the business of Proxama which would be continued in substantially the same manner as it is at present, with no major changes.

With this in mind, there will be no repercussions on employment or the location of the Company's places of business and no redeployment of the Company's fixed assets. The Concert Party is also not intending to prejudice the existing employment rights, including pension rights, of any of the employees or management of the Group nor to procure any material change in the conditions of employment of any such employees or management or to take any steps to amend the Company's share trading facilities in force at the date of this document.

PART 4:

FINANCIAL INFORMATION

A. HISTORICAL FINANCIAL INFORMATION OF LONGSHIPS PLC

The Company's audited annual report and accounts for the three financial years ended 31 December 2012 and the unaudited interim accounts for the six months ended 30 June 2013 can be viewed on the Company's website at www.longshipsplc.com .

Shareholders have the right to receive a hard copy of the source information but this will not be sent to Shareholders unless they request it;

Shareholders may request a hard copy of the source information from Ross Ainger at 15 Whitehall, London SW1A 2DD. The contact telephone number is 0207 389 5010;

There is no other information incorporated in the document by reference.

B. ACCOUNTANTS' REPORT ON PROXAMA LIMITED



The Directors and Proposed Directors (the "Directors")
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26 July 2013

Dear Sirs

Proxama Limited ("Proxama")

We report on the historical financial information of Proxama set out in Part C of this Part 4. This financial information has been prepared for inclusion in this document on the basis of the accounting policies set out in note 2.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this document.

The directors of Proxama Limited are responsible for preparing the financial information on the basis of accounting policies set out in note 2 of Part C of this Part 4 and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of this document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 26 July 2013 (“Admission Document”) a true and fair view of the state of affairs of Proxama as at the dates stated and of its profits, cash flows and recognised gains and losses and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with IFRS as described in note 2 and has been prepared in a form that is consistent with the accounting policies adopted in Longships Plc’s latest annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Grant Thornton UK LLP

C. HISTORICAL FINANCIAL INFORMATION ON PROXAMA LIMITED

The financial information set out below of Proxama Limited for the three years ended 31 December 2012 has been prepared by the directors of Proxama Limited on the basis set out in note 2.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this section does not constitute statutory financial accounts within the meaning of section 434 of the Act.

Statement of comprehensive income

	<i>Notes</i>	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Continuing operations				
Revenue	5	256,024	636,865	1,381,096
Cost of sales		<u>(131,945)</u>	<u>(490,506)</u>	<u>(1,077,011)</u>
Gross profit		124,079	146,359	304,085
Administrative expenses		(344,125)	(1,035,559)	(2,146,587)
Other operating income	6	<u>19,987</u>	<u>186,125</u>	<u>32,858</u>
Operating loss	7	(200,059)	(703,075)	(1,809,644)
Financial income	10	291	–	1,740
Financial expense	11	<u>(9,209)</u>	<u>(2,233)</u>	<u>(3,360)</u>
Loss on ordinary activities before taxation		(208,977)	(705,308)	(1,811,264)
Taxation	12	<u>25,708</u>	<u>89,657</u>	<u>214,352</u>
Loss for the year		<u>(183,269)</u>	<u>(615,651)</u>	<u>(1,596,912)</u>
Total comprehensive loss for the year		<u>(183,269)</u>	<u>(615,651)</u>	<u>(1,596,912)</u>
Loss per share	13			
From continuing operations				
Basic		<u>(1.77)</u>	<u>(4.19)</u>	<u>(8.54)</u>
Diluted		<u>(1.77)</u>	<u>(4.19)</u>	<u>(8.54)</u>

Statement of financial position

	Notes	2010 £	2011 £	2012 £
Non-current assets				
Property, plant and equipment	14	2,656	42,778	114,980
Other intangible assets	15	315	5,671	7,487
		<u>2,971</u>	<u>48,449</u>	<u>122,467</u>
Current assets				
Trade and other receivables	16	81,851	244,220	423,740
Current tax receivable		–	89,657	214,352
Cash and cash equivalents	17	136,509	150,671	361,379
		<u>218,360</u>	<u>484,548</u>	<u>999,471</u>
Current liabilities				
Trade and other payables	19	(125,547)	(253,572)	(253,605)
Current proportion of long-term borrowings	20	(1,709)	(5,807)	(11,954)
		<u>(127,256)</u>	<u>(259,379)</u>	<u>(265,559)</u>
Net current assets				
		<u>91,104</u>	<u>225,169</u>	<u>733,912</u>
		94,075	273,618	856,379
Non-current liabilities				
Non-current borrowings	20	(15,863)	(30,617)	(32,271)
Net assets				
		<u>78,212</u>	<u>243,001</u>	<u>824,108</u>
Equity				
Share capital	21	1,256	1,686	2,116
Share premium		916,243	1,685,813	3,800,083
Share option reserve		–	10,440	73,759
Capital reserve		209,791	209,791	209,791
Retained earnings		(1,049,078)	(1,664,729)	(3,261,641)
Equity shareholders' funds				
		<u>78,212</u>	<u>243,001</u>	<u>824,108</u>

Statement of cash flows

	2010 £	2011 £	2012 £
Cash flows from operating activities			
Loss before taxation	(208,977)	(705,308)	(1,811,264)
Adjustments for:			
Depreciation of property, plant and equipment	3,070	9,508	37,799
Amortisation of intangible assets	45	645	798
Profit on disposal of property, plant and equipment	(7)	–	–
Financial income	(291)	–	(1,740)
Financial expense	9,209	12,673	66,679
	<u>(196,951)</u>	<u>(682,482)</u>	<u>(1,707,728)</u>
Increase in trade and other receivables	(29,345)	(162,369)	80,480
Increase in trade and other payables	132,630	128,025	33
	<u>(93,666)</u>	<u>(716,826)</u>	<u>(1,627,215)</u>
Cash used in operations	(93,666)	(716,826)	(1,627,215)
Income taxes received	25,708	–	89,657
	<u>(67,958)</u>	<u>(716,826)</u>	<u>(1,537,558)</u>
Net cash used in operating activities	(67,958)	(716,826)	(1,537,558)
Cash flows from investing activities			
Interest received	291	–	1,740
Purchase of intangible assets	–	(6,001)	(2,614)
Proceeds from the disposal of property, plant and equipment	9,543	–	–
Purchase of property, plant and equipment	(2,877)	(25,635)	(86,569)
	<u>6,957</u>	<u>(31,636)</u>	<u>(87,443)</u>
Net cash from/(used in) investing activities	6,957	(31,636)	(87,443)
Cash flows from financing activities			
Interest paid	(9,209)	(2,233)	(3,360)
Issue of share capital	200,000	770,000	1,854,700
Repayment of borrowings	(127,951)	(5,143)	(15,631)
	<u>62,840</u>	<u>762,624</u>	<u>1,835,709</u>
Net cash from financing activities	62,840	762,624	1,835,709
Net increase in cash and cash equivalents	1,839	14,162	210,708
Cash and cash equivalents at start of year	<u>134,670</u>	<u>136,509</u>	<u>150,671</u>
Cash and cash equivalents at end of year	<u><u>136,509</u></u>	<u><u>150,671</u></u>	<u><u>361,379</u></u>

Statement of changes in equity

	<i>Retained earnings</i> £	<i>Share capital</i> £	<i>Share premium reserve</i> £	<i>Capital reserve</i> £	<i>Share option reserve</i> £	<i>Total</i> £
1 January 2010	(865,809)	1,005	716,494	–	–	(148,310)
Loss for the year	(183,269)	–	–	–	–	(183,269)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	(183,269)	–	–	–	–	(183,269)
Capital contribution	–	–	–	209,791	–	209,791
New shares issued	–	251	199,749	–	–	200,000
31 December 2010	(1,049,078)	1,256	916,243	209,791	–	78,212
Loss for the year	(615,651)	–	–	–	–	(615,651)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	(615,651)	–	–	–	–	(615,651)
Share-based payments	–	–	–	–	10,440	10,440
New shares issued	–	430	769,570	–	–	770,000
31 December 2011	(1,664,729)	1,686	1,685,813	209,791	10,440	243,001
Loss for the year	(1,596,912)	–	–	–	–	(1,596,912)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	(1,596,912)	–	–	–	–	(1,596,912)
Share-based payments	–	–	–	–	63,319	63,319
New shares issued	–	430	2,114,270	–	–	2,114,700
31 December 2012	<u>(3,261,641)</u>	<u>2,116</u>	<u>3,800,083</u>	<u>209,791</u>	<u>73,759</u>	<u>824,108</u>

Notes to the financial statements

1. Corporate information

Proxama Limited is a limited company incorporated in the United Kingdom. The address of the registered office is c/o Taylor Vinters, Merlin Place, Cambridge, Cambridgeshire CB4 0DP.

2. Basis of preparation and statement of compliance

The historical financial information comprises the financial statements of Proxama Limited as at 31 December for each of the three years 2010, 2011 and 2012 and is prepared under the historic cost convention.

The historical financial information has been prepared for the purposes of the acquisition of the Company which constitutes a “reverse takeover” under Rule 14 of the AIM Rules for Companies.

The historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Proxama Limited has assumed a transition date of 1 January 2010 for the purpose of preparing this historical financial information. The comparative information has been restated in accordance with IFRS. Proxama Limited has historically prepared financial statements in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) (“FRSSE”). The reconciliation from UK GAAP to IFRS is provided in note 26.

The accounting policies which follow set out the policies applied in preparing the historical financial information.

The historical financial information is presented in pounds sterling which is also the functional currency of Proxama Limited.

3. Accounting policies

The principal accounting policies are summarised below:

(a) Accounting standards

New standards and interpretations not applied

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

New/revised International

Financial Reporting Standards

Issued/revised

Effective date

IFRS 1	First-time adoption of International Financial Reporting Standards – amendments related to government loans	March 2012	Annual periods beginning on or after 1 January 2013
IFRS 7	Financial instruments: disclosures – amendments related to the offsetting of assets and liabilities	December 2011	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated financial statements	May 2011	Annual periods beginning on or after 1 January 2013
IFRS 11	Joint arrangements	May 2011	Annual periods beginning on or after 1 January 2013

<i>New/revised International Financial Reporting/Accounting Standards</i>		<i>Issued/revised</i>	<i>Effective date</i>
IFRS 12	Disclosure of interests in other entities	May 2011	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair value measurement	May 2011	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of financial statements – amendments to revise the way other comprehensive income is presented	June 2011	Annual periods beginning on or after 1 July 2012
IAS 19	Employee benefits – amended standard resulting from the post-employment benefits and termination benefits project	June 2011	Annual periods beginning on or after 1 January 2013
IAS 27	Consolidated and separate financial statements – reissued as IAS 27 Separate financial statements (as amended in 2011)	May 2011	Annual periods beginning on or after 1 January 2013
IAS 28	Investments in associates – reissued as IAS 28 Investments in associates and joint ventures (as amended in 2011)	May 2011	Annual periods beginning on or after 1 January 2013
<i>Interpretations</i>			<i>Effective date</i>
IFRIC 20	Stripping costs in the production phase of a surface mine – issued 19 October 2011		Annual periods beginning on or after 1 January 2013

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the year of initial application. The directors do not consider application of any of the amendments made to existing standards as a result of the 2011 annual improvements project will have a material effect on the financial statements of Proxama Limited.

(b) **Going concern**

The financial information has been prepared assuming Proxama Limited will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management has considered Proxama Limited's existing working capital position and, if required, its ability to raise potential financing. Management are of the opinion that Proxama Limited has adequate resources to undertake its planned program of activities for the 12 months from the date of approval of the financial statements.

(c) **Goodwill**

Acquired goodwill is recognised as an asset and reviewed for impairment at least annually.

(d) **Property, plant and equipment**

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss.

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

Office equipment	33 per cent. straight line
Motor vehicles	25 per cent. reducing balance
Computer equipment	33 per cent. straight line

(e) **Other intangible assets – Trademarks and intellectual property rights**

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 per cent. straight line
---	----------------------------

(f) **Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, Proxama Limited reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Proxama Limited estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit), except for goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) **Taxation**

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted, or substantively enacted, by the balance sheet date.

Deferred taxation

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantially enacted tax rates.

Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and it is probable that future taxable profit will be available against which the asset can be utilised.

(h) **Conversion of foreign currency**

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Non-monetary assets having been translated are carried at their historical cost. Exchange differences are taken into account in arriving at the operating result.

(i) **Financial instruments**

Financial assets and financial liabilities are recognised on Proxama Limited's balance sheet when Proxama Limited becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are initially measured at fair value. At the end of each accounting period they are assessed for impairment and subsequently carried at amortised cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Proxama Limited 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 Proxama Limited after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

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

Interest-bearing borrowings

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

Equity instruments

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

(j) **Accounting estimates and judgements**

The preparation of financial statements in conforming with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from those estimates. Revisions to these estimates are made in the period in which they are recognised.

(k) **Provisions**

Provisions are recognised when Proxama Limited has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where Proxama Limited expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

(l) **Commitments and contingencies**

Commitments and contingent liabilities are disclosed in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(m) **Events after the balance sheet date**

Post year-end events that provide additional information about Proxama Limited's position at the balance sheet date and are adjusting events are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

(n) **Research and development activities**

Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if, and only if, the following conditions apply:

- it is technically feasible to complete the asset for use by Proxama Limited;
- Proxama Limited has the intention of completing the asset for either use or resale;
- Proxama Limited has the ability to either use or sell the asset;
- it is possible to estimate how the asset will generate income;
- Proxama Limited has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable.

If no intangible asset can be recognised based on the above, then development costs are recognised in profit and loss in the period in which they are incurred.

(o) **Revenue**

Revenue comprises services and software licences provided to external customers (excluding VAT and other sales taxes).

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

Revenue from software licences 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.

(p) **Government grants**

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

(q) **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets held under finance leases are recognised as assets of Proxama Limited 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.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to Proxama Limited.

Contingent rentals arising under operating leases are recognised in the period in which they are incurred.

Lease incentives and similar arrangements of incentives are taken into account when calculating the straight-lined expense.

(r) **Share-based payments**

The fair value of equity instruments granted to employees is charged to the income statement, with a corresponding increase in equity. The fair value of share options is measured at grant date, using the Black-Scholes option pricing model, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest. No options are granted with vesting dependent on market criteria.

(s) **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 Proxama Limited.

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

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

(t) **Employee benefits**

Proxama Limited has agreed to make pension contributions to third party insurance companies in respect of certain employees at rates agreed with the individuals concerned. Such contributions are accounted for as they fall due on a defined contribution basis.

4. Critical accounting judgements and key estimation uncertainty

Accounting estimates and judgements

The preparation of financial statements in conforming with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from those estimates. Revisions to these estimates are made in the period in which they are recognised.

Use of estimates

The assumptions concerning the future, and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Recoverability of receivables

The recoverability of the receivables is determined by Proxama Limited. Management monitors the circumstances relating to the payments due from third parties, together with the recoverability of the amounts due. Any indication of non-recoverability and change in fair value is adjusted for accordingly.

Significant management judgements

The areas that require critical accounting judgements in applying the accounting policies of Proxama Limited at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Deferred taxation – potential asset in relation to tax losses carried forward

The recoverability of the tax losses carried forward to future accounting periods is determined by Proxama Limited. Management monitors the circumstances relating to the future profitability of Proxama Limited, together with the anticipated utilisation of the amounts carried forward. Any indication of non-recoverability and change in fair value is adjusted for accordingly.

Research and development activities

To date no amounts have been capitalised in respect of the development phase of internal projects as management have assessed that they are unable to demonstrate that they have met all of the recognition criteria.

Revenue recognition

Revenue from services provided is determined by management's assessment of the percentage completed of each contract. Management determine the percentage of completion by considering the work performed to date based upon internal reports and agreed project milestones.

5. Business segments

Operating segments are based on internal reports about components of Proxama Limited, 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.

Proxama Limited's operations are centred on providing bespoke near field communication solutions to its customers, primarily mobile wallet functionality. Proxama Limited issues licences as part of the overall service package provided to its customers. The business is structured as a single entity company and its financial reporting is set to report to the CODM information as a whole. Management therefore considers there to be only a single reporting segment covering the entire company 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:

	2010 £	2011 £	2012 £
Mobile Wallet	129,513	414,550	1,261,255
Near Field Communication Marketing	–	98,522	92,013
Other	126,511	123,793	27,828
Total revenue	<u>256,024</u>	<u>636,865</u>	<u>1,381,096</u>

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

The geographical split of revenue is as follows:

	2010 £	2011 £	2012 £
United Kingdom	115,151	335,844	1,199,392
United States of America	129,513	187,895	129,500
Finland	–	91,013	38,119
Other	11,360	22,113	14,085
Total revenue	<u>256,024</u>	<u>636,865</u>	<u>1,381,096</u>

A summary of the company's significant (defined as accounting for more than 10 per cent. of revenue in the year) customers is as follows:

	2010 £	2011 £	2012 £
United Kingdom customer 1	–	33.78%	80.16%
United States of America customer 1	50.59%	31.31%	9.52%
United Kingdom customer 2	15.70%	–	–
Finland customer 1	–	15.47%	2.76%
	<u>–</u>	<u>–</u>	<u>–</u>

6. Other operating income

	2010 £	2011 £	2012 £
Grant income	19,987	183,989	32,469
Other operating income	–	2,136	389
	<u>19,987</u>	<u>186,125</u>	<u>32,858</u>

Proxama Limited received grants from the Technology Strategy Board (2011 & 2012) and the Design Council (2010) in respect of its on-going research and development activities.

7. Expenses and auditor's remuneration

The operating loss is stated after charging the following amounts:

	2010 £	2011 £	2012 £
Depreciation of property, plant and equipment			
– owned	3,070	5,509	25,964
– assets held under hire purchase agreements	–	3,999	11,835
Profit on disposal of property, plant and equipment	(7)	–	–
Amortisation of intangible assets	45	645	798
Rent of land and buildings	13,581	45,047	124,692
Aggregate amount of research and development expenditure	112,819	249,295	863,903
Share options	–	10,440	63,319
Net foreign exchange losses	47	3,214	2,769
	<u> </u>	<u> </u>	<u> </u>

8. Aggregated directors' remuneration

The total amounts for directors' remuneration were as follows:

	2010 £	2011 £	2012 £
Emoluments detailed below paid under service agreements	129,697	209,670	283,563
Payments made to corporate director	–	12,500	25,000
Payments made to third parties in respect of services provided by directors	29,700	31,500	55,000
	<u> </u>	<u> </u>	<u> </u>
Total	<u>159,397</u>	<u>253,670</u>	<u>363,563</u>

Directors' emoluments

Directors' remuneration for the year was:

	2010 £	2011 £	2012 £
N R Garner	129,697	142,211	148,484
M L Quitmann	–	67,459	135,079
G Breeze	–	–	–
Gavin Breeze Consulting Limited	–	12,500	25,000
C J Chapman	10,750	31,500	55,000
P Gentile	–	–	–
D Kober	–	–	–
E Chandler	18,950	–	–
	<u> </u>	<u> </u>	<u> </u>
Aggregate emoluments	<u>159,397</u>	<u>253,670</u>	<u>363,563</u>

The directors are the only key management personnel.

Proxama Limited reimburses the directors for expenses incurred by them or their service companies in the performance of their duties for Proxama Limited.

Pension arrangements

Proxama Limited has made no contributions to pension schemes in respect of the directors.

Consultancy agreements

There is a formal consultancy agreement between Proxama Limited and Gavin Breeze Consulting Limited effective from 1 July 2011 at £25,000 per annum, payable monthly.

Share options

The following share options have been issued to the directors:

	<i>Date options issued</i>	<i>Number of options issued</i>	<i>Date from which options may be first exercised</i>	<i>Expiry of options</i>	<i>Exercise price per option</i> £
2011					
C J Chapman	30/09/2011	251	30/09/2014	30/09/2021	9.00
L Quitmann	30/09/2011	7,400	30/09/2014	30/09/2021	9.00
2012					
N R Garner	27/02/2012	872	27/02/2015	27/02/2022	9.00
L Quitmann	27/02/2012	835	27/02/2015	27/02/2022	9.00

9. Staff costs and numbers

The average number of persons employed by Proxama Limited during the year including executive directors is analysed below:

	<i>2010</i>	<i>2011</i>	<i>2012</i>
Management	2	4	7
Research and development	2	7	18
Commercial and client services	–	3	16
	<u>4</u>	<u>14</u>	<u>41</u>

Proxama Limited employment costs – all employees including executive directors

	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Wages and salaries	220,803	743,024	1,713,512
Social security costs	25,154	85,807	190,484
Pension contributions	–	1,658	–
Share-based payments – equity settled	–	10,440	63,319
	<u>245,957</u>	<u>840,929</u>	<u>1,967,315</u>

10. Financial income

	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Interest receivable	291	–	1,740
	<u>291</u>	<u>–</u>	<u>1,740</u>

11. Financial expense

	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Interest payable	9,209	2,233	3,360
	<u>9,209</u>	<u>2,233</u>	<u>3,360</u>

12. Taxation

	2010 £	2011 £	2012 £
Tax on profit on ordinary activities			
Research & development tax credits	(25,708)	(89,657)	(214,352)
Total tax expense in income statement	<u>(25,708)</u>	<u>(89,657)</u>	<u>(214,352)</u>

Reconciliation of the tax expense

The tax assessed for the year is different from the standard rate of corporation tax in the UK (24.5 per cent.). The differences are explained below:

	2010 £	2011 £	2012 £
Loss on ordinary activities before taxation	<u>(208,977)</u>	<u>(705,308)</u>	<u>(1,811,264)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%, 2010: 28%)	(58,513)	(186,907)	(443,759)
Effects of:			
Expenses disallowed for tax purposes	3,376	15,953	20,075
Deferred tax not provided – tax losses carried forward	23,548	104,890	212,028
Under provided in prior years	(25,708)	(27,640)	–
Under provided in current year	27,640	–	–
Research and development allowances	(23,692)	(61,991)	(251,434)
Research and development relief given at less than corporation tax rate	<u>27,641</u>	<u>66,038</u>	<u>248,738</u>
Total current tax	<u>(25,708)</u>	<u>(89,657)</u>	<u>(214,352)</u>

Proxama Limited has tax losses available to be carried forward totalling £2,173,530 (2011: £1,285,753, 2010: £868,093). With anticipated substantial lead times for Proxama Limited's research and development projects to reach commercial profitability and the risks inherent in such projects it is not considered appropriate to anticipate an asset value for them.

13. Loss per share

Diluted loss per share is calculated after showing the effect of outstanding options in issue. As the effect of the options would be to reduce the loss per share, the diluted loss per share is the same as the basic loss per share.

Calculation of loss per share is based on the following loss and numbers of shares

	2010	2011 £	2012 £
Net loss for the year	<u>(183,269)</u>	<u>(615,651)</u>	<u>(1,596,912)</u>
Weighted average ordinary shares in issue during the year	<u>103,795</u>	<u>146,927</u>	<u>186,960</u>

14. Property, plant and equipment

	<i>Office equipment</i> £	<i>Motor vehicles</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost				
1 January 2010	11,968	23,587	25,145	60,700
Additions	659	–	2,218	2,877
Disposals	–	(23,587)	(621)	(24,208)
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2010	12,627	–	26,742	39,369
Additions	6,142	23,995	19,493	49,630
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2011	18,769	23,995	46,235	88,999
Additions	58,011	–	51,990	110,001
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2012	<u>76,780</u>	<u>23,995</u>	<u>98,225</u>	<u>199,000</u>
Depreciation				
1 January 2010	11,106	14,258	22,951	48,315
Charge for the year	1,021	–	2,049	3,070
Disposals	–	(14,258)	(414)	(14,672)
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2010	12,127	–	24,586	36,713
Charge for the year	1,414	3,999	4,095	9,508
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2011	13,541	3,999	28,681	46,221
Charge for the year	15,458	5,999	16,342	37,799
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2012	<u>28,999</u>	<u>9,998</u>	<u>45,023</u>	<u>84,020</u>
Carrying amount				
31 December 2010	<u>500</u>	<u>–</u>	<u>2,156</u>	<u>2,656</u>
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2011	<u>5,228</u>	<u>19,996</u>	<u>17,554</u>	<u>42,778</u>
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2012	<u>47,781</u>	<u>13,997</u>	<u>53,202</u>	<u>114,980</u>

Hire purchase agreements

Included within the net book value of £114,980 is £27,688 (2011: £19,996, 2010: £nil) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of such assets amounted to £11,835 (2011: £3,999, 2010: £nil).

15. Other intangible assets

	<i>Trade- marks</i> £	<i>Intellectual property rights</i> £	<i>Total</i> £
Cost			
1 January 2010 and 31 December 2010	450	–	450
Additions	–	6,001	6,001
31 December 2011	450	6,001	6,451
Additions	2,614	–	2,614
31 December 2012	<u>3,064</u>	<u>6,001</u>	<u>9,065</u>
Depreciation			
1 January 2010	90	–	90
Charge for the year	45	–	45
31 December 2010	135	–	135
Charge for the year	45	600	645
31 December 2011	180	600	780
Charge for the year	198	600	798
31 December 2012	<u>378</u>	<u>1,200</u>	<u>1,578</u>
Carrying amount			
31 December 2010	<u>315</u>	–	<u>315</u>
31 December 2011	<u>270</u>	<u>5,401</u>	<u>5,671</u>
31 December 2012	<u>2,686</u>	<u>4,801</u>	<u>7,487</u>

Intangible assets represent amounts paid to third parties for acquiring trademarks and intellectual property rights. The directors have not identified any circumstances which indicate that they may have become impaired and given the carrying value of intangible assets the directors consider that formal impairment testing is not necessary.

Amortisation charges are included in administrative expenses in profit or loss.

16. Trade and other receivables

	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Trade receivables	72,354	203,574	68,413
Directors current accounts	2,112	–	–
Called up share capital not paid	–	–	260,000
VAT recoverable	2,715	9,922	–
Other receivables	4,670	30,724	95,327
	<u>81,851</u>	<u>244,220</u>	<u>423,740</u>

Trade receivables comprise amounts due from customers for services provided. No impairment adjustments have been considered necessary. Average credit terms were 30 days and average debtor days outstanding were 18 (2011: 116, 2010: 103).

Other receivables comprise deposits and expenses paid in advance.

Called up share capital comprise amounts due on shares issued during the year.

Directors current accounts comprise amounts due from directors in relation to personal expenses paid by Proxama Limited not having been reimbursed by the year end. No interest was payable on these amounts.

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

An aged analysis of trade receivables that were past due at the year end is presented below:

	2010 £	2011 £	2012 £
Outstanding between one and two months	–	17,400	–
Outstanding between two and three months	–	1,134	–
Outstanding more than three months	11,339	15,692	–
	<u>11,339</u>	<u>34,226</u>	<u>–</u>

17. Cash and cash equivalents

	2010 £	2011 £	2012 £
Bank balances	136,509	150,671	341,379
Security deposit placed with bank	–	–	20,000
	<u>136,509</u>	<u>150,671</u>	<u>361,379</u>

A charge over bank balances has been registered, for securing all monies due or becoming due from Proxama Limited to its bankers.

18. Financial instruments and treasury risk management

Treasury risk management

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

Credit risk

Proxama Limited'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.

Proxama Limited currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. Proxama Limited's investment policy is therefore one of achieving high returns with minimal risks. Proxama Limited primarily invests in no-notice deposits and has no fixed interest deposits. The statement of comprehensive income would be affected by £3,600 (2011: £1,500, 2010: £1,400) 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 Proxama Limited on trade and other receivables during the year was £423,740 (2011: £234,298, 2010: £77,024). 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

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

The translation risk on Proxama Limited'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. Proxama Limited manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. Proxama Limited's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts. Proxama Limited currently has no undrawn committed facilities as at 31 December 2012.

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

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

Proxama Limited'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.

Proxama Limited has limited long term financial liabilities in the way of one bank loan and two (2011: one) finance lease agreements which are repayable by monthly instalments. The bank loan bears interest at a floating rate whilst interest rates on hire purchase agreements are fixed. The statement of comprehensive income would be affected by £200 (2011: £200, 2010: £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

Proxama Limited does not currently use derivative financial instruments as hedging is not considered necessary. Should Proxama Limited 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", Proxama Limited 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

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

Capital management

Proxama Limited'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. Proxama Limited considers its capital to consist of share capital only.

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

Categories of financial instruments

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

Financial assets and liabilities

	2010 £	2011 £	2012 £
Financial assets			
Trade and other receivables	77,024	234,298	423,740
Bank balances	136,509	150,671	361,379
	<u>213,533</u>	<u>384,969</u>	<u>785,119</u>
Financial liabilities			
Trade and other payables	81,376	216,926	171,771
Borrowings	17,572	36,424	44,225
	<u>98,948</u>	<u>253,350</u>	<u>215,996</u>

19. Trade and other payables

	2010 £	2011 £	2012 £
Trade payables	76,332	121,727	75,028
Taxation and social security costs	44,171	34,038	80,705
Accruals and deferred income	5,044	97,807	97,872
	<u>125,547</u>	<u>253,572</u>	<u>253,605</u>

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 to 60 days of receipt of the invoice.

20. Borrowings

	2010 £	2011 £	2012 £
Non-current borrowings			
National Westminster Bank Plc	15,863	14,090	12,212
Finance lease agreements	–	16,527	20,059
	<u>15,863</u>	<u>30,617</u>	<u>32,271</u>
Current proportion of non-current borrowings			
National Westminster Bank Plc	1,709	1,745	1,825
Finance lease agreements	–	4,062	10,129
	<u>1,709</u>	<u>5,807</u>	<u>11,954</u>

National Westminster Bank Plc

	2010 £	2011 £	2012 £
Non-current borrowings	15,863	14,090	12,212
Current proportion of non-current borrowings	1,709	1,745	1,825
	<u>17,572</u>	<u>15,835</u>	<u>14,037</u>
Amounts included in non-current borrowings falling due later than five years	<u>9,027</u>	<u>7,110</u>	<u>4,917</u>

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

Interest on the bank loan is payable at 3 per cent. above the National Westminster Bank Plc's base rate. The loan is repayable by monthly instalments over 10 years.

Finance lease agreements – Lombard North Central Plc

	2010 £	2011 £	2012 £
Gross finance lease liabilities – minimum lease payments:			
Within one year	–	5,452	12,187
Later than one year and no later than five years	–	18,627	21,595
Later than five years	–	–	–
	–	24,079	33,782
Less: Future finance charges on finance leases	–	(3,490)	(3,594)
Present value of finance lease liabilities	<u>–</u>	<u>20,589</u>	<u>30,188</u>

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

Within one year	–	4,062	10,129
Later than one year and no later than five years	–	16,527	20,059
Later than five years	–	–	–
	–	20,589	30,188

Finance lease agreements are secured on the assets concerned.

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

21. Share capital

	2010	2011	2012
Number of issued ordinary shares of 1p each	<u>125,625</u>	<u>168,619</u>	<u>211,580</u>
	£	£	£
Value of issued ordinary shares of 1p each	<u>1,256</u>	<u>1,686</u>	<u>2,116</u>

The following shares were issued:

2010 – 25,125 ordinary shares of 1p each were issued at a premium of £7.95 per share. Prior to this the £1 ordinary share capital was sub-divided into ordinary shares of 1p each.

2011 – 42,994 ordinary shares of 1p each were issued at a premium of £17.90 per share.

2012 – 40,294 ordinary shares of 1p each were issued at a premium of £49.99 per share and 2,667 ordinary shares were issued at a premium of £37.49 per share. A total amount, including share premium, of £260,000 (2011: £nil, 2010: £nil) was outstanding at the year end and is included within trade and other receivables.

22. Financial commitments

Proxama Limited 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 total future minimum lease payments which include services are due as follows:

	2010 £	2011 £	2012 £
Not later than one year – rental	–	–	26,010
Not later than one year – services	–	–	42,000
	<u>–</u>	<u>–</u>	<u>68,010</u>

The total future minimum lease payments which exclude services are due as follows:

	2010 £	2011 £	2012 £
Not later than one year	–	20,880	62,862
Later than one year and not later than five years	–	–	256,687
	<u>–</u>	<u>20,880</u>	<u>319,549</u>

The minimum lease payment recognised as an expense in the year was £124,692 (2011: £45,047, 2010: £13,581).

23. Related party transactions

As at 31 December 2012, N R Garner was owed £965 by Proxama Limited (2011: £589, 2010: £2,112 owing to Proxama Limited). During 2010 N R Garner purchased a car from Proxama Limited at its market value of £9,500.

As at 31 December 2012, MyBusinessFD Limited, a company in which C J Chapman has an interest, was owed £3,780 by Proxama Limited (2011: £nil, 2010: £2,644).

As at 31 December 2012, Gavin Breeze Consulting Limited was owed £6,250 (2011: £6,250, 2010: £nil) by Proxama Limited.

During 2012 Gavin Breeze Consulting Limited loaned Proxama Limited £100,000. Under the terms of the loan agreement the loan could be converted to shares at a 25 per cent. discount to the share price when funds were next raised. The loan was converted to 2,667 shares during the year at a premium of £37.49 per share.

During 2010, £209,791 of amounts owed to a former group company was written off. Of this amount, £86,747 was outstanding at 31 December 2009 with a further £123,044 advanced during 2010. This amount was owed to ABnote NFC Inc., a former shareholder of Proxama Limited.

24. Ultimate controlling party

As at 31 December 2012, no single individual had overall control of Proxama Limited.

25. Share-based payments

The share option scheme was adopted by Proxama Limited on 30 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 Proxama Limited and to promote the success of Proxama Limited's business. The share option scheme is administered by the directors.

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

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

<i>Date of grant</i>	<i>01/01/2012 Number of options</i>	<i>Issued in the year</i>	<i>31/12/2012 Number of options</i>	<i>Date from which options may be first exercised</i>	<i>Lapse date</i>	<i>Exercise price per option</i>
30/09/2011	11,451	–	11,451	30/09/2014	30/09/2021	£9.00
27/02/2012	–	2,955	2,955	27/02/2015	27/02/2022	£9.00
31/12/2012	–	3,015	3,015	31/12/2015	31/12/2022	£9.00

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.8 years.

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

<i>Date of issue</i>	<i>30/09/2011</i>	<i>27/02/2012</i>	<i>31/12/2012</i>
Weighted average share price	£17.91	£35.00	£50.00
Weighted average exercise price	£9.00	£9.00	£9.00
Expected volatility	14.00%	13.00%	12.00%
Expected life	10 years	10 years	10 years
Risk free rate	2.52%	2.02%	1.85%
Expected dividend yield	nil	nil	nil

The expected volatility was determined with reference to the industry volatility. This is because Proxama Limited does not have historical volatility as it has no publicly traded shares. 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.

Proxama Limited recognised total expenses of £63,319 (2011: £10,440, 2010: £nil) related to equity-settled, share-based payment transactions during the year.

26. First time adoption of IFRS

These are Proxama Limited's first financial information prepared in accordance with International Financial Reporting Standards ("IFRS"). The date of transition to IFRS is 1 January 2010.

Proxama Limited's IFRS accounting policies presented in note 3 have been applied in preparing the financial statements for the year ended 31 December 2012, the comparative information and the opening statement of financial position at the date of transition, being 1 January 2010.

Proxama Limited has applied IFRS 1 First-time Adoption of IFRS (as revised in 2008) in preparing these IFRS financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. Proxama Limited has applied the mandatory exemptions and certain optional exemptions. The exemptions adopted by Proxama Limited are as follows:

- financial assets and liabilities that had been de-recognised before 1 January 2010 under previous GAAP have not been recognised under IFRS;
- Proxama Limited has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences); and
- IFRS 2 Share based payment has only been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2010.

The previous GAAP adopted was the Financial Reporting Standard for Smaller Entities.

The reconciling items to the amounts reported under previous GAAP are as follows:

	<i>2010</i> £	<i>2011</i> £	<i>2012</i> £
Results for the year under FRSSE	26,522	(605,211)	(1,533,593)
Share-based payments charge	–	(10,440)	(63,319)
Capital contribution	<u>(209,791)</u>	<u>–</u>	<u>–</u>
Result for year under IFRS	<u><u>(183,269)</u></u>	<u><u>(615,651)</u></u>	<u><u>(1,596,912)</u></u>

There are no transitional differences in cash flows or shareholder funds.

D. PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group has been prepared for illustrative purposes only to show the effect of the Acquisition and Re-admission (as described in Part 1 of this document) on Longships Plc. This pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group. It has been compiled on the basis described below from the balance sheet of each entity as extracted from the latest published financial information set out in Part 4 of this document.

	<i>Longships Plc as at 30 June 2013 £ (Note 1)</i>	<i>Proxama Limited as at 31 December 2012 £ (Note 2)</i>	<i>Cost of admission £ (Note 3)</i>	<i>Enlarged Group proforma net assets £</i>
Non Current Assets				
Property, plant and equipment	–	114,980	–	114,980
Other intangible assets	–	7,487	–	7,487
	–	122,467	–	122,467
Current assets				
Trade and other receivables	15,123	423,740	–	438,863
Current tax receivable	–	214,352	–	214,352
Cash & cash equivalents	2,008,198	361,379	(389,250)	1,980,327
	2,023,321	999,471	(389,250)	2,633,542
Current liabilities				
Trade and other payables	(13,730)	(253,605)	–	(267,335)
Current portion of long term borrowings	–	(11,954)	–	(11,954)
	(13,730)	(265,559)	–	(279,289)
Net Current assets	2,009,591	733,912	(389,250)	2,354,253
Total Assets less current liabilities	2,009,591	856,379	(389,250)	2,476,720
Non-current liabilities				
Non-current borrowings	–	(32,271)	–	(32,271)
Net Assets	2,009,591	824,108	(389,250)	2,444,449

Notes

- (1) The statement of net assets of Longships Plc is extracted from the unaudited balance sheet of the Company as at 30 June 2013 incorporated by reference in Part A of Part 4 of this document.
- (2) The statement of net assets for Proxama Limited is extracted from the audited statement of financial position as at 31 December 2012 included in Part C of Part 4 of this document.
- (3) The cost of the Re-admission is estimated to be £389,250, comprising legal fees of £120,000, accounting fees of £72,500 and other associated costs of £196,750.
- (4) Longships Plc is acquiring the entire share capital of Proxama Limited with consideration being the issue of 365,353,532 fully paid 1p ordinary shares in Longships Plc. For the purpose of this unaudited pro forma statement of net assets the legal acquirer, Longships Plc has been treated as having been acquired by Proxama Limited. Longships Plc is a cash shell and therefore is not classified as a business under IFRS 3 *Business Combinations* and therefore the Acquisition is outside the scope of IFRS 3. As such the principles of reverse acquisition accounting and merger relief have been applied. The effect of applying merger relief (under S612 of the Companies Act 2006) is that any premium on the issue of shares is taken to a merger relief reserve. The effect of applying reverse acquisition accounting is that the consolidated net assets are presented as a continuation of the financial position of Proxama Limited and the excess of the nominal value of the shares issued as consideration over the net asset value of Longships Plc is treated as a cost of listing and is expensed. No goodwill is recognised on consolidation.

PART 5:
ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors and the Proposed Directors, whose names, addresses and functions are set out in Part 1 of this document, accept responsibility, both collectively and individually, for the information contained in this document (other than that relating to the members of the Concert Party for which the members of the Concert Party accept responsibility as set out below). To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The members of the Concert Party, whose names are set out in paragraph 1 of Part 3 of this document, accept responsibility, both collectively and individually, for the information contained in this document relating to the members of the Concert Party. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in England and Wales on 20 December 2007 with registered number 06458458, as a public company limited by shares under the Companies Act 1985. The Company is domiciled in the UK. The Company is not regulated by the London Stock Exchange in the UK or any other stock exchange elsewhere nor is it subject to regulatory review.
- 2.2 The principal legislation under which the Company operates is the Act. The liability of the Shareholders is limited. On 7 March 2008, the Registrar of Companies issued a certificate to the Company under section 117 of the Companies Act 1985 entitling it to commence business and to borrow.
- 2.3 The registered office of the Company is at 15 Whitehall, London SW1A 2DD and the telephone number of the Company is 0207 589 5010. The ISIN for the Ordinary Shares is GB00B2PKZ581.

3. Subsidiary undertakings

- 3.1 As at the date of this document, the Company has no subsidiaries.
- 3.2 Following Completion of the Acquisition and Re-admission, the Company will have the following subsidiaries, all of which (unless otherwise stated) will be wholly owned:

<i>Name</i>	<i>Percentage of share capital owned by the Company or its wholly owned subsidiaries</i>	<i>Place of incorporation</i>
Proxama Limited	100%	England and Wales

4. Share capital

- 4.1 As at the date of this document, the issued share capital of the Company consists of 99,880,100 Ordinary Shares. There are no Ordinary Shares held in treasury.
- 4.2 Immediately following Re-admission, the enlarged issued share capital of the Company will consist of 465,233,632 Ordinary Shares, with no Ordinary Shares held in treasury.

- 4.3 The holders of Existing Ordinary Shares will be diluted by approximately 78.53 per cent. following the issue of the Consideration Shares. On issue, the Consideration Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.
- 4.4 No Ordinary Shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.5 Save as set out in paragraph 5 of this Part 5, there have been no share issues by the Company since incorporation, save for:
- (a) the Consideration Shares proposed to be allotted pursuant to the Acquisition;
 - (b) the 10,000,000 Ordinary Shares which may be allotted on exercise of the option referred to in paragraph 12.1(j) of this Part 5;
 - (c) up to 16,838,120 new Ordinary Shares which may be allotted on conversion of the New Longships Note;
 - (d) the 57,328,748 new Ordinary Shares which are the subject of the New Options (as set out in paragraph 10 of this Part 1 and paragraph 11 of this Part 5); and

no further share issues are currently proposed in the near future, although (as set out in paragraph 11 of Part 1 of this document, the Proposed Directors intend that the Company should (subject to market conditions) seek to raise further equity capital through a placing of shares within nine months of Re-admission.

- 4.6 Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company since incorporation.
- 4.7 Save for those Ordinary Shares which may fall to be allotted as referred to in paragraph 4.5(b) to (d) above, on Re-admission no share or loan capital of the Company will be under option or has been agreed conditionally or unconditionally to be put under option.

4.8 **Middle market quotations**

Set out below are the closing middle-market quotations for the Existing Ordinary Shares, as derived from the AIM Appendix of the Daily Official List of the London Stock Exchange, for the first dealing day of each of the six months immediately preceding the date of this document and for the Latest Practicable Date.

<i>Date</i>	<i>Price in pence per Ordinary Share</i>
1 February 2013	2.88
1 March 2013	2.62
2 April 2013	2.62
1 May 2013	2.62
3 June 2013	2.88
1 July 2013	4.25
25 July 2013	4.38

5. Share capital history

- 5.1 The Company was incorporated with an authorised share capital of £1,000,000 represented by 100,000,000 Ordinary Shares, of which 2 were issued, nil paid, to the subscribers to the memorandum of association.
- 5.2 On 20 December 2007, the 2 subscriber shares were transferred to Arlington Special Situations Fund Limited and were paid up at 1 pence each and on 28 February 2008, a further 8,080,000 Ordinary Shares were issued to LB (Swiss) Private Bank Limited, Nidham Holdings Limited, Kaylan Trading Corporation, Arlington Special Situations Fund Limited, Needles Fairway SSAS, Charles Cannon-Brookes, Nathan Steinberg and four other shareholders at 5 pence per Ordinary Share.

- 5.3 On 14 April 2008, at the time of the Company's initial admission to AIM, a further 15,000,000 new Ordinary Shares were allotted at 20 pence per share.
- 5.4 On 9 July 2012, a total of 98 new Ordinary Shares were issued to the Company Secretary, Ross Ainger, so as to cater for fractional entitlements arising in connection with the return of capital to shareholders referred to in paragraph 5.5 below.
- 5.5 In connection with a return of capital to Shareholders:
- (a) on 21 August July 2012, the Company issued 4,616,013 B shares of 50 pence each pursuant to a capitalisation of an amount of £2,308,006.50 standing the credit of the Company's share premium account; and
 - (b) on 23 August 2013, all of the B shares referred to in paragraph 5.5.(a) above were cancelled pursuant to an order of the Court dated 22 August 2012.
- 5.6 On 21 December 2012, the Company issued 45,000,000 new Ordinary Shares at a price of 2 pence per share pursuant to a placing.
- 5.7 On 13 May 2013, the Company issued 31,800,000 new Ordinary Shares at a price of 2.5 pence per share pursuant to a further placing.
- 5.8 At the Company's annual general meeting held on 24 May 2013, the Company's authorised share capital (which by virtue of section 28 of the Act was treated as a provision of the Articles), was deleted.
- 5.9 At the Company's annual general meeting held on 24 May 2013, the Directors were unconditionally authorised to issue Ordinary Shares up to a nominal value of £2 million and were authorised and empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) as if section 561(1) of the Act did not apply to any such allotment, (a) in connection with a rights issue, open offer or otherwise to holders of equity securities in proportion to their holdings and (b) in connection with the allotment and issue of equity securities (other than in respect of (a) above), up to an aggregate nominal amount of £2 million.
- 5.10 At the General Meeting, Shareholders will be asked to pass an ordinary resolution in relation to the Company's share capital to authorise the Directors to allot relevant securities pursuant to section 551 of the Act, provided that such authority may only be exercised in the following circumstances:
- (a) the allotment of the Consideration Shares pursuant to the Acquisition Agreements;
 - (b) the allotment of up to 10,000,000 new Ordinary Shares upon exercise of the outstanding option granted in favour of Arlington Group Asset Management Limited, details of which are set out in paragraph 12.1(j) of Part 5 of this document;
 - (c) the allotment of up to 16,838,120 new Ordinary Shares on conversion of the New Longships Note;
 - (d) the allotment of up to 57,328,748 new Ordinary Shares on exercise of the New Options;
 - (e) the allotment of up to 310,155,754 new Ordinary Shares pursuant to rights issues or other pre-emptive offers (equating to approximately 66.7 per cent. of the Enlarged Share Capital); and
 - (f) the allotment of up to 310,155,754 new Ordinary Shares on a non pre-emptive basis (equating to approximately 66.7 per cent. of the Enlarged Share Capital).
- 5.11 At the General Meeting, Shareholders will be asked to pass a special resolution in relation to the Company's share capital to dis-apply the statutory pre-emption rights contained in section 561 of the Act , provided that such authority may only be exercised in the following circumstances:
- (a) the allotment of up to 10,000,000 new Ordinary Shares upon exercise of the outstanding option granted in favour of Arlington Group Asset Management Limited, details of which are set out in paragraph 12.1(j) of Part 5 of this document;
 - (b) the allotment of up to 16,838,120 new Ordinary Shares on conversion of the New Longships Note;
 - (c) the allotment of up to 57,328,748 new Ordinary Shares on exercise of the New Options;

- (d) the allotment of up to 310,155,754 new Ordinary Shares pursuant to rights issues or other pre-emptive offers (equating to approximately 66.7 per cent. of the Enlarged Share Capital); and
- (e) the allotment of up to 310,155,754 new Ordinary Shares on a non pre-emptive basis (equating to approximately 66.7 per cent. of the Enlarged Share Capital).

6. Memorandum and articles of association

6.1 Memorandum of Association

The principal objects of the Company, which are set out in clause 4 of its memorandum of association, are to carry on the business, *inter alia*, of a general commercial company.

6.2 Articles of Association

The Articles contain, *inter alia*, provisions to the following effect:

16.2.1 Voting rights

Subject to paragraph 6.2.6 below, and to any special rights or restrictions as to voting upon which any shares may for the time being be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every member present in person or by representative or proxy shall have one vote for every Ordinary Share in the capital of the Company held by him. A proxy need not be a member.

6.2.2 Variation of rights

Whenever the share capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class and may be so varied and abrogated whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting (except an adjourned meeting), the quorum shall be two persons at least holding or representing by proxy one-third in nominal value of the issued shares of that class. These conditions are not more significant than required by law.

6.2.3 Alteration of capital

The Company may by ordinary resolution increase its capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, subdivide all or any of its shares into shares of a smaller nominal value, cancel any shares not taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, subject to any conditions, authorities and consents required by law, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) with and subject to all prior authorities of the Company in general meeting as specified under the Act provided that the Company may not purchase any of its shares if as a result of the purchase of the shares there would no longer be any Member holding shares in the Company other than redeemable shares.

6.2.4 Transfer of shares

A Member may transfer all or any of his shares (i) in the case of certificated shares by transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only and (ii) in the case of uncertificated shares, in the manner provided for in the rules and procedures of the operator of the relevant system and in accordance with and subject to the Uncertificated Securities Regulations 2001 (the "Uncertificated Securities Regulations"). The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. Subject to paragraph 6.2.6 below, the Articles contain no restrictions on the free transferability of fully

paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

The Company will not close the register of members in respect of a share, class of share, renounceable right of allotment of a share or other security (title to units of which is permitted to be transferred by computer-based systems and procedures in accordance with the Uncertificated Securities Regulations) without the consent of the operator of the computer-based system and/or procedure. The registration of transfers may be suspended at such times and for such periods as the Directors may determine either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days a year.

Subject to the requirements of the UKLA and/or the London Stock Exchange, the Company shall register a transfer of title to any uncertificated share or any renounceable right to allotment of a share held in uncertificated form in accordance with the Uncertificated Securities Regulations but so that the Directors may refuse to register such transfer in any circumstance permitted or required by the Uncertificated Securities Regulations.

The Directors may also decline to register a transfer of shares representing 0.25 per cent. or more in nominal value of the issued shares of their class after there has been a failure to comply with any notice under section 793 of the 2006 Act requiring the disclosure of information relating to interests in the shares concerned unless the shareholder has not, and proves that no other person has, failed to supply information. Such refusal may continue until the failure has been remedied, but the Directors shall not decline to register:

- (a) a transfer pursuant to acceptance of a takeover offer for the Company (within the meaning of section 974 of the Act); or
- (b) a transfer in consequence of a sale made through a recognised investment exchange (as defined in FSMA) or any other stock exchange outside the United Kingdom on which the shares are normally traded; or
- (c) a transfer which is shown to the satisfaction of the Directors to be made in consequence of a sale of the whole of the beneficial interest in the shares to a person who is unconnected with the Member and with any other person appearing to be interested in the shares.

6.2.5 *Dividends*

- (a) Subject to the Act or any other statutes in force, the Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits available for the purpose and no dividend shall exceed the amount recommended by the Directors. The Directors may, from time to time, declare and pay interim dividends on shares of any class of such amounts and on such dates in respect of such periods as appear to the Directors to be justified. All dividend payments shall be non-cumulative.
- (b) Subject to the rights of any persons, if any, holding shares with special dividend rights, and subject to paragraph 6.2.6 below, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.
- (c) All dividends unclaimed for a period of 12 years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Company.
- (d) There is no fixed date on which an entitlement to dividend arises.
- (e) There are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by any method the directors consider appropriate and on a cash dividend there are no special arrangements for non-resident Shareholders. The Directors may make such arrangements as they consider expedient

in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident shareholders are present.

6.2.6 *Suspension of rights*

If a member or any other person appearing to be interested in shares of the Company fails after the date of service of a notice to comply with the statutory disclosure requirements then:

- (a) If the shares are held in certificated form from the time of such failure until not more than 7 days after the earlier of (a) receipt by the Company of notice that there has been a transfer of the shares by an arm's length sale and (b) due compliance, to the satisfaction of the Company, with the statutory disclosure requirements (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership at meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.
- (b) If the shares are held in uncertificated form, the Directors may serve upon the registered holder of such shares a notice requiring the holder to convert his holding of uncertificated shares into certificated form with such period as is specified in the notice and require the holder to continue to hold such shares in certificated form for so long as such failure continues. If the holder shall fail to convert his holding within the specified time, the Directors are empowered to authorise some person to take all such steps and issue such instructions as may be necessary in the name of the holder of such shares to effect the conversion of such shares to certificated form. Such steps shall be as effective as is they had been taken by the registered holder of the relevant uncertificated shares. Once such conversion to certificated form has been effected, the above rules in relation to shares in certificated form shall apply.

6.2.7 *Return of capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Ordinary Shares are entitled to share in any surplus assets pro rata to the amount paid up on their ordinary shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether or not the assets shall consist of property of one kind or shall consist of property of different kinds), those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members as the liquidator shall think fit.

6.2.8 *Pre-emption rights*

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the members.

6.2.9 *General meetings*

An annual general meeting of the Company shall be held in each year in addition to any other general meetings which may be held in that year and at such time and place as may be determined by the Directors, but within six months beginning with the day following its accounting reference date.

The Directors shall convene a general meeting whenever they think fit. General meeting shall also been convened on a requisition of the Shareholders as provided for by the Act or, if the Directors fail to convene a general meeting within twenty one days from the date of the deposit

of the requisition, a general meeting may be convened by such requisitionists as provided by the Act.

21 clear days' notice in respect of an annual general meeting and every general meeting at which it is proposed to pass a resolution of which special notice has been given to the Company and 14 clear days' notice in respect of every other general meeting shall be given to all Shareholders (other than those who, under the provisions of the Articles or otherwise, are not entitled to receive notices from the Company) and to the Directors and the auditors for the time being of the Company, but the accidental omission to give such notice to, or the non- receipt of such notice by, any Shareholder or Director or the auditors shall not invalidate any resolution passed or any proceeding at such meeting.

Every notice shall specify the place, the day and the hour of the meeting and in the case of special business, the nature of such business and shall also state with reasonable prominence that a Shareholder entitled to attend and vote at the meeting, may appoint a proxy to attend and vote on a show of hands or a poll thereat instead of him and that the proxy need not also be a Shareholder. In the case of a meeting convened for passing a special resolution the notice shall also specify the intention to propose the resolution as a special resolution.

For the purpose of determining which persons are entitled to attend and vote at any general meeting and how many votes such persons may cast, the Company may specify in the relevant notice of general meeting a time, not more than forty eight hours before the time fixed for the meeting, by which a person must be entered on the register of members in order to have the right to attend and vote at the meeting.

No business shall be transacted unless the requisite quorum is present when the meeting proceeds to business. Two members present in person or by proxy shall be a quorum for all purposes. If within fifteen minutes (or such longer interval not exceeding one hour as the chairman thinks fit) from the time appointed for the general meeting a quorum is not present, if convened on the requisition of the members the meeting shall be dissolved. In any other case the meeting shall be adjourned to the same day in the next week at the same time and place, or to such other day as the chairman will determine, being not less than 14 nor more than 28 days thereafter. The Company shall give at least 7 clear days' notice of any meeting adjourned through lack of quorum. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

6.2.10 *Directors*

The business and affairs of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not by any statute or by the Articles required to be exercised by the Company in general meeting and for such purposes the Directors may establish any local group, divisional board, agency or committee for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local group, divisional board, agency or committee or any managers or agents.

Subject to the Articles, the Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meeting as they think fit. The quorum necessary for the transaction of the business is two unless otherwise resolved by the Directors. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interest in shares or debentures or other securities of the Company) or in relation to which he has a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at any meeting in relation to any resolution in which he is debarred from voting.

Subject to the Act, a Director shall (in the absence some other material interest than is indicated below), be entitled to vote (and be counted in the quorum) in respect of any resolution concerning, *inter alia*, any of the following matters, namely:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) giving to a third party any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (c) where the Company or any of its subsidiaries is offering securities in which offer the director is or may be entitled to participate as the holder of securities or in the underwriting or sub-underwriting in which the Director is to participate;
- (d) relating to another Company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital, or the voting rights in such company;
- (e) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (f) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or the benefit of persons including Directors.

Unless otherwise determined by the Company by ordinary resolution, there shall be paid to the Directors such sum as the Board may from time to time determine (not exceeding £400,000 per annum or such sum as the Company in general meeting shall from time to time determine) such sum shall be divided among the Directors in such manner and proportion as they may agree or in default of such determination, equally.

Subject to the provisions of the Act every Director, secretary or other officer of the Company (other than an auditor) is entitled to be indemnified against all costs, charges, losses, damages and liabilities incurred by him in the actual purported exercise or discharge of his/her duties or exercise of his/her powers or otherwise in relation to them.

Unless and until otherwise determined by ordinary resolution of the Company, the number of Directors shall be not less than two nor more than ten.

6.2.11 B Shares

The articles include certain provisions setting out rights attaching to B Shares, although as all such B Shares were cancelled on 23 August 2012, these provisions are no longer of relevance.

7. Premises

7.1 The Company presently occupies premises at 15 Whitehall, London SW1A 2DD. No rent is currently charged in respect of the aforementioned property. Following Re-admission, it is anticipated that the offices of the Company will move to those of Proxama.

7.2 Proxama occupies the following leasehold premises:

<i>Address</i>	<i>Until</i>	<i>Square feet</i>	<i>Annual rent</i>
68 King William Street, London EC4N 7DZ	30/04/14	893 sq ft.	£94,836
2nd Floor – St James' Mill, Norwich NR3 1TN	26/06/2019 (break clause at end of 3rd year)	5,482 sq ft.	Year 1 – £46,640 (equating to £8.71 per sq ft) Year 2 – £63,520 (equating to £11.75 per sq ft) Year 3 – £63,520

<i>Address</i>	<i>Until</i>	<i>Square feet</i>	<i>Annual rent</i>
3rd Floor – St James' Mill, Norwich NR3 1TN	26/06/2019 (break clause at end of 3rd year)	5,350 sq ft.	£62,862.50 equating to a rate of £11.75 per sq ft.

8. Employees

- 8.1 The Company presently has no employees.
- 8.2 Following Re-admission, the Enlarged Group will have 56 employees, all currently employed by Proxama in the United Kingdom. Proxama presently has two part-time subcontractors based in New York, USA.

9. Directors and Proposed Directors

- 9.1 As at the date of this document and on Re-admission, none of the Directors or the Proposed Directors (any person connected with a Director or Proposed Director) within the meaning of sections 252 to 255 of the Act has or will have an interest in the Company's issued share capital save as set out below:

<i>Director/Proposed Director</i>	<i>As at the date of this document</i>		<i>Immediately following Re-admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
David Bailey**	3,000,000	3.00	6,024,126	1.29
Neil Garner	–	–	119,761,130	25.74
Miles Quitmann	–	–	14,101,926	3.03
Coen van Breda	–	–	–	–
Gavin Breeze*	10,450,000	10.46	126,006,651	27.08
Malcolm Burne	6,537,500	6.55	6,537,500	1.41
Nathan Steinberg***	1,878,500	1.88	1,878,500	0.40

* the Ordinary Shares in which Gavin Breeze are interested are or will be held either directly or through, White Angle.

** all of the Ordinary Shares in which David Bailey has an interest are held through a self-invested personal pension account.

*** all of the Ordinary Shares in which Nathan Steinberg has an interest are held through a self-invested personal pension account.

In addition, Arlington Group Asset Management Limited, in which Malcolm Burne has a 33.3 per cent. interest, holds 2,000,000 Ordinary Shares representing approximately two per cent. of the Existing Ordinary Shares.

Save as set out above, the Directors and the Proposed Directors are not aware of any interests which will represent three per cent. or more of the issued share capital of the Company immediately following Re-admission.

- 9.2 The Directors and the Proposed Directors are, or will following Re-admission, also be interested in unissued Ordinary Shares under existing share options granted to them by the Company pursuant to the individual option deed referred to in paragraph 12.1(j) of this Part 5 or as a result of the New Options proposed to be granted as referred to in paragraph 10 of Part 1 of this document, in each case as set out below.

<i>Director</i>	<i>Number of options</i>	<i>Exercise price</i>	<i>Expiry date</i>
Arlington Group Asset Management Limited*	10,000,000	4.0 pence	10 May 2018
Coen van Breda	17,860,194	0.5345 pence	18 January 2023
Miles Quitmann	13,866,192	0.5345 pence	18 March 2023
Neil Garner	1,468,284	0.5345 pence	27 February 2022

* Arlington Group Asset Management Limited is owned as to 33.3 per cent. by Malcolm Burne.

- 9.3 In addition to the interests referred to in paragraph 9.1 above, the Directors and the Proposed Directors are aware of the following persons who currently have, or will following Re-admission have an interest representing three per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>As at the date of this document</i>		<i>Immediately following Re-admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Richard Lockwood	8,500,000	8.51	8,500,000	1.83
Charles Cannon-Brookes	3,000,000	3.00	3,000,000	0.64
Ashley Head	3,000,000	3.00	3,000,000	0.64
MyBusinessFD	–	–	20,205,744	4.34
Sarah Du Heaume	–	–	21,153,730	4.55

- 9.4 None of the persons set out in paragraphs 9.1, 9.2 and 9.3 above have any voting rights in respect of the Company (issued or to be issued) which differ from any other Shareholder.

- 9.5 Neither the Company, nor the Directors nor the Proposed Directors are aware of any arrangements which may at a subsequent date result in a change of control of the Company.

- 9.6 To the extent known by the Company, at Re-admission the Company will not be owned or controlled by any specific party or group of parties, save that the Concert Party is viewed by the Panel to be acting in concert in relation to the Company and the members of the Concert Party will together own approximately 61 per cent. of the Enlarged Share Capital.

- 9.7 Save as set out below, no directorships of any company, other than the Company, have been held or occupied over the previous five years by any of the Directors or Proposed Directors, nor over that period has any of the Directors or Proposed Directors been a partner in a partnership:

Director/Proposed

<i>Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
David Bailey	Brand Finance Plc David Bailey Enterprises Limited Delmore Asset Management Limited En Twyn Limited Greenham Common Community Trust Limited MET Parking Limited Mondaq Limited Pinstripe Productions Limited Shared Equity Enterprises Limited Slice the Pie Limited The Wealthworks Limited Woodspeen Investment Management Limited WPMC Limited	Go Industry Plc DataCash Group Plc Envoy Services Limited Sports Media Group Plc
Neil Garner	Proxama Limited	Ritual Day Spa Limited Tayvin 455 Limited
Miles Quitmann	Digital Marcus LLP Antarctic Heritage Limited Proxama Limited	Onevu Limited

<i>Director/Proposed Director</i>	<i>Current Directorships</i>	<i>Former Directorships</i>
Coen van Breda	Lenus Mars Limited Proxama Limited Rufina Investments Limited	Brizpark Pty Limited iSmart Mobile LLC SCNL Truphone S.A. SCN Truphone S.L. Smart Call LLC Startel Communication Co Pty Limited Truphone B.V. Truphone GmbH Truphone Inc. Truphone Limited Truphone (Hong Kong) Limited Truphone Poland SP. Z.O.O. Truphone Pte. Limited Tru Pte. Limited Truworld Pte. Limited
Gavin Breeze	Gabrinc Limited (Jersey) Gavin Breeze Consulting Limited (Jersey) Highfield Holdings Limited (Jersey) Mi-Pay Limited Mobank Group Limited New City High Yield Plc Proxama Limited White Angle Limited (Jersey)	DataCash Group Plc Envoy Services Limited GFTW Limited (Jersey)
Malcolm Burne	Arlington Group Asset Management Limited Golden Prospect Precious Metals Limited Longships Plc Praetorian Resources Limited Shell Centre LLP The Venture Capital Exchange Limited West End TST Ltd White Knight Investments Limited	Jubilee Platinum Plc Rivington Street Holdings (UK) Limited Rivington Street Media Limited
Nathan Steinberg	Great Portland Street Agents Limited Longships Plc Munslows LLP (a partnership) Munslows Bushell Limited Secondcap Limited Sovereign Mines of Africa Plc Sovereign Mines of Guinea Limited York Mineral Services Limited	Ambrian Capital Limited Ambrian Metals Limited BFAMI Events Limited East West Resources Plc INTL FCSTONE Limited (Formerly Ambrian Commodities Limited) New World Investment Managers Limited (Formerly Ambrian Asset Management)

9.8 David Bailey was a director of Capital Publishing Limited which was placed in creditors voluntary liquidation in 1994. On 6 July 1994, David Bailey resigned as a director of Wholesale Stock Limited which was placed in compulsory liquidation on 12 May 1995. On 8 August 2003, David Bailey left the board of Hay & Robertson Plc which was made subject to a winding-up order on 17 February 2004. David Bailey was a non-executive director of Sports Media Group Plc when it was placed in administration in March 2011.

9.9 In August 2011, David Bailey and Gavin Breeze both invested in partnership interests in Global Live Events LLP (GLE), a limited liability partnership set up to put on the “Michael Forever” tribute concert in Cardiff, although neither of them participated in the management of GLE. GLE went into administration in November 2011.

- 9.10 Save as disclosed in 9.8 and 9.9 above, none of the Directors or Proposed Directors:
- (a) has any unspent convictions in relation to indictable offences; or
 - (b) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or
 - (c) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
 - (d) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
 - (e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
 - (f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

10. Directors' and Proposed Directors' service agreements, letters of appointment and emoluments

- 10.1 The services of the Directors and the Proposed Directors are currently or will, following Re-admission, be provided to the Company pursuant to the following agreements:
- (a) Malcolm Burne was appointed as non-executive chairman of the Company on 26 July 2012. Although no formal agreement was entered into, such appointment was on the basis that it would continue unless and until terminated by either party giving to the other not less than 3 months' notice. Mr Burne is entitled to an annual directors' fee of £5,000.
 - (b) Pursuant to a consultancy agreement dated 3 March 2008 and made between the Company, Munslovs LLP ("Munslovs") and Nathan Steinberg, Munslovs agreed to provide certain accounting support services (including the provision of the services of Nathan Steinberg as a non-executive director of the Company) for an initial term of 12 months and thereafter continuing unless and until terminated by either party giving the other not less than three months' notice. Munslovs is entitled to reimbursement of £5,000 in respect of an annual directors' fee for Mr Steinberg, plus such further fees as may be agreed from time to time and which amounted to £25,000 in the previous 12 months for accounting and taxation services. Mr Steinberg is entitled to receive a fee of £22,500 in connection with the Acquisition.
 - (c) On Completion, Gavin Breeze will enter into a new a non-executive directors agreement for his appointment to the board of the Company, to take effect immediately following Re-admission. The appointment will be for an initial term of twelve months and continue thereafter unless and until terminated by either party giving to the other not less than three months' notice. Mr Breeze is entitled to an annual directors' fee of £24,000.
 - (d) On Completion, David Bailey will enter into a new a non-executive directors agreement for his appointment to the board of the Company, to take effect immediately following Re-admission. The appointment will be for an initial term of twelve months and continue thereafter unless and until terminated by either party giving to the other not less than three months' notice. Mr Bailey, through his service company David Bailey Enterprises Limited, is entitled to an annual directors' fee of £24,000.
 - (e) Miles Quitmann has served on the board of Proxama since 6 June 2011. On Completion, Mr Quitmann will enter into a new executive service contract for his appointment to the board of the Company, to take effect immediately following Re-admission. The annual salary will be £108,063 and the agreement provides for an additional bonus of 50 per cent. of annual salary dependent on the achievement of financial performance targets and commercial milestones. In addition there is an uncapped commission payment based on achieving sales targets. The appointment will be for an initial term of twelve months and continue thereafter unless and until terminated by either party giving to the other not less than six months' notice.

- (f) Dr Neil Garner has served on the board of Proxama since 1 August 2005. On Completion, Dr Garner will enter into a new executive service contract for his appointment to the board of the Company, to take effect immediately following Re-admission. The annual salary will be £132,300. The appointment will be for an initial term of twelve months and continue thereafter unless and until terminated by either party giving to the other not less than six months' notice.
 - (g) Coen Van Breda has served on the board of Proxama since 11 December 2012. On Completion, Mr Van Breda will enter into a new executive service contract for his appointment to the board of the Company, to take effect immediately following Re-admission. The annual salary will be £150,000. The appointment will be for an initial term of twelve months and continue thereafter unless and until terminated by either party giving to the other not less than six months' notice.
- 10.2 Malcolm Burne and Nathan Steinberg have agreed to resign with effect from Re-admission. Mr Burne and Mr Steinberg will be entitled to be paid all outstanding fees under their respective contracts up to the date of effective termination, but will otherwise waive all rights to compensation for loss of office.
- 10.3 Save as disclosed in this document, there are no Directors' or Proposed Directors' service contracts, or contracts in the nature of services with the Company, other than those which expire or are terminable without payment of compensation on no more than 12 months' notice.
- 10.4 Save as set out above, there are no existing or proposed service contracts between any Directors or Proposed Directors and the Company or Proxama, save as disclosed there are no such service contracts which have been entered into or amended within six months of the date of this document.

11. New Share Option Schemes

- 11.1 On Completion, the Company will adopt the New Share Incentive Schemes comprising an Enterprise Management Incentive Scheme ("EMI Scheme") for the purposes of recruiting and incentivising employees and Directors of the Enlarged Group and an unapproved share incentive scheme ("Unapproved Scheme") for the purposes of recruiting and incentivising consultants, employees and Directors of the Enlarged Group who would not be eligible for the EMI Scheme.

EMI Scheme

- 11.2 The rules of the EMI Scheme satisfy the requirements of Schedule 5 of the Income Tax (Earnings & Pensions) Act 2003 ("Schedule 5").
- 11.3 The Board (or a duly constituted committee of the Board) has discretion to select employees or Directors of the Company and any of its subsidiaries from time to time who satisfy the requirements of Schedule 5 and grant them options under the EMI Scheme.
- 11.4 Options must be notified to the Inland Revenue within 92 days of the date of grant in order to qualify as valid EMI Scheme options under Schedule 5.

Eligibility

Options may only be granted to employees who work for at least 25 hours per week for the Enlarged Group, or if less, devote 75 per cent. of their working time to the business of the Enlarged Group

Limits

11.6.1 Limits prescribed by Schedule 5

An option granted to an eligible employee under the EMI Scheme shall be limited and take effect so that the aggregate market value (measured at the date of grant of the relevant option) of shares subject to all options granted to that eligible employee under the EMI Scheme (or any other EMI Scheme operated by the Enlarged Group shall not exceed £250,000 or such other limit prescribed by Schedule 5.

If an eligible employee has been granted an option (under the EMI Scheme, including options which have since been exercised or released ("EMI Option")) with an aggregate market value equal to the £250,000 limit no further EMI Options shall be granted to that eligible employee within three years of the date of grant of the last EMI Option.

The aggregate market value (measured at the date of grant of the relevant options) of shares subject to options granted under the EMI Scheme shall not exceed £3 million, or such other limit imposed by Schedule 5.

If the market value of all Shares subject to Options purportedly granted under the EMI Scheme exceeds the statutory limit set out above, the EMI Options which were most recently purportedly granted will be reduced pro rata to each other to the extent necessary to reduce the total market value to the statutory limit.

11.6.2 *Other Limits*

No option to subscribe for shares may be granted by the Company after Re-admission under the New Share Option Schemes if the total number of issued and issuable shares over which options have been granted under the New Share Option Schemes would exceed 15 per cent. of the issued share capital of the Company.

11.7 **Grant of EMI options**

Subject to Schedule 5, the Board, acting for and on behalf of the Company, may grant any Eligible Employee an Option over such number of shares at such option price and with such conditions as they determine.

11.8 **Vesting and exercise of options**

The Exercise Period is the period during which an option may be exercised, which in any event shall commence no later than the day before the tenth anniversary of the grant date.

An Option may only be exercised if any conditions of exercise specified at the grant date have been fulfilled to the satisfaction of the Board.

The Company has the power to specify performance conditions in individual option grants, but the New Share Option Scheme rules provide that all New Options are subject to time vesting. The standard time vesting is one third of the shares under option on the first anniversary of the date of grant, one third on the second anniversary of the date of grant and the remaining one third on the third anniversary of the date of grant.

11.9 **Termination of Employment**

If an Option Holder ceases to hold office or employment within the Enlarged Group by virtue of redundancy, injury, ill health, disability, or retirement: (a) he may exercise any of his Options within 3 months of the date of cessation to the extent that they are capable of exercise in accordance with the terms and conditions of the Option Agreement ("Vested") as at the date of cessation failing which his Vested Options shall lapse on the expiry of that 3 month period; and (b) any of his Options which have not Vested as at the date on which his office or employment cease shall lapse on the date of cessation.

If an Option Holder ceases to hold office or employment within the Enlarged Group by virtue of resignation: (a) he may exercise any of his Options within 6 months of the date of cessation to the extent that they are capable of exercise in accordance with the terms and conditions of the Option Agreement ("Vested") as at the date of cessation failing which his Vested Options shall lapse on the expiry of that 6 month period; and (b) any of his Options which have not Vested as at the date on which his office or employment cease shall lapse on the date of cessation.

If an Option Holder dies: (a) his personal representatives may exercise any of his Options within 12 months of the date of death to the extent that they are capable of exercise in accordance with the terms and conditions of the Option Agreement ("Vested") as at the date of death failing which his Vested Options shall lapse on the expiry of that 12 month period; and (b) any of his Options which have not Vested as at the date of death cease shall lapse on the date of death.

If an Option Holder ceases to hold office or employment within the Enlarged Group as a "bad leaver": (a) he may exercise any of his Options within 6 months of the date of cessation to the extent that they are capable of exercise in accordance with the terms and conditions of the Option Agreement ("Vested") as at the date of cessation only with the consent of the Board failing which his Vested

Options shall lapse on the expiry of that 6 month period; and (b) any of his Options which have not Vested as at the date on which his office or employment cease shall lapse on the date of cessation.

11.10 **Variation of share capital**

The number of Shares over which an Option is granted and the Option Price thereof shall be adjusted in such manner as the Board shall determine following any capitalisation issue, rights issue, subdivision, consolidation or reduction of share capital to the intent that (as nearly as may be) the total option price multiplied by the number of shares that is payable in respect of an Option shall remain unchanged.

11.11 **Alterations to the EMI Scheme**

The Board shall have the discretion to alter or add to the Scheme Rules and impose additional conditions or requirements on the Options or on the terms on which Shares are acquired, provided that no alteration or addition would have the effect of causing the Options to cease to satisfy the requirements of Schedule 5.

Unapproved Scheme

11.12 The Board (or a duly constituted committee of the Board) has discretion to select employees, consultants or Directors of the consultants, employees and Directors of the Enlarged Group who would not be eligible for the EMI Scheme and grant them options under the Unapproved Scheme.

11.13 **Eligibility**

Options may be granted to consultants, employees and Directors of the Enlarged Group.

11.14 **Limits**

No option to subscribe for shares may be granted by the Company after Re-admission under the New Share Option Schemes if the total number of issued and issuable shares over which options have been granted under the New Share Option Schemes would exceed 15 per cent. of the issued share capital of the Company.

11.15 **Grant of unapproved options**

The Board, acting for and on behalf of the Company, may grant any consultants, employees or Directors of the Enlarged Group a New Option over such number of shares at such option price and with such conditions as they determine.

11.16 **Vesting and Exercise of options**

The vesting and exercise rules are the same as for the EMI Scheme.

11.17 **Termination of Employment**

The rules regarding termination of employment or consultancy are the same as for the EMI Scheme.

11.18 **Variation of share capital**

The rules regarding variation of share capital are the same as for the EMI Scheme.

11.19 **Alterations**

The rules regarding alteration are the same as for the EMI Scheme.

12. Material contracts

12.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since 26 July 2011, being the date 24 months prior to the announcement of the announcement by the Company of its proposed acquisition of Proxama, and are or may be material:

- (a) An agreement dated 11 June 2013 between the Company and Grant Thornton under which Grant Thornton will act as the Company's nominated adviser and will advise and guide the Company on its obligations under the AIM Rules for Companies. This agreement will terminate

on the occurrence of certain circumstances including Re-admission. This agreement contains indemnities given by the Company to Grant Thornton.

- (b) Agreements dated 11 June 2013 between the Company and Grant Thornton under which Grant Thornton will act as Nominated Adviser for the proposed reverse takeover of the Company by Proxama and the Re-admission of the Enlarged Group to AIM and as financial adviser pursuant to Rule 3 of the Takeover Code in order to provide competent independent advice to the Company in respect of the proposed Acquisition.
- (c) An agreement, to be entered into prior to Re-admission, between the Company and Grant Thornton under which Grant Thornton will act as the Company's nominated adviser from Re-admission and will advise and guide the Company on its obligations under the AIM Rules for Companies. This agreement contains indemnities given by the Company to Grant Thornton.
- (d) An agreement dated 3 July 2013 between the Company and Simple Investments under which Simple Investments will act as the Company's broker for the purposes of the AIM Rules for Companies. Pursuant to this agreement the Company agrees to pay Simple Investments fees of £12,000 per annum (plus VAT) and 5 per cent. commission of all funds raised by Simple Investments in connection with any placing of securities undertaken by the Company. This agreement contains indemnities in favour of Simple Investments.
- (e) An introduction agreement, dated 25 July 2013 between the Company (1); the Directors and Proposed Directors of the Company (2); the Nominated Adviser (3); and the Broker (4) relating to Re-admission. The agreement is conditional, *inter alia*, upon Re-admission taking place on 23 August 2013 or such later date as the Nominated Adviser and the Company may agree, but in any event not later than 30 September 2013.

The agreement contains certain limited warranties given by the Company and the Directors in favour of the Nominated Adviser and Broker as to the accuracy of information contained in this document and an indemnity from the Company and the Directors and Proposed Directors in favour of the Nominated Adviser and Broker. The liability of the Directors and Proposed Directors for claims arising from breaches of warranty under the introduction agreement is limited.

The Nominated Adviser may terminate the introduction agreement in specified circumstances prior to Admission, principally in the event of a material breach of the introduction agreement or of any of the warranties contained in it or where any event of omission relating, to the Enlarged Group is, or will be in the opinion of the Nominated Adviser materially prejudicial to Re-admission, or where there has been a change in the national or international, financial, monetary, economic, political or market conditions.

- (f) The Principal Acquisition Agreement dated 25 July 2013 between the Company, Malcolm Burne, the Principal Vendors and Proxama, pursuant to which (subject to the satisfaction of certain conditions), the Company has agreed to acquire and the Principal Vendors have agreed to sell the 13,975,300 existing ordinary shares in Proxama owned by the Principal Vendors (representing approximately 64.4 per cent. of the existing issued share capital of Proxama).

Under the terms of the Principal Acquisition Agreement, it is a requirement of Completion that all other existing shareholders of Proxama agree to sell all of the shares in Proxama held by them and that completion of the sale and purchase of such shares with the Company takes place at the same time as completion of the sale of shares in Proxama held by the Principal Vendors. Proxama has undertaken to request that all existing shareholders of Proxama (other than the Relevant Minority Sellers who have already entered into the Minority Acquisition Agreements referred to in paragraph 12.1(g) below) to enter into a Minority Acquisition Agreement. However, in order to ensure that the entire issued share capital of Proxama is acquired by the Company at Completion, the Principal Vendors and the Relevant Minority Sellers have also agreed to procure that Proxama serves a drag-along notice on the other shareholders in Proxama pursuant to Proxama's articles of association. The effect of the drag-along notice is that in the event that any such shareholders do not enter into a Minority Acquisition Agreement, whether by choice or default, the Principal Vendors and the Relevant Minority Sellers may require them to do so and if necessary may appoint a person to execute share transfers, the Minority Acquisition Agreement and other ancillary documentation on their behalf.

The consideration for the Proxama shares to be acquired pursuant to the Principal Acquisition Agreement comprises the issue to the Principal Vendors of Consideration Shares on the basis of approximately 16.84 new Ordinary Shares for every Proxama ordinary share held.

Pursuant to the Principal Acquisition Agreement, the Company has also agreed to acquire all of the right title and interest of White Angle (a company wholly owned by Gavin Breeze) in the Proxama Convertible Note. The consideration for this acquisition is the issue of the New Longships Note to White Angle. The New Longships Note will be redeemable on substantially the same terms as those applicable under the Proxama Convertible Note, but will be convertible, at the request of White Angle into a maximum of 16,838,120 Ordinary Shares (the same conversion ratio as applies to the acquisition of the issued share capital of Proxama).

Completion of the Principal Acquisition Agreement is subject to the satisfaction or waiver of a number of condition, including:

- (i) the passing of the Resolutions at the General Meeting;
- (ii) confirmation of the Waiver (subject to the passing of the Resolutions);
- (iii) the Purchaser having entered into the Minority Acquisition Agreements (either pursuant to the exercise of drag along rights referred to above or otherwise) for the acquisition (when combined with the acquisition under the Principal Acquisition) of all of the currently issued ordinary shares in the capital of Proxama;
- (iv) the obtaining of certain tax clearances from HM Revenue and Customs;
- (v) there having been no material adverse change in assets, financial condition, operations or capitalization of the Company and Proxama; and
- (vi) Re-admission.

The parties to the Principal Acquisition Agreement have undertaken to use all reasonable endeavours to procure the satisfaction of all of the above conditions as soon as practicable and in any event prior to 23 August 2013.

Under the Principal Acquisition Agreement, the Principal Vendors have given certain customary warranties and indemnities to the Company (including an indemnity in relation to certain taxes). Liability of each of the Principal Vendors under these warranties and indemnities is limited to the lower of £500,000 and the realizable value of the Consideration Shares to be allotted to them. Certain other customary limitations apply so as to further limit the liability of the Principal Vendors.

Malcolm Burne has also given certain warranties to the Principal Vendors and Proxama in relation to the Company. The liability of Mr Burne under these warranties is limited to the lower of £100,000 and the realizable value of those existing Ordinary Shares currently owned by Mr Burne. Certain other customary limitations apply so as to further limit the liability of Mr Burne.

- (g) Minority Acquisition Agreements dated 25 July 2013, between the Company and each of the Relevant Minority Sellers, pursuant to which (subject to the satisfaction of certain conditions), the Company has agreed to acquire and the Relevant Minority Sellers have agreed to sell the 2,417,100 existing ordinary shares in Proxama owned by the Principal Vendors (representing approximately 11.14 per cent. of the existing issued share capital of Proxama). The consideration for the Proxama shares to be acquired pursuant to the Minority Acquisition Agreements comprises the issue to the Relevant Minority Sellers of Consideration Shares on the basis of approximately 16.84 new Ordinary Shares for every Proxama ordinary share held. Completion of the Minority Acquisition Agreements is subject to and conditional on completion of the Principal Acquisition Agreement. Under the terms of the Minority Acquisition Agreements, the Relevant Minority Sellers have given certain limited warranties to Company in relation to their right title and interest in the relevant Proxama shares.
- (h) Lock-in agreements dated 25 July 2013 between Grant Thornton, Simple Investments, the Company and each of Proposed Directors and White Angle, pursuant to which each of the Proposed Directors and White Angle have agreed with Grant Thornton, Simple Investments and the Company not to dispose of any interest in Ordinary Shares held immediately following Admission for a period of 12 months from the date of Admission, except in certain limited circumstances. The agreements also contain orderly market provisions which apply for a further

period of 12 months. Further details of the circumstances in which these restrictions will not apply are set out in paragraph 12 of Part 1 of this document.

- (i) Pursuant to an agreement dated 4 July 2012 and made between Praetorian Resources Limited (“Praetorian”) and the Company, the Company agreed to subscribe £2,308,010 in cash for 4,616,020 new ordinary shares in Praetorian in conjunction with the admission of Praetorian to trading on AIM. The agreement was conditional on, *inter alia*, the approval of the Shareholders and the admission of Praetorian to AIM and under the terms of the agreement, the Company provided certain limited warranties to Praetorian. The agreement was completed on 27 July 2012 and the Company subsequently distributed substantially all of the shares acquired in Praetorian to its shareholders pursuant to the return of capital referred to in paragraph 5 of this Part 5.
- (j) Pursuant to a share option deed dated 10 May 2013 and made between the Company and Arlington Group Asset Management Limited (“AGAM”), the Company granted to AGAM an option to subscribe 10,000,000 new Ordinary Shares at an exercise price of 4 pence per share, conditionally on the approval of Shareholders at the annual general meeting of the Company which was held on 24 May 2013. The option is exercisable in whole or in part at any time during the 5 years ending on 24 May 2018. The option is subject to adjustment in certain circumstances, including on any share consolidation, capitalization or capital distribution by the Company.

12.2 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Proxama since 26 July 2011, being the date 24 months prior to the announcement of the announcement by the Company of its proposed acquisition of Proxama, and are or may be material:

- (a) The Principal Acquisition Agreement described in paragraph 12.1(f) above.
- (b) The Minority Acquisition Agreements described in paragraph 12.1(g) above.
- (c) Pursuant to a convertible loan note instrument dated 14 March 2013, White Angle have provided loans to Proxama of £500,000 in the form of a convertible loan which remains outstanding. Interest accrues at 10 per cent. per annum. The notes comprise 1,000,000 notes of £0.50 each and are not transferable without the written consent of the company. The notes are redeemable immediately on insolvency or on the third anniversary of the instrument date. All of the loan notes can be converted into shares or redeemed on a change of control of Proxama. Under the terms of the Principal Acquisition Agreement, on Completion Longships will acquire and White Angle will sell its interest in the Proxama Convertible Note. The consideration for this acquisition will be the issue of a new equivalent note in Longships to White Angle. The New Longships Note will be redeemable on substantially the same terms as those applicable under the Proxama Convertible Note, but will be convertible, at the request of White Angle on the same conversion ratio as applies to the acquisition of the issued share capital of Proxama.
- (d) Pursuant to a loan agreement between the Company and White Angle dated 24 July 2013, (“the Simple Loan”) White Angle has agreed to advance up to £300,000 to the Company for the purposes of providing working capital for the period up until Completion. The loan is unsecured, carries an interest rate of 10 per cent. per annum and will be repayable on any subsequent funding round or earlier if the Company has sufficient working capital with a long stop date for repayment of 31 December 2014.

13 Litigation

- 13.1 The Company is not nor has been engaged in, nor has pending or threatened by it or against it, any governmental, legal or arbitration proceedings, which have had, are having or may have a significant effect on the financial position of the Company.
- 13.2 Proxama is not nor has been engaged in, nor has pending or threatened by it or against it, any governmental, legal or arbitration proceedings, which have had, are having or may have a significant effect on the financial position of Proxama or the Company.

14. Working Capital

The Directors and Proposed Directors are of the opinion that, having made due and careful enquiry, that the working capital available to the Enlarged Group, will be sufficient for its present requirements, that is at least 12 months from Re-admission.

15. Significant Change

- 15.1 Save as otherwise disclosed in this document, there has been no material or significant change in the financial or trading position of the Company since 30 June 2013, being the date of the last published unaudited interim accounts of the Company.
- 15.2 Save as otherwise disclosed in this document, there has been no material or significant change in the financial or trading position of Proxama since 31 December 2012, being the date of the last audited historical financial information of Proxama as set out in Part 4 of this Document.

16. UK Taxation

16.1 Introduction

Information in this section is based on the Directors' understanding of current UK tax law and HM Revenue & Customs practice as at the date of this document, both of which are subject to change at any time. It should be regarded as a summary of the tax treatment likely to be afforded UK resident investors holding their Ordinary Shares as investments. It does not constitute legal or tax advice and potential investors are, therefore, strongly recommended to consult a professional adviser regarding their own tax position and the consequences of making an investment in the Company.

16.2 Tax residence of the Company

The Company is considered to be resident for tax purposes in the UK. Accordingly, the information provided in this section reflects the taxation treatment appropriate to an investment in a UK tax resident company.

16.3 Taxation of dividends

The taxation of dividends paid by the Company and received by an investor resident for tax purposes in the UK is summarised below.

Individuals

A UK resident individual shareholder in receipt of dividends is treated as receiving income of an amount equal to the sum of the dividend and its associated tax credit. The tax credit currently equates to 10 per cent. of the gross dividend, being the combined amount of the dividend and the tax credit (the tax credit therefore representing one-ninth of the net dividend). The gross dividend is subject to income tax as the top slice of the individual's income and is taxed at the individual's marginal rate of income tax. The tax credit is available to set against the resulting liability (if any) to income tax. An individual liable to income tax at the basic rate will be liable to tax on the gross dividend at a rate of 10 per cent. ("the dividend ordinary rate" which is a special rate of tax set for basic rate taxpayers in receipt of dividend income). Accordingly, the tax credit will satisfy the income tax liability of such an individual. An individual liable to income tax at the higher rate will pay tax on the gross dividend at a rate of 32.5 per cent. ("the dividend upper rate" which is a special rate of tax set for higher rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent. a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, which equates to 25 per cent. of the actual or net dividend.

An individual shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at the rate of 37.5 per cent. but will be able to set the tax credit off against part of this liability. The effect of that set off of the tax credit will be that such a shareholder will have to account for additional tax equal to approximately 30.6 per cent. of the net cash dividend received.

Trustees

UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 37.5 per cent. ("the dividend trust rate") of the gross dividend. After giving effect to the tax credit

of 10 per cent. the trustees will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.06 per cent. of the actual or net dividend.

Companies

Although a UK resident corporate shareholder is potentially liable to corporation tax on its dividend income, it is anticipated that the general exemption for dividends will be available to exempt from corporation tax corporate investors in receipt of dividends from the Company.

16.4 ***Withholding tax and tax credit in UK***

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder. Other UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit. Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such shareholder is resident. A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

16.5 ***Taxation of Chargeable Gains***

A sale or other disposal of the Ordinary Shares may, subject to any available reliefs and exemptions, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

Individuals and Trustees

Chargeable gains realised on a disposal of Ordinary Shares by an individual or trustee resident and ordinarily resident in the UK will be subject to capital gains tax which is charged at a rate of 28 per cent. for those individuals whose total income and gains exceed the income tax basic rate limit, and at a rate of 18 per cent. where total income and gains fall below the basic rate limit. A flat rate of 28 per cent. applies for trustees and personal representatives. An individual shareholder who disposes of Ordinary Shares while only temporarily not resident in the UK for tax purposes, may, under anti-avoidance legislation, still be liable to UK tax on his or her return to the UK. A period of non-residence of less than 5 whole tax years prior to the year in which the shareholders returns to the UK will be treated as a temporary period for these purposes. Shares of the same class acquired by the same person and in the same capacity are "pooled" and treated as a single asset growing or diminishing as shares of the same class are acquired or disposed. This is subject to specific rules dealing with same day purchases or acquisitions within 30 days of a disposal. Accordingly on a part disposal of the relevant shareholding the gain (or loss) will be computed by reference to that proportionate part of the aggregate cost of the holding attributable to the shares disposed. With effect from 6 April 2008 indexation relief is not available to individuals and trustees in computing any gain subject to capital gains tax.

Companies

UK resident corporate shareholders are subject to corporation tax on their chargeable gains. Gains realised by such companies, as reduced by available indexation relief, are subject to corporation tax at the Company's relevant rate. The full rate of corporation tax is currently 23 per cent. Indexation relief is deductible in computing any gain arising on a disposal of, or out of, the holding and is computed by reference to the movement in the Retail Price Index over the period of ownership applied to the costs of the holding, or that part of the holding, disposed. As for individuals and trustees, shares of the same class held by a corporate shareholder are "pooled".

Non-Residents

Shareholders who are not resident or ordinarily resident in the UK and who are not affected by the rules relating to temporary non-residence will, save in limited circumstances, not be liable to UK taxation on chargeable gains realised on the disposal of their Ordinary Shares. Such shareholders may be subject to foreign taxation on any gain realised under the local law of their country of residence and should consult their own tax adviser concerning their tax liabilities on such gains.

16.6 **Inheritance Tax**

The Ordinary Shares are considered, potentially, to qualify for business property relief for the purposes of inheritance tax. Shares in an unquoted company (other than an investment company or one which carries on a business consisting wholly or mainly of dealing in securities, stocks, shares, land and buildings) potentially attract full relief (as business property) from inheritance tax where the shares have been held for 2 years prior to the chargeable transfer for inheritance tax purposes.

16.7 **Enterprise Investment Scheme**

New Ordinary Shares issued pursuant to a placing of shares should be eligible for relief under the Enterprise Investment Scheme (the "Scheme") or under the Venture Capital Trust Scheme ("the VCT Scheme") as Proxama was previously a Qualifying Company for the purposes of the Scheme and VCT Scheme.

16.8 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

Transfers of Ordinary Shares may give rise to liabilities to stamp duty or SDRT. The paragraphs below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by brokers, dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate. No liability to stamp duty or SDRT will generally arise on the allotment and issue of new Ordinary Shares by the Company.

Transfers outside CREST

An instrument (generally a stock transfer form) transferring Ordinary Shares outside CREST will be liable to ad valorem stamp duty broadly at a rate of 0.5 per cent. of the actual consideration paid. Stamp duty is normally paid by the purchaser. An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form, within 2 months of the day on which the agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at a rate of 0.5 per cent. of the consideration paid). If within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument any liability to SDRT will be cancelled or repaid.

Transfers with CREST

Paperless transfers of Ordinary Shares within CREST will be charged to SDRT (rather than stamp duty) at a rate of 0.5 per cent. of the consideration paid. SDRT is payable by the purchaser. CREST is obliged to collect SDRT on relevant transactions settled within the system.

17. **Mandatory bids, squeeze-out and sell out rules**

17.1 **Mandatory bid**

The Takeover Code applies to the Company. Under that code, if an acquisition of Ordinary Share were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

17.2 **Squeeze-out rules**

Under the Act, if a person who has made a general offer to acquire Ordinary Shares (the "offeror") were to acquire, or contract to acquire, 90 per cent. of the Ordinary Shares which are the subject of such offer within four months of making its offer, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that the offeror will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror's favour and paying the

consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

17.3 **Sell-out rules**

- (a) The Act gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 17.2 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder's Ordinary Shares.
- (b) The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, however that time period cannot exceed more than three months.

18. **General**

- 18.1 Apart from licences from credit card issuers and NFC infrastructure providers, there are no patents or other intellectual property rights, licenses or particular contracts which are of fundamental importance to the Enlarged Group's business. The business of the Group is the development of NFC products and services.
- 18.2 The total costs and expenses relating to Admission and the Acquisition payable by the Company, are estimated to amount to £390,000 excluding VAT.
- 18.3 The financial information concerning Proxima set out in Part 4 of this Document does not constitute statutory accounts within the meaning of section 434(3) of the Act.
- 18.4 Statutory accounts of the Company for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 have been filed with the Registrar of Companies in England and Wales and are incorporated in this document by reference and are available on the Company's website: www.longshipsplc.com. F.W. Smith, Riches & Co. of 18 Pall Mall, London SW1Y 5LU has made reports on the statutory accounts of the Company for such periods. Such reports were unqualified and contained no statement under section 498(2) or 498 (3) of the Act.
- 18.5 There have been no interruptions in the business of the Enlarged Group, which may have or have had in the 12 months preceding the publication of this document a significant effect on the financial position of the Enlarged Group or which are likely to have a material effect on the prospects of the Enlarged Group for the next 12 months.
- 18.6 Save as set out in Part 1 of this document, the Directors and the Proposed Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's prospects in the period commencing on the date of this document.
- 18.7 The Ordinary Shares are in registered form and may be held in certificated or uncertificated form. No temporary documents of title will be issued. The ISIN number of the Ordinary Shares is GB00B2PKZ581.
- 18.8 There are no investments in progress by the Company or Proxima which are significant to the Enlarged Group.
- 18.9 The Directors and the Proposed Directors are not aware of any environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.
- 18.10 Within this document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is

able to ascertain from information published by that party, no facts have been omitted which would render the produced information inaccurate or misleading.

A consolidated list of third party source information is presented below:

- (a) On page 18 of this document reference is made to Berg Insights and their forecasts for the growth of NFC handsets. This information was sourced from the following website: <http://www.nfcworld.com/2013/06/05/324448/one-in-three-mobile-phones-to-come-with-nfc-by-2017/>; and
- (b) On page 19 of this document reference is made to Gartner's predictions in relation to global mobile transaction volume. This information was sourced from the following website: <http://www.rysavy.com/Articles/2013-03-Mobile-Commerce.pdf>

18.11 Save as disclosed in this document, no person (other than the Company's professional advisers otherwise disclosed in this document and the Company's trade suppliers) has, within the twelve months preceding the date of this document received, directly or indirectly from the Company, or entered into contractual arrangements to receive, directly or indirectly from the Company, on or after Admission:

- (a) fees totaling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the Issue Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Re-admission.

18.12 There have not been any public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

18.13 The Company does not have any interest in any real property, nor any liability in relation to any real property. The Company operates from premises occupied under tenancy agreements.

18.14 Save as disclosed in this document, the Directors and the Proposed Directors are not aware of any exceptional factors which have influenced the Company's recent activities.

18.15 Grant Thornton, acting as reporting accountants, has given and not withdrawn its written consent to the inclusion in Part 4 of this document of its report and the references thereto and to its name in the form and context in which it appears.

18.16 Grant Thornton, acting as nominated adviser to the Company, has given and has not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.

18.17 Simple Investments has given and has not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.

18.18 The Issue Price represents a premium of 300 per cent. on the nominal value (£0.01) of an Ordinary Share.

19. Documents available for inspection

Copies of the following documents will be available for inspection on the Company's website: www.longshipsplc.com from the date of this document until not later than one month from Re-admission. These documents will also be available for inspection at the General Meeting:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of Proxama;
- (c) the Accountant's Report on Proxama set out in Part 4 of this document;
- (d) the material contracts referred to in paragraph 12 above;

- (e) the service contracts and letters of appointment of the Directors and Proposed Directors referred to in paragraph 10 above;
- (f) the irrevocable undertakings referred to in paragraph 18 of Part 1 of this document; and
- (g) the letters of consent referred to in paragraph 18 above.

20. Availability of this document

Copies of this Document will be available free of charge during normal business hours on any weekday (except public holidays) at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU from the date of this Document and shall remain available for a period of one month from Re-admission. Additionally, an electronic version of this Document will be available on the Company's website, www.longshipsplc.com.

Dated: 26 July 2013

LONGSHIPS Plc

(incorporated in England and Wales with registered number 6458458)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Longships Plc (the “**Company**”) will be held at the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU at 11.00 a.m. on 22 August 2013 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 3 will be proposed as ordinary resolutions (with resolution 2 to be taken on a poll) and resolutions 4 and 5 as special resolutions:

Ordinary Resolutions

1. **THAT**, subject to the passing of resolutions 2, 3, 4 and 5, the acquisition (the “**Acquisition**”) by the Company of the whole of the issued share capital of Proxima Limited on the terms and subject to the conditions set out in the agreements dated 25 July 2013 (the “**Acquisition Agreements**”) between (1) the Company and (2) shareholders of Proxima Limited and related documentation to be entered into pursuant to the Acquisition Agreements as summarised in the circular to Shareholders of the Company dated 26 July 2013 (“**Circular**”), be and are hereby approved for the purposes of Rule 14 of the AIM Rules with such minor amendments as the Directors may approve, and the Directors or any duly authorised committee of the Directors be authorised to take all steps necessary or desirable to complete the Acquisition.

2. **THAT** the waiver granted by the Panel on Takeovers and Mergers of the requirement under Rule 9 of the City Code on Takeovers and Mergers that would otherwise arise on the members of the Concert Party (as defined in the Circular) to make a general offer to shareholders of the Company as a result of:
 - (a) the allotment and issue of 272,993,075 new ordinary shares of £0.01 each in the capital of the Company (“**Consideration Shares**”) to the Concert Party pursuant to the Acquisition (representing approximately 58.68 per cent. of the enlarged issued share capital of the Company following such issue of Consideration Shares;
 - (b) the allotment and issue of a further 16,838,120 new ordinary shares of £0.01 each in the capital of the Company to White Angle Limited (“**White Angle**”) on conversion of a convertible loan note proposed to be issued to White Angle pursuant to the Acquisition Agreements; and
 - (c) the allotment and issue of up to a further 33,617,307 new ordinary shares of £0.01 each in the capital of the Company to certain members of the Concert Party upon future exercise of share options proposed to be granted pursuant to the terms of the Acquisition Agreements,each as described in the Circular of which this notice forms part, be and is hereby approved.

3. **THAT**, in substitution for any existing and unexercised authorities, the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the “**Act**”) to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £10,698,319.08 provided this authority shall be limited to:
 - (a) the allotment of 365,353,532 new Ordinary Shares with an aggregate nominal value of £3,653,535.32 pursuant to the terms of the Acquisition Agreements;
 - (b) the allotment of up to 10,000,000 new Ordinary Shares with an aggregate nominal value of £100,000 on exercise of the existing option referred to in paragraph 12.1(j) of Part 5 of the Circular of which this notice forms a part;
 - (c) the allotment of up to 16,838,120 new Ordinary Shares with an aggregate nominal value of £168,381.20 on conversion of the convertible loan note referred to in paragraph 12.1(f) of Part 5 of the Circular of which this notice forms a part;
 - (d) the allotment and issue of up to 57,328,748 new Ordinary Shares with an aggregate nominal value of £573,287.48 on exercise of the new options to be granted pursuant to the Acquisition

Agreements as referred to in paragraph 10 of Part 1 of the Circular of which this notice forms a part;

- (e) the allotment of up to 310,155,754 new Ordinary Shares with an aggregate nominal value of £3,101,557.54, in connection with a rights issue (as defined in the Listing Rules issued by the Financial Conduct Authority pursuant to Part VI of the Financial Services and Markets Act 2000), to holders of equity securities, in proportion to their respective entitlements to such equity securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
- (f) the allotment of up to a further 310,155,754 new Ordinary Shares with an aggregate nominal value of £3,101,557.54.

The authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company in general meeting), provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired (and in this resolution the expression “relevant securities” and reference to the allotment of relevant securities shall bear the same respective meanings as in section 551 of the Act).

Special Resolutions

4. **THAT**, in substitution for any existing and unexercised authorities, the Directors be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities for cash pursuant to the authority conferred by resolution 4 above or by way of sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities up to an aggregate nominal amount of £100,000 pursuant to paragraph (b) of resolution 3 above;
 - (b) the allotment of equity securities up to an aggregate nominal amount of £168,381.20 pursuant to paragraph (c) of resolution 3 above;
 - (c) the allotment of equity securities up to an aggregate nominal value of £573,287.48 pursuant to paragraph (d) of resolution 3 above;
 - (d) the allotment of equity securities up to an aggregate nominal amount of £3,101,557.54 in connection with a rights issue, open offer or other pro rata offer of securities in favour of the holders of New Ordinary Shares on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the holders of the New Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of New Ordinary Shares held or deemed to be held by them on any such record dates (which shall include the allotment of equity securities to any underwriter in respect of such issue or offer), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
 - (e) the allotment of equity securities (otherwise than in sub-paragraph 4(a), (b), (c) and (d) above) to any person or persons up to an aggregate nominal amount of £3,101,557.54;

provided that the authorities conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired and that all previous authorities under section 561 of the Act be and they are hereby revoked (and in this resolution the expression “equity securities” and references to the “allotment of equity securities” shall bear the same respective meaning as in section 560(1) of the Act).

5. **THAT**, subject to the passing of Resolutions 1 and 2 above and to completion of the Acquisition Agreements in accordance with their respective terms, the name of the Company be changed to “Proxama Plc”.

BY ORDER OF THE BOARD

Ross Ainger
Company Secretary
Registered Office

26 July 2013

Entitlement to attend and vote

1. Only those members registered on the Company’s register of members at:
- 6.00 p.m. on 20 August 2013; or,
 - if this Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
4. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY to provide details.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
- completed and signed;
 - sent or delivered to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or by fax to Computershare Investor Services Plc on 08707036322 or by scan and email to Computershare Investor Services Plc at #UKCSBRSEExternalProxyQueries@computershare.co.uk; and
 - received by Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 11.00 a.m. on 20 August 2013.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

10. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

- By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- By sending an e-mail or by fax to Computershare Investor Services Plc on 08707036322 or by scan and email to Computershare Investors Services Plc at #UKCSBRSEExternalProxyQueries@computershare.co.uk.

In either case, the revocation notice must be received by Computershare Investor Services Plc no later than 11.00 a.m. on 20 August 2013. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

12. As at 4.30 p.m. on 25 July 2013, the Company's issued share capital comprised 99,880,100 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 4.30 p.m. on 25 July 2013 is 99,880,100.

Documents on the Company's website

13. The following documents will be available for inspection on the Company's website at www.longshipsplc.com from 29 July 2013 until the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:
 - the Circular;
 - the Articles of Association of the Company and Proxama Limited ("Proxama");
 - the Accountants' Report set out in Part 4 of the Circular;
 - the material contracts referred to in paragraph 12 of Part 5 of the Circular;
 - the consent letters referred to in paragraph 18 of Part 5 of the Circular;
 - the Directors' and the Proposed Director' service contracts and letters of appointment for the Non-Executive Directors referred to in paragraph 10 of Part 5 of the Circular;
 - the irrevocable undertakings referred to in paragraph 18 of Part 1 of the Circular.

Communication

14. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
 - calling Computershare Investor Services Plc on +44 (0)870 889 3105

You may not use any electronic address provided either:

- in this notice of general meeting; or
- in any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

LONGSHIPS PLC

FORM OF PROXY

For use at the General Meeting on 22 August 2013.

I/We of
(full name in block capitals, please)

.....
(full postal address in block capitals, please)

being (a) member(s) of Longships Plc, hereby appoint

.....
or failing him/her the Chairman of the meeting to be my/our proxy and vote for me/us on my/our behalf at the General Meeting of the Company to be held on 22 August 2013, notice of which was sent to shareholders on 26 July 2013 and at any adjournment thereof. I/we instruct my/our proxy to vote as follows:

Resolution Number	For	Against	Withheld
1. To approve the proposed acquisition of the whole of the issued share capital of Proxama Limited (Ordinary Resolution)			
2. To approve the proposed waiver of rule 9 of the City Code on Takeovers and Mergers			
3. To authorise the Directors to allot shares in connection with the Acquisition and in certain other circumstances. (Ordinary Resolution)			
4. To disapply Section 561 of the Companies Act 2006 in connection with certain allotments of shares (Special Resolution)			
5. To approve the change of the Company's name to Proxama Plc			

Signed: Dated: 2013

Notes:

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote, on a show of hands or on a poll, at the General Meeting of the Company. In accordance with the Takeover Code, voting on Resolution 2 above will be taken on a poll. You can only appoint a proxy using the procedures set out in the notice of General Meeting to which this proxy relates and these notes.
- If you cannot attend the meeting and wish to vote you are entitled to appoint a proxy of your own choice, who need not be a member of the Company to attend, speak and, on a show of hands or on a poll, vote instead of you. If you wish to appoint some person other than the Chairman of the meeting as your proxy, please insert the full name of your proxy in the space provided. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.
- In the case of a corporation, this form of proxy must be executed under its common seal or signed on its behalf by its duly authorised officer or attorney, or other person authorised to sign.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy (save in the alternative) to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrars, Computershare Investor Services Plc on +44(0) 870 707 1319, or write to the Pavilions, Bridgwater Road, Bristol BS13 8AE for additional proxy forms.
- In the case of joint holders, any one of two or more joint holders may sign (but the names of all joint shareholders should be stated). The vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.
- If this form of proxy is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes.
- If you wish to direct your proxy how to vote (or not to vote) on any resolution, place a mark ("X") in the "For", "Against" or "Vote Withheld" box for each resolution. The vote withheld option is provided to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against".
- To be valid, the completed form of proxy must be lodged with the Company's Registrars, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, not less than 48 hours before the time fixed for holding the meeting or adjourned meeting, together with a power of attorney or other authority under which it is signed or a duly certified copy of that power of authority.
- Completion of this form of proxy will not prevent a member from attending the meeting and voting in person should he/she so wish. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for receipt of the proxies will take precedence.

Business Reply Plus
Licence Number
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Computershare Investor Services
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

