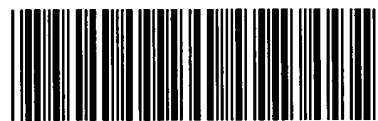


PROXAMA PLC
COMPANY NUMBER - 06458458

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2016

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PROXAMA PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS	PAGE
Chairman's report	1-3
Chief Executive Officer's report	4-6
Corporate governance report	7-8
Directors' remuneration report	9-11
Strategic report	12-16
Directors' report	17-22
Independent auditors' report – Group	23-24
Consolidated income statement	25
Consolidated statement of comprehensive income	26
Consolidated statement of financial position	27
Consolidated statement of cash flows	28
Consolidated statement of changes in equity	29
Notes to the consolidated financial statements	30-59
Independent auditors' report – Company	60-61
Company statement of financial position	62
Company statement of cash flows	63
Company statement of changes in equity	64
Notes to the parent Company financial statements	65-78
Company information	79

CHAIRMAN'S REPORT**FOR THE YEAR ENDED 31 DECEMBER 2016**

Proxama has made strong progress in 2016 against the strategic milestones it set out for the Proximity Marketing Division.

During 2016, we continued to monetise our proximity marketing business through the sale of mobile proximity marketing campaigns for Tier 1 brands such as Coca-Cola, Skyscanner and MasterCard. In September 2016, we proudly achieved Google 'Location Services Provider' status, which allows us to provide proximity marketing to Google standards and to connect Google customers to its services through our platform, and in the latter part of 2016, our first Proxama branded audience data, derived from our technology, was placed on both Oracle and AdSquare's data marketplaces resulting in our first audience sales.

In 2017, we plan to continue to scale the business primarily through our data products - both existing and new. For the first part of 2017 we have already seen increases in data sales via four marque brand partnerships including Blis, a global leader in advanced location data technology, and we expect these to make a significant contribution to our revenue for 2017 and beyond. We have also already started the shift to higher value data products and are working on the release of these for the second half of 2017.

From Proximity Marketing to Mobile Location Intelligence

Considering the progress Proxama has made with its data products in early 2017, the Board is pleased to announce an exciting transition of the main focus for the Company; from a mobile proximity marketing business to a mobile location data and intelligence business. The primary focus of Proxama will be to help companies connect the online world with the offline world using mobile location data.

Two key trends have supported this transition; the growth in mobile data and the ability to build scalable and profitable products and services around this data.

Throughout 2016 and the beginning of 2017, we laid the crucial foundations for extending our mobile proximity marketing business to include data and data products derived from our SaaS platform:

- We continued to build our network reach; enlarging our networks with existing media owner partners, such as Exterion Media (London buses), Ubiquitous (London taxis) and Primesight (cinemas, retail) and extending to new areas with new partners, such as Limited Space (retail), Chiltern Railways (rail) and Emblem Group (London Underground). In addition, Proxama is extending into new UK cities including Manchester and Birmingham.
- In parallel to network growth, we extended our consumer audience reach to more than 2 million consumers through embedding Proxama technology within location enabled apps.
- Finally, we scaled our technology capabilities beyond beacons so that it now captures significantly more data from these audiences and networks, such as accurate geo-location data, and we ensured that our platform securely stores and processes the anonymised data collected. We have built this data into our revenue generating data products.

CHAIRMAN'S REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016****Strategic Review Conclusion & Proposed Placing**

Proxama had initially believed that the best way to realise value was from the sale of the Digital Payments Division, with the intention to use the funds arising from a sale to secure the financial future of the business and accelerate growth in the Mobile Data and Location Intelligence Division. The Company received indications of interest through two separate sale processes, operated by international external advisers. However, no offers met our valuation and, the Company believes that it is more suitable to extract value from the long-term contracted revenue agreements already in place within the Digital Payments Division. Our confidence in retaining the division increased because we continued to win revenue generating contracts throughout 2016, despite going through the sales process. These contracts include Tutuka and a 5-year contract with a leading South African Insurer. In addition, we are pleased to announce a further revenue generating contract win for 2017 with a major US provider of financial services and payment card technology. The contract is to licence Proxama's Digital Enablement Platform in North America and the agreement will generate licence fees, incremental fees as clients are on-boarded, and recurring support and maintenance revenues over the longer term. In addition, the agreement has seen a number of Proxama staff move across to the major US company. I am pleased to confirm the restructure programme is complete and we have reduced the Division's annualised cost base by £1.2m. The high margin cash flow will continue to contribute towards the working capital requirements of the increasingly established location data and intelligence business.

With the absence of sale proceeds from Digital Payments Division in the near term, and in order to support the working capital requirements and remove debt from the business, the Company will be announcing a placing by way of an Accelerated Book Build, and Open Offer to raise approximately £4m. Certain major shareholders of the Company as well as all Directors have already indicated a willingness to participate in the Placing. In conjunction with the proposed placing, the Company has received an irrevocable undertaking from Barclays Bank to partially write off the outstanding loan and settle the balance through a combination of cash and share warrants, releasing the Company from all liabilities and obligations under the Barclays facility. Similarly, there is an agreement with White Angle Ltd, the holder of a convertible loan note, to convert the remaining balance to equity. This will allow Proxama to be completely debt free, further strengthening the Group's financial position.

In the event that the Company does not raise a minimum requirement of £3.1m through the Accelerated Book Build and Open Offer then it will pursue other financing options open to it, including a Loan Note with an Alternative Investment Manager.

The successful conclusion of the Accelerated Book Build and Open Offer will allow Proxama to become debt free, and strengthen the Group's financial position as it accelerates its plans to become a leading provider of mobile location data and intelligence.

CHAIRMAN'S REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016****Board Changes**

To help deliver on our new vision of Proxama as a mobile data and location intelligence business, the Board is pleased to welcome Mark Slade onto the Executive Team to lead and continue the recent momentum across Commercial and Product Development. Mark will also join the main plc Board. Mark brings with him considerable industry experience from managing the EMEA business at Opera Mediaworks, a mobile technology business, having successfully grown and exited as founder of 4th Screen Advertising, a journey that saw the Business grow from a start-up to a \$100m Business.

Dan Francis, the current Strategy Director, will also join the Board as an Executive Director. Dan has held senior management positions at Barclays, American Express and Aimia primarily based around the launching and commercial scaling of new technology businesses based around data, mobile and Artificial Intelligence.

Following the change in company strategy and the restructure of the Digital Payment Division, we recently announced Mike Woods has left the Board. In addition, David Bailey will step down as Deputy Chairman. I would like to take this opportunity to thank both David and Mike for their support and contribution to Proxama over the previous years.

Outlook

2016 was a further period of change for the Company, however the Board is of the single view that the Company ended 2016 in a strong position for the Mobile Data and Location Intelligence Division and certainty for the future of the Digital Payment Division. The Board would like to acknowledge the team at Proxama for their hard work during the year and thank them for their dedication and support as we reposition the business for extended growth.

2016 operating losses were £5.0m (2015: £6.0m) mainly due to a reduction in cost base, with a further reduction in 2017 expected. Overall revenue and other income was £2.4m for the full year (2015: £2.8m). Trading revenue was £1.8m (2015: £2.5m) and Grant income £0.6m (2015: £0.3m). 2016 EBITDA before impairment shows a year to date loss of £3.6m which is a £1.4m (28%) year on year improvement (2015 EBITDA before impairment and exceptional items of £5.0m).

As previously announced in February of this year, I joined the Board and the Proxama business as I was excited by the opportunity and sheer scale that mobile data presents. That sentiment remains and I look forward to working with the Board and Proxama team to help grow the Company significantly in the years ahead.

Kelvin Harrison, Chairman

David Bailey, Deputy Chairman (outgoing Chairman)

Date: 29 June 2017

CHIEF EXECUTIVE OFFICER'S REPORT**FOR THE YEAR ENDED 31 DECEMBER 2016****Introduction**

It is with pleasure I announce the 2016 full year results for a restructured and repositioned Proxama. A Business with two Divisions; Mobile Data and Location Intelligence and Digital Payments.

We entered 2016 with the aim of significantly increasing our proximity marketing and data business (now Mobile Data and Location Intelligence), and were successful in increasing our revenue by 154% from 2015 (2016: £204k, 2015: £80k), further reducing the cost base and made significant progress in scaling the business across the key areas of audience, network and data. With the addition of grant income the Division delivered revenue and other income of £755k (2015: £417k).

The global trend of digitisation of media and advertising continues at pace, and so does the shift in usage of data to support for planning (e.g. the purchase of customer audiences, pre-campaign) and increasingly for verification of success after a campaign has run (e.g. if I'm served a mobile ad for store sale, did I go instore?). Both this pre-campaign and now post-campaign "proof of visit" capability is increasingly powered by precise and verified location data – 38% of marketing spend in 2016 in the US was location based (Source: BIA Kelsey, "Mobile Ad Revenue Forecast", Jan 2017).

It is this extension to the entire value chain of marketing that has led Proxama to build on our existing platform and data products and refocus as a location data business, supplying SaaS based data products that service the whole marketing chain – and according to the IAB, in 2016 is now worth over £3.8bn in the UK for mobile ads alone.

Furthermore, Proxama's data product and services now also extend to other marketing sectors, notably where we have existing relationships and contracts such as the Out of Home ("OOH") media businesses (£1bn UK ad spend) and the city and transit planning consultancies and financial services sectors, where in 2017 we are already monetising our location data and expertise by supplying to a major UK city transport planning project.

Digital Payments Division

Our Digital Payments Division provides end-to-end software solutions for card issuers enabling them to migrate customers from magnetic stripe to chip-and-pin cards or to contactless cards. Our aim in 2016 was to maximise shareholder value from this Division through disposal, but following the conclusion of the strategic review, the Company believes that it is more suitable to extract value from the long-term contracted revenue agreements already in place within the Digital Payments Division.

I am pleased to confirm we have completed the restructure programme reducing the Division's annualised cost base by £1.2m. With £1.1m revenues already under contract, the high margin cash flow that it then generates will contribute toward the working capital requirements of the increasingly established Mobile Data and Location Intelligence Division.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016****Financial results**

For the Financial Year 2016 revenue, grant income and other operating income was £2,395,118 (2015: £2,880,371). Normal trading revenue was £1,814,238 (2015: £2,543,644), whilst government grant income totalled £551,666 (2015: £272,398).

The business materially improved the EBITDA before impairment of the Company by £1.4m (28%) during 2016. EBITDA loss before exceptional items and impairment at £3,573,015 (2015: £4,988,542 before exceptional items and impairment), and as at 31 December 2016, the Company had net cash of £2,026,764 (2015: £270,487). Loss before tax for the financial year was £5,782,606 (2015: £6,092,857).

The Company has restructured the Digital Payment Division, ensuring it is profitable while retaining and delivering against long term contracts, while moving the Mobile Data and Location Intelligence Division to profitable revenues from data sales and focusing on higher value, recurring revenue that the new products and services will bring, based on the existing low cost SaaS platform.

Statement of Financial Position

As at 31 December 2016 total equity was £435,760 (2015: £3,489,798) of which £2,026,764 (2015: £270,487) were cash and cash equivalents.

Net current liabilities are £4,001,447 liability (2015: assets £816,775) comprising £2,026,764 (2015: £270,487) cash and cash equivalents, trade receivables of £817,188 (2015: £1,527,702), other receivables £258,268 (2015: £352,042), current tax receivable £456,260 (2015: £684,277), trade and other payables £2,337,253 (2015: £2,014,986) and current portion of long term borrowings £5,222,674 (2015: £2,747), which includes the £2,500,000 loan with Barclays. Since the year end we have agreed with the bank to make a partial repayment of the loan by way of a combination of cash and share warrants, with the remaining balance being written off by the bank. I would like to thank Barclays for their support of Proxima over the past two years. We have also reached agreement with White Angle Ltd, a holder of a convertible loan note since 2013, to convert the remaining balance to equity. I would also like to thank White Angle Ltd for their support over the last few years.

During December 2016, the Company entered into a £2m convertible loan agreement with Darwin Capital Limited. This provided working capital to enable the company to fully complete the strategic review process, the completion of which was announced to the market on 17 May 2017. The loan notes were fully converted by the end of March, and Darwin Capital no longer own any Proxima stock, as updated to market in April 2017.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Outlook & how we will measure our progress

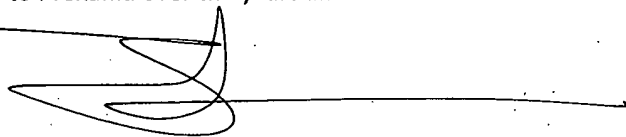
We made significant progress in 2016 across our audience reach, our network, our Google certification and our data products and we are excited for 2017 and beyond. We are a fast-growing location intelligence business, with growing and recurring revenues from our location data products with key industry partners.

We have set ourselves four target KPIs for 2017:

- Grow our monetisable audience to 4 million
- Expand our proximity network to 6,000 beacons
- Scale our data business to 2 billion data points
- Have revenue generating location intelligence product in agencies and media owners.

With the demand for accurate and verified location data and intelligence, we are well positioned to take advantage of this trend, not only accessing a growing marketing spend but many other sectors.

I'm also pleased to welcome our new members to the Board of Directors. The experience Mark Slade and Dan Francis will bring to the Executive and Board will support our new vision and purpose. At the same time, I would like to thank both David Bailey and Mike Woods for their contribution and support to Proxama over the years and wish them well for the future.



John Kennedy, Chief Executive Officer

Date: 29/6/17

CORPORATE GOVERNANCE REPORT**FOR THE YEAR ENDED 31 DECEMBER 2016****Introduction**

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

The Board supports the principles and aims of the Code and intends to ensure that the Company adopts guidance from the Code as it grows. However, the Board considers that at this stage in the Group's development the expense of compliance with the Code is not appropriate.

Directors and Board

The Board comprises two executive and three non-executive directors. The Board considers that the non-executive directors are independent. The non-executive directors bring their independent judgements to bear on issues of strategy, performance, appointments, resources and standards of conduct. There is a formal schedule of matters specifically reserved for decision by the Board, who meet on a monthly basis. The Board composition has changed in 2017 to better reflect the Proxima business with the changes contained within this annual report.

Board Committees

The Board has established three committees; the Audit, Remuneration and Nomination Committees.

Relations with Shareholders

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

Internal Financial Control

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Going Concern

The directors have taken a view of the Group as a whole. The Group has made good progress in securing a series of important contracts in 2016 and post year end has completed the restructuring of Digital Payments Division and the relaunch of the Mobile Data and Location Intelligence Division. Throughout 2016 the Group operated at a trading loss and whilst the Group has sufficient capital resources to meet its external current liabilities as they fall due in the short term, the outlook presents some challenges in terms of timing of contractual revenue streams and the Group needs to secure new funding. Currently working capital is provided through a bank facility with Barclays Bank, which is secured by way of a debenture over the assets of the Group. The facility of £2.5m is fully drawn down as at 31 December 2016. These circumstances necessarily create material uncertainties over future trading results and cash flows of the Group, which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As a result, the Group Board has been exploring a number of options to fund the required investment whilst securing the financial future of the business. To support the next phase of development of the Group, the Company will be announcing a placing by way of an Accelerated Book Build, and Open Offer to raise approximately £4m. In conjunction with the proposed placing, the Company has received an irrevocable undertaking from Barclays Bank to partially write off the outstanding loan and settle the balance through a combination of cash and share warrants, releasing the Company from all liabilities and obligations under the Barclays facility. Similarly, there is an agreement with White Angle Ltd, the holder of a convertible loan note, to convert the remaining balance to equity. This will allow Proxima to be completely debt free, further strengthening the Group's financial position. In the event that the Company does not raise a minimum requirement of £3.1m through the Accelerated Book Build and Open Offer then it will pursue other financing options open to it, including a Loan Note with an Alternative Investment Manager. The success of this activity is not known and therefore there is material uncertainty as to the source of the funds, which creates significant doubt. However, based on the current status, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group will be able to execute its plans in the medium term such that Group will have adequate resources to continue in operational existence for the foreseeable future. This provides the directors assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the board


John Kennedy, Director

Date: 29/6/17

DIRECTORS' REMUNERATION REPORT**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

Remuneration Committee

The Remuneration Committee, consisting of the chairman Kelvin Harrison, David Bailey, and Shaun Gregory, determines the Group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the Group's remuneration policy, the committee considers a number of factors including:

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

Remuneration of executive directors

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

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

The executive directors are engaged under separate contracts which require a notice period of six or three months given at any time by the individual.

Remuneration of non-executive directors

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Directors' detailed emoluments and compensation (audited)

Director	Year to 31 December 2016				
	Salary and fees	Bonus	Pension	Benefits	Total
Dr Neil R Garner (Executive)	42,692	-	-	128	42,820
Gavin DP Breeze (Non-executive)	12,500	-	-	-	12,500
David J Bailey (Non-executive)	25,000	-	-	-	25,000
Shaun Gregory (Non-executive)	24,000	-	-	-	24,000
John Kennedy (Executive)	150,000	20,000	62	1,242	171,304
Michael Woods (Executive)	147,530	20,000	955	280	168,765
	401,722	40,000	1,017	1,650	444,389

Director	Year to 31 December 2015				
	Salary and fees	Bonus	Pension	Benefits	Total
Miles L Quitmann (Executive)	117,865	-	-	596	118,461
Dr Neil R Garner (Executive)	150,000	-	-	1,630	151,630
Adrianus GJC van Breda (Executive)	25,000	-	-	658	25,658
Gavin DP Breeze (Non-executive)	25,000	-	-	-	25,000
Michael Woods (Executive)	147,893	-	-	35,734	183,627
David J Bailey (Non-executive)	25,000	-	-	-	25,000
Shaun Gregory (Non-executive)	24,000	-	-	-	24,000
John Kennedy (Executive)	150,000	60,000	-	-	210,000
	664,758	60,000	-	38,618	763,376

DIRECTORS' REMUNERATION REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

David J Bailey's fees are paid to David Bailey Enterprises Limited.

Dr Neil R Garner resigned 27 January 2016

Gavin DP Breeze resigned 15 July 2016

Michael Woods resigned 18 May 2017

Full details of the directors' options over ordinary shares of 0.01p are detailed below:

Director	Grant date	Exercise price	At 31 December 2016 Number	At 31 December 2015 Number
John Kennedy	09/01/2015	2.03p	4,938,271	4,938,271

Notes:

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

On behalf of the board

Kelvin Harrison Chairman, Remuneration Committee

Date: 29 June 2017

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

Strategy and Business model

In summary, the Mobile Location and Intelligence Division helps companies connect the online world with the offline world using mobile location data.

To do this we use the latest location technologies embedded into our partner apps on consumer's mobile phones and when combined with geo-location capabilities and our extensive Bluetooth beacon network, we generate and store anonymised data. Our platform, algorithms and data teams then synthesise this into four distinct products and services:

1. **Online/Offline Verification** - Marketing agencies and brands can buy our services to prove customers visited a particular place, based on their advert call to action;
2. **Out of Home Verification** - Out of Home Media companies ("OOH") can buy our "verified footfall" service to prove which customers saw their media;
3. **Precise Location Data** - Consultancies, Financial Services and location data companies buy our data;
4. **AI Generated Programmatic Audiences** - Brands can use our data audience segments to precisely target advertising to consumers based on their past location behaviour.

Our data is therefore mined, refined and sold multiple times to multiple partners, in different industries and sectors, and in different locations and territories. This represents a highly scalable and quickly growing business. This is demonstrated by the rapid growth of our location data sales already seen during 2017. The growth of our data¹ and users is shown below:

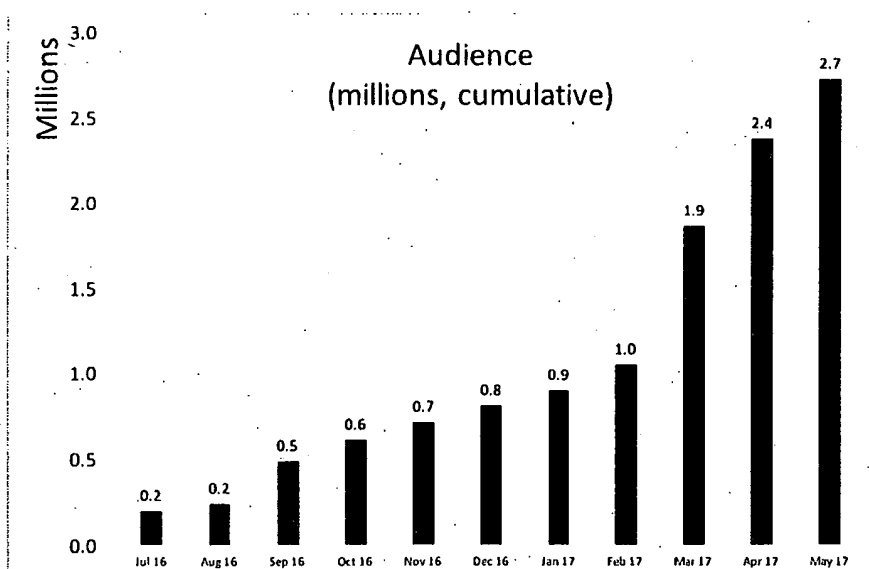


Chart1: Cumulative Growth of Data and Location Intelligence Division audience, July 2016 to April 2017 (Source: internal data)

¹ "Audience" is defined as the total number of consumers who have a mobile phone with iOS or Android apps with a registered Proxima SDK. This is the number that can be monetised. Up to May 24 2017, May figures shown are a partial month.

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

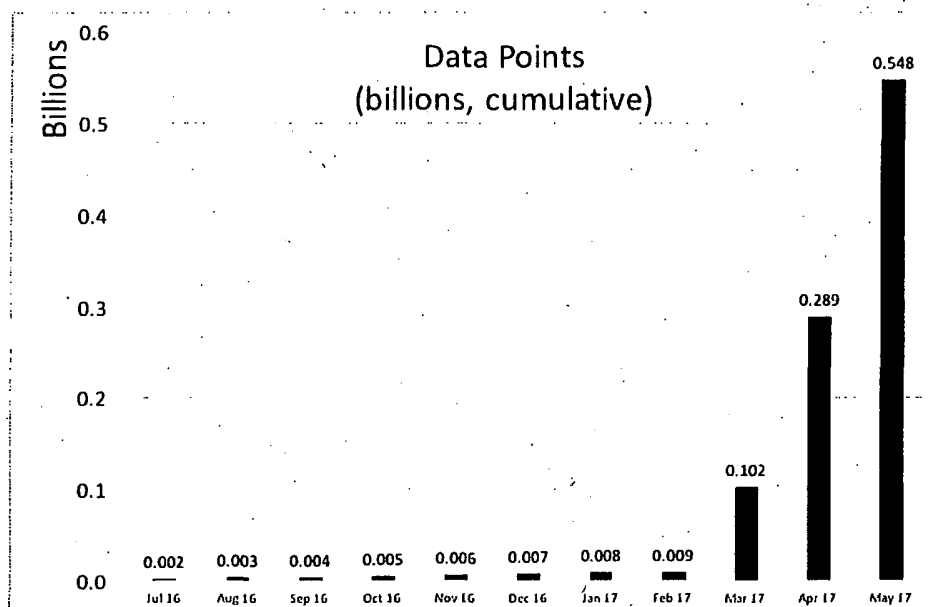


Chart2: Data points, cumulative by month, July 2016 to May 24 2017. "Data point" is defined as any device event that Proxima records and stores, such as a location event, device status change or beacon interaction. May figures shown are a partial month.

During 2017 we will also continue to monetise our proximity marketing products through our media partners and network reach.

Audience Expansion

We continued to expand our available audience during 2016, through selected partnerships to 0.8 million consumers, primarily through our partner Mapway and their London Tube and Bus apps. By 24 May 2017 this had increased to an audience of 2.7 million, with the roll-out complete (source: internal reporting). We have targeted an audience of 4 million by the end of 2017 to give us a significant reach into the UK population.

STRATEGIC REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016****Network Expansion**

Our network of Bluetooth beacons continued to expand during 2016, with selected partnerships with media owners. Notable expansion of, or additions to our network are:

- Exterior Media – expanded the network to support new campaigns
- Primesight – expansion of the network, updated and expanded locations (cinemas & supermarkets)
- Ubiquitous – continued roll-out of London Taxis
- Limited Space – new and exclusive contract for up to 60 shopping malls. Bluewater and Bullring installed at scale, along with digital deployments in Derby, Newcastle, and Manchester.
- T4 Media – Deployment of network for up to 44 Moto service stations
- Chiltern Railways – Deployment of network to Arriva UK Trains, owner of Chiltern Railways and one of the largest European transport operators.

In 2017 we will continue to selectively expand the network where our data products require the accuracy and verified data that Bluetooth beacons and the Mobile Data and Location Intelligence Division's technology provides. By the end of 2017 we aim to have a network of 6,000 or more beacons in the UK, alongside other technologies such as geo-location, NFC and Wi-Fi.

In March 2017 we also saw our fourth grant win (£0.3m) from Innovate UK, the UK's Innovation agency, to design and implement a smart transportation model for the Greater Manchester City Region. The collaboration, which includes Cisco, the worldwide technology leader, as well as Purple, Movement Strategies, Transport for Greater Manchester and Sustainable Environment Ltd will deliver a proof of concept solution that will enable Transport for Greater Manchester to better address the challenge of providing transport services to fit demand.

Product and Technology

We have significantly expanded our product suite during 2016 to help meet our strategic goals. The key highlights were:

- Google "Location Service Provider" certification – Proxama is one of only three companies in the world and the first in Europe to be certified as a Google Location Services Provider, so that we can offer services and experiences based around Google's open beacon format, Eddystone. This follows from Proxama's recent collaboration with Google on the world's first consumer Physical Web experience MyStop™, which featured at Google's 2016 I/O conference.
- Enhanced Data Collection – where consumers have given permission, in addition to beacon triggered data events, we anonymously collect device location and other characteristics.
- Audience Data Product – using our device and location data and our platform, we algorithmically refine this into Proxama branded audiences for sale through Data Management Platforms.

STRATEGIC REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016**

The above changes have all been built into the core Mobile Data and Location Intelligence Division's SaaS platform, a secure and scalable cloud based platform that delivers all our products and services. 2016 also saw us invest in machine learning algorithm technology to power our audience generation, and build our in-house data science capabilities.

The path to 2 billion data points

The above changes, when combined with our network and audience expansion, now mean that the Mobile Data and Location Intelligence Division generates significant amount of data.

As at 24 May 2017 we surpassed the 500 million data points milestone, and by the end of 2017 expect to have over 2 billion data points. These are currently monetised through the following products:

Location Data – established companies such as Blis buy our location data and audiences on a recurring monthly licence basis;

Proxama branded audiences – Oracle and AdSquare host our Proxama branded audience for sale in the marketplace, on a revenue share basis.

The Mobile Data and Location Intelligence Division is in the process of building further and higher value products, to provide intelligent verification of a marketing campaign performance for brands and agencies. We expect these to be available during 2017 to both agencies and OOH companies.

Key Performance Indicators

The Board monitors progress on the overall Group strategy and the individual strategic elements by reference to KPIs. The primary measures are revenue, costs, EBITDA before exceptional items and working capital levels. The Board has a set of secondary measures that are lead indicators to delivering the primary measures – for 2017 the key secondary KPIs are audience size of 4 million, data points of 2 billion and network size of 6,000 Bluetooth beacons, and all four products live in market.

Principal Risks and Uncertainties

The key financial risks that are affecting the Group this year are Going Concern, as detailed in the Corporate Governance report and in Note 2 to the Group financial statements, together with the key financial risks which are set out in the Directors' report. The Board remain vigilant to ensure the business delivers long term shareholder value.

The Group's performance is dependent on its products and solutions keeping pace with market and technological changes, frequent introduction of new services and products and evolving industry standards. Advances in technology may result in changing customer preferences for products and services and delivery formats and any such change in preferences may be rapid. The Group manages this risk by a commitment to research and development, combined with ongoing dialogue with key industry players, and engagement with the regulatory landscape, e.g. monitoring requirements and compliance for GDPR regulations.

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Strategic Risks

The refocus of Proxama as a Mobile Data and Location Intelligence business, combined with the restructure of the Digital Payments Division will significantly de-risk the Company and gives clarity and focus to our customers and employees alike, while maintaining a lowered cost base.

The Mobile Data and Location Intelligence Division is driven primarily by achieving our KPIs that support our revenue and growth targets, that is achieving and maintaining our audience and network at the right levels with the right permission and at the right cost base.

With Google embedding location into most aspects of their technology and business and location data playing an increasing role in both advertising and beyond, we see this as a significant endorsement of the location intelligence strategy.

This report, in conjunction with the Chief Executive Officer's Report on pages 4 to 6 form the Strategic Report for the purposes of s414A of the Companies Act 2006

On behalf of the board



Dan Francis, Strategy Director

Date: 29/1/17

DIRECTORS' REPORT**FOR THE YEAR ENDED 31 DECEMBER 2016**

The Directors are pleased to present their annual report and audited financial statements of Proxama Plc for the year ended 31 December 2016.

Dividends

The Directors do not recommend the payment of a dividend.

Board of Directors**Kelvin Harrison, Non-Executive Chairman**

Kelvin joined Proxama as Non-Executive Chairman in February 2017. He is a chartered engineer with extensive experience in executive and non-executive roles across the information technology, media and telecommunications sector. His involvement has spanned from start up, through VC and PE investment to IPOs on LSE and AIM and exits via trade sale. He was previously CEO of Vega Group Plc and Maxima Holdings Plc, which he founded and grew to more than £50M revenues, £9M PBT and 500 staff. He was also CEO of Symbionics Group, a pioneer in wireless technologies such as Bluetooth, and an NED with UBC Media Group Plc.

He has led high growth of revenues and profits in British and International businesses, with a recent focus on Software as a Service (SaaS). He was Chairman of NetDespatch which was recently purchased in a strategic acquisition by Royal Mail Group. He is also Chairman of Traveltek, Atlas Cloud and Clixifix.

John Kennedy, Chief Executive Officer

In his roles as CEO and CFO, John has led the Group through a number of phases of change. He joined in 2015, initially as CFO, driving the financial strategy of the business and more recently as CEO, focusing on the restructuring of the Payments Division and the growth of the Mobile Data and Location Intelligence Division.

During his 20 years at Global Insurance Company Aviva, John gained significant operational experience and led a number of cost management programmes. He was also responsible for a number of mergers and acquisitions during his time here, including transactions with RAC, CGNU, and London and Edinburgh.

John then spent two years as an Executive Director of IT software Company, Validus, where he helped to double the size of the Company, commercialise the Company's services, and led the process to its sale to private equity Group Lloyds Development Capital. Both roles have also consolidated his experience in sales and marketing. John joined Proxama after serving as Divisional Finance Director at RAC Motoring Service, supporting the sales process between The Carlyle Group and GIC, for a reported valuation of £2bn.

Dan Francis, Strategy Director

Dan has over 20 years' experience in creating and developing new products and businesses, specialising in commercialising new technologies such as mobile, data and AI. He has worked in senior positions in the retail, loyalty & marketing and financial services for and with brands such as American Express, Aimia and Barclays. Dan joined in August 2016 to lead the scaling of our Mobile Data and Location Intelligence Division, building on similar programmes of work from his experience with major brands such as Barclaycard, Nectar & Sainsbury's. He joins the Board in June 2017.

DIRECTORS' REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016****Shaun Gregory, Non-Executive Director**

Shaun has been a Non-Executive Director at Proxama since June 2014. Shaun has held a number of executive roles at some of the most respected international media and technology businesses such as Telefónica, Telegraph Media Group and EMAP. He currently serves as CEO of Exterion Media, a leading international outdoor advertising Company, backed by Platinum Private Equity. Shaun is also a Non-Executive Director on various Boards, including Ocean Outdoor, and has served as Non-Executive Chairman for companies including Weve and Tag Man. In the Industry, Shaun serves as the Vice Chairman for FEPE, and has previously served on the Board on numerous Trade Bodies, including the Mobile Marketing Association and The Advertising Association.

Mark Slade, Executive Director

Mark is one of the advertising industries leading lights with numerous senior relationships across the ad tech and media giants. He joins us from Opera Mediaworks, where he was Managing Director, EMEA. Mark founded and sold his mobile advertising business 4th Screen to Opera, and then helped grow the business to over \$100m in revenues. Mark's expertise is in executing in a high growth ad tech sector as well as European acquisitions. Mark is also a founding member of the IAB mobile council. He joins the Board in June 2017.

Research and Development

Proxama continued to invest substantially in research and development. Under IAS 38 "Intangible Assets" £1,117,415 of development expenditure has been capitalised (2015: £1,056,904). The Group continued to invest in the development of its payments and location intelligence products.

Financial Risk Management

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

Interest rate and credit risk – the principal assets of the Group are its cash deposits. These are short-term liquid assets and as a result the exposure to interest rate income risk is not considered significant. The principal focus of the Directors has been to minimise any credit risk in relation to its cash deposits even at the expense of interest income received. Borrowings include financial instruments on fixed interest rate terms and a revolving credit facility at a variable rate. As a result the exposure to interest rate expense risk is low and no active management of interest rate risk is undertaken by the Board.

Foreign currency risk – the main functional currency is sterling. The Group has two US Dollar accounts and one Euro account. Throughout 2016, the Company's transactions have primarily been denominated in sterling and the Group has had low exposure to foreign currency risk. The incorporation of Proxama Inc. has increased the exposure to exchange rate fluctuations but the low volume of US transactions and assets held in Proxama Inc. has kept this risk to a minimum. Further information on financial instruments is disclosed in note 18.

DIRECTORS' REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016**

Liquidity risk – the Board's policy is to ensure that sufficient cash and cash equivalents are held on a short-term basis at all times in order to meet the Group's operational needs. The Group has a fully drawn down bank facility of £2.5m (2015 £1.6m) and actively raises funds through market placings and other loan facilities. This bank facility is planned to be settled over the coming weeks subject to the proposed equity fundraising. The Group has been operating at a trading loss due to its stage of development and seeks to ensure that its investments will deliver long term value to shareholders. Liquidity risk is actively managed through regular review of cash requirements of the business in conjunction with the strategic and operational plans for the Group. In order to manage the liquidity of the business, during December 2016 the Company entered into a £2m convertible loan agreement with Darwin Capital Limited. This provided working capital to enable the company to fully complete the strategic review process, the completion of which was announced to the market on 17 May 2017. The loan notes were fully converted by the end of March, and Darwin Capital no longer own any Proxama stock as updated to market in April 2017.

Post Balance Sheet Events

These have been disclosed in note 24.

Substantial shareholdings

As at 28 April 2017 the Directors had been notified of the following holdings representing three per cent or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued share capital
Hargreaves Lansdown Asset Mgt	312,906,511	12.99%
Proxama Concert Party	307,875,933	12.78%
Halifax Share Dealing	171,266,787	7.11%
Barclays Wealth	142,192,198	5.90%
TD Direct Investing	135,641,431	5.63%
Woodspeen Investment Mgt	125,279,986	5.20%
Octopus Investments	121,496,321	5.04%
Herald Investment Mgt	85,600,000	3.55%
Share Centre Investment Management	76,887,812	3.19%
	1,479,146,979	61.39%

1. The interest of White Angle Ltd includes interests held directly or through White Angle Limited

DIRECTORS' REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016****Directors and their interests in shares**

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

Gavin DP Breeze – resigned 15 July 2016

Dr Neil R Garner – resigned 27 January 2016

David J Bailey

Shaun Gregory

John Kennedy

Michael J Woods - resigned 18 May 2017

The Company maintains director and officers' liability insurance.

The directors held the following interests in Proxima Plc:

	At 31 December 2016	At 31 December 2016	At 31 December 2015	At 31 December 2015
	Ordinary shares of 0.01p each	Options over ordinary shares of 0.01p each	Ordinary shares of 1p each	Options over ordinary shares of 1p each
Gavin DP Breeze ¹	254,000,462	-	150,006,651	-
Dr Neil R Garner ²	29,433,985	-	117,761,130	1,468,284
Miles L Quitmann	13,868,118	-	14,101,926	13,866,192
Adrianus GJC van Breda	-	-	-	17,860,194
David Bailey ³	32,824,126	-	12,824,126	-
Mike Woods	17,439,021	-	-	-
John Kennedy	800,000	4,938,271	800,000	4,938,271

1. The interest of White Angle Ltd include interest held directly or through White Angle Limited

2. Includes 2,000,000 shares held by C L Garner

3. The interest of David Bailey is held directly through a self-invested personal pension plan

The market price of the Company's shares at the end of the financial year was 0.4548p.

DIRECTORS' REPORT (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2016****Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they are sufficient to show a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditor

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

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

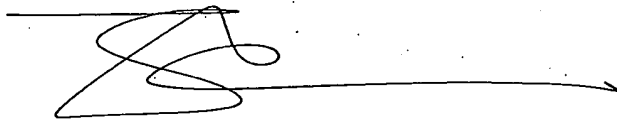
Future Developments

The directors effected the transition to the Mobile Data and Location Intelligence business using the existing and growing mobile audience network and SaaS platform to access new clients, often on an ongoing and recurring revenue basis. There will be some further product development to build out new capabilities and products using the existing platform and data, which will allow access to higher margin revenues from brands and agencies.

Annual General Meeting

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

On behalf of the Board

A handwritten signature in black ink, appearing to be 'John Kennedy', written over a horizontal line.

John Kennedy, Director

Date:

29/6/17

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROXAMA PLC

We have audited the Group financial statements of Proxima Plc for the year ended 31 December 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made within note 2 to the consolidated financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of £5,193,586 for the year ended 31 December 2016 and had net current liabilities of £4,001,447 at 31 December 2016. The loss and net current liability position along with other matters explained in note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be required if the Group were unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROXAMA PLC**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent Company financial statements of Proxima Plc for the year ended 31 December 2016. That report includes an emphasis of matter relating to going concern.

Grant Thornton UK LLP

Alison Seekings (Senior Statutory Auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

Date: 29 June 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Revenue	3	1,814,238	2,543,644
Cost of sales		<u>(658,508)</u>	<u>(391,941)</u>
Gross profit		1,155,730	2,151,703
Grant income		551,666	272,398
Other income		29,214	64,329
Administrative expenses		(6,771,152)	(8,562,679)
Administrative expenses – non recurring item	6	<u>-</u>	<u>109,375</u>
Operating loss	6	(5,034,542)	(5,964,874)
Finance income	4	1,781	11,641
Finance expense	5	(749,845)	(139,624)
Loss on ordinary activities before taxation		(5,782,606)	(6,092,857)
Taxation	9	589,020	764,815
Loss for the year attributable to owners of the parent		<u>(5,193,586)</u>	<u>(5,328,042)</u>
Loss per share – basic and diluted	10	(0.39p)	(0.52p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Loss for the year	(5,193,586)	(5,328,042)
Items that will be reclassified subsequently to profit and loss:		
Foreign exchange difference arising on consolidation	(18,187)	(34,654)
Other comprehensive income	(18,187)	(34,654)
Total comprehensive loss for the financial year attributable to owners of the parent	<u>(5,211,773)</u>	<u>(5,362,696)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
Assets			
Non-current Assets			
Intangible assets	11	4,751,607	5,000,609
Property, plant and equipment	12	44,925	127,070
		<u>4,796,532</u>	<u>5,127,679</u>
Current Assets			
Trade and other receivables	13	1,075,456	1,879,744
Current tax asset		456,260	684,277
Cash and cash equivalents	14	2,026,764	270,487
		<u>3,558,480</u>	<u>2,834,508</u>
Current Liabilities			
Trade and other payables	15	(2,337,253)	(2,014,986)
Current portion of borrowings	16	(5,222,674)	(2,747)
		<u>(7,559,927)</u>	<u>(2,017,733)</u>
Net Current (Liabilities)/Assets		<u>(4,001,447)</u>	<u>816,775</u>
		795,085	5,944,454
Non-current liabilities			
Non-current borrowings	16	(4,925)	(1,967,456)
Deferred tax liabilities	17	(354,400)	(487,200)
		<u>(4,925)</u>	<u>(1,967,456)</u>
Net Assets		<u>435,760</u>	<u>3,489,798</u>
Equity			
Share capital	19	10,475,177	10,195,024
Share premium account		10,991,445	8,703,332
Share based payment reserve		262,447	934,966
Merger relief reserve		11,605,556	11,605,556
Translation reserve		(44,679)	(26,492)
Capital reserve		209,791	209,791
Equity reserve		44,160	535,138
Other reserve		(9,225,108)	(9,225,108)
Retained earnings		<u>(23,883,029)</u>	<u>(19,442,409)</u>
Total Equity		<u>435,760</u>	<u>3,489,798</u>

The financial statements on pages 25 to 59 were authorised for issue by the board of directors on 29 June 2017 and were signed on its behalf by:



John Kennedy

Director

Registered number – 06458458

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss for the year before tax	(5,782,606)	(6,092,857)
Adjustments for:		
Depreciation of property, plant and equipment	94,574	107,635
Amortisation of intangible assets	934,937	890,295
Impairment of intangibles assets	431,480	87,777
Loss/(profit) on disposal of assets	12,689	(2,512)
Financial income	(1,781)	(11,641)
Financial expense	749,845	139,624
Foreign Exchange Differences	10,981	(34,455)
Share-based payments	80,446	335,517
	<u>(3,469,435)</u>	<u>(4,580,617)</u>
Decrease/(Increase) in trade and other receivables	804,289	(976,044)
Increase in trade and other payables	<u>322,267</u>	<u>38,359</u>
Cash used in operations	(2,342,879)	(5,518,302)
Income taxes received	684,277	649,087
Net cash used in operating activities	(1,658,602)	(4,869,215)
Cash flows from investing activities		
Interest received	1,781	11,641
Additions to intangible assets	(1,117,415)	(1,056,904)
Purchase of property, plant and equipment	(28,113)	(39,314)
Proceeds on disposal of property, plant and equipment	<u>2,459</u>	<u>6,850</u>
Net cash (used in)/from Investing activities	(1,141,288)	(1,077,727)
Cash flows from financing activities		
Interest paid	(209,011)	(93,082)
Issue of share capital	2,077,288	7,352
Convertible loan note redeemed (Interest)	-	(127,534)
Convertible loan note redeemed (Principal)	-	(100,000)
New long-term loan	900,000	1,600,000
New convertible loan	1,800,000	-
Repayment of bank loans	-	(10,249)
New finance lease agreements	11,699	-
Repayment of finance lease agreements	(5,622)	(6,014)
Repayment of borrowings	-	(556,412)
Net cash from financing activities	4,574,354	714,061
Net increase/(decrease) in cash and cash equivalents	1,774,464	(5,232,881)
Cash and cash equivalents at beginning of year	270,487	5,503,567
Exchange differences on cash and cash equivalents	(18,187)	(199)
Cash and cash equivalents at end of year	<u>2,026,764</u>	<u>270,487</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Capital Reserve	Translation reserve	Merger relief reserve	Share based payment reserve	Equity reserve	Other reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£	£	£
At 1 January 2015	10,187,672	8,703,332	209,791	8,162	11,605,556	599,449	546,178	(9,225,108)	(14,125,407)	8,509,625
Loss for the year	-	-	-	-	-	-	-	-	(5,328,042)	(5,328,042)
Other comprehensive income	-	-	-	(34,654)	-	-	-	-	-	(34,654)
Total comprehensive income for the period attributable to equity holders	-	-	-	(34,654)	-	-	-	-	(5,328,042)	(5,362,696)
Issue of shares	7,352	-	-	-	-	-	-	-	-	7,352
Equity element of convertible loan	-	-	-	-	-	-	(11,040)	-	11,040	-
Equity to be issued	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	335,517	-	-	-	335,517
Share issue costs	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	7,352	-	-	-	-	335,517	(11,040)	-	11,040	342,869
Total movement in shareholder's equity	7,352	-	-	(34,654)	-	335,517	(11,040)	-	(5,317,002)	(5,019,827)
At 31 December 2015	10,195,024	8,703,332	209,791	(26,492)	11,605,556	934,966	535,138	(9,225,108)	(19,442,409)	3,489,798
At 1 January 2016	10,195,024	8,703,332	209,791	(26,492)	11,605,556	934,966	535,138	(9,225,108)	(19,442,409)	3,489,798
Loss for the year	-	-	-	-	-	-	-	-	(5,193,586)	(5,193,586)
Other comprehensive income	-	-	-	(18,187)	-	-	-	-	-	(18,187)
Total comprehensive income for the period attributable to equity holders	-	-	-	(18,187)	-	-	-	-	(5,193,586)	(5,211,773)
Issue of shares	280,153	2,288,113	-	-	-	-	-	-	-	2,568,266
Equity element of convertible loan	-	-	-	-	-	-	-	-	-	-
Equity to be issued	-	-	-	-	-	-	(490,978)	-	-	(490,978)
Share based payments	-	-	-	-	-	80,446	-	-	-	80,446
Share based transfer	-	-	-	-	-	(752,965)	-	-	752,965	-
Share issue costs	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	280,153	2,288,113	-	-	-	(672,519)	(490,978)	-	752,965	2,157,734
Total movement in shareholder's equity	280,153	2,288,113	-	(18,187)	-	(672,519)	(490,978)	-	(4,440,621)	(3,054,039)
At 31 December 2016	10,475,177	10,991,445	209,791	(44,679)	11,605,556	262,447	44,160	(9,225,108)	(23,883,029)	435,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

Proxama Plc ("the Company") and its subsidiaries (together 'the Group') is a Business that operates two Divisions. Mobile Data and Location Intelligence Division, trading as Proxama Solutions Ltd, providing location data and verification products and services to media, agencies, consultancies and specialist location services companies. It sources mobile data including location and other attributes from its partners' apps using its embedded mobile technology, and then securely stores and manages this data in its SaaS platform. This data is packaged as products such as Location Data events, Customer Audiences, Media Verification and Store visit verification. The Mobile Data and Location Intelligence Division also provide location marketing and media services. The Digital Payment Division provides card issuers and their partners with end-to-end platform to manage credit and debit cards including PIN management and card migration functionality.

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

2. ACCOUNTING POLICIES**Basis of preparation**

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

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

Basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

Going Concern

The directors have taken a view of the Group as a whole. The Group has made good progress in securing a series of important contracts in 2016 and post year end has completed the restructuring of Digital Payments Division and the relaunch of the Mobile Data and Location Intelligence Division. Throughout 2016 the Group operated at a trading loss and whilst the Group has sufficient capital resources to meet its external current liabilities as they fall due in the short term, the outlook presents some challenges in terms of timing of contractual revenue streams and the Group needs to secure new funding. Currently working capital is provided through a bank facility with Barclays Bank, which is secured by way of a debenture over the assets of the Group. The facility of £2.5m is fully drawn down as at 31 December 2016. These circumstances necessarily create material uncertainties over future trading results and cash flows of the Group, which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As a result, the Group Board has been exploring a number of options to fund the required investment whilst securing the financial future of the business. To support the next phase of development of the Group, the Company will be announcing a placing by way of an Accelerated Book Build, and Open Offer to raise approximately £4m. In conjunction with the proposed placing, the Company has received an irrevocable undertaking from Barclays Bank to partially write off the outstanding loan and settle the balance through a combination of cash and share warrants, releasing the Company from all liabilities and obligations under the Barclays facility. Similarly, there is an agreement with White Angle Ltd, the holder of a convertible loan note, to convert the remaining balance to equity. This will allow Proxama to be completely debt free, further strengthening the Group's financial position. In the event that the Company does not raise a minimum requirement of £3.1m through the Accelerated Book Build and Open Offer then it will pursue other financing options open to it, including a Loan Note with an Alternative Investment Manager. The success of this activity is not known and therefore there is material uncertainty as to the source of the funds, which creates significant doubt. However, based on the current status, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016**

that the Group will be able to execute its plans in the medium term such that Group will have adequate resources to

continue in operational existence for the foreseeable future. This provides the directors assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

Adoption of new accounting standards

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2016. The adoption of new standards and interpretations in the year has not had a material impact on the Group's financial statements.

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2017, or later periods, have been adopted early. The directors haven't yet assessed the impact on the adoption of the following standards and interpretations will have on the Group's financial statement:

IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 15 Revenue from contracts with customers (effective 1 January 2018)

IFRS 16 Leasing (effective 1 January 2019).

The adoption of IFRS16 will require the Group to recognise in its Statement of Financial Position the asset and financial commitment associated with properties under operating leases.

Segmental reporting

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

Revenue Recognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

Grants

Grants received on capital expenditure are initially recognised within deferred income on the Company's Statement of financial position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

Foreign currencies

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

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

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at the average exchange rate for the month where these approximate the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognised within other comprehensive income and taken to the foreign exchange reserve.

Financial instruments

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

Trade receivables are first assessed individually for impairment, or collectively where the receivables are not individually significant. Where there is no objective evidence of impairment for an individual receivable, it is included in a Group of receivables with similar credit risk characteristics and these are collectively assessed for impairment. Movements in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

the provision for doubtful debts are recorded in the income statement within operating expenses.

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

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

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

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

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

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

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

Property, plant and equipment

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

The principal annual rates used for this purpose are:

Computer and office equipment	33.33% per annum
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Goodwill

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

Goodwill is subject to annual impairment testing. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows. The recoverable amount is tested annually or when events or changes in circumstances indicate that it may be impaired. The recoverable amount is the higher of the fair value less costs and the value in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

use in the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount. In determining a value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit that have not already been included in the estimate of future cash flows.

Internally developed software

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

Other intangibles

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

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

Trademarks and intellectual property rights	10% straight line
Customer relationships	25% straight line

Impairment of property, plant and equipment and intangible assets

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

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

Current taxation

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

Deferred taxation

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

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

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

Employee benefits**Share-based compensation**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Grants

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

Leases

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

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

Equity

Equity comprises:

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

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

Capital reserve – represents a capital contribution to the Company.

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

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

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

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

Other reserve - the balance of the amount recognised as issued equity instruments arising on restatement of Proxima Solutions Ltd to reflect the parent equity structure, further to the reverse acquisition basis of accounting adopted in 2013 on the share exchange by Proxima Plc for 100% of the shares of Proxima Solutions Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Translation reserve – the foreign exchange difference arising on consolidation.

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

Critical accounting estimates and judgements

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

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

Estimates in applying the Group's accounting policies:

Fair values for employee share schemes

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

Critical judgements in applying the Group's accounting policies:

Assessing whether development costs meet the criteria for capitalisation

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. Commercial success of the development projects remains uncertain at the time of recognition and therefore impairment reviews are undertaken based on current estimates of future revenue streams. This assessment has resulted in the impairment of £32,086 (2015: £87,777) of development costs, previously capitalised for which the underlying projects are no longer being pursued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Classification and valuation of financial instruments

The Group has issued financial instruments including conversion features and warrants. The valuation of these financial instruments, including Level 3 fair values where there are no observable market inputs, are performed in consultation with third party valuation specialists, with the overall aim of maximising the use of market based information.

Impairment of goodwill and other intangible assets

There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets, as determining whether such assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. An impairment of goodwill of £399,394 has been recognised in the year (note 11).

3. SEGMENTAL ANALYSIS

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

The Group's operations in 2016 were structured as four trading companies and its financial reporting is reported to the CODM information on two segments: Digital Payments and Mobile Data and Location Intelligence (formerly Proximity Marketing). The Digital Payments segment predominantly focuses on the migration of Card Payment systems to the EMV Standard known as "Chip and Pin" from old magnetic stripe systems. The Mobile Data and Location Intelligence segment centres on providing mobile location based data, media and verification services.

It should be noted that a segmental analysis of the Balance Sheet is not part of routine management reporting and consequently no segmental analysis of assets is shown here

An analysis of revenue is as follows:

	2016 £	2015 £
Digital Payments	1,610,049	2,463,147
Mobile Data and Location Intelligence	204,189	80,497
Total revenue	<u>1,814,238</u>	<u>2,543,644</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

An analysis of EBITDA is as follows:

	2016 £	2015 £
Digital Payments	(835,116)	(804,506)
Mobile Data and Location Intelligence Group	(2,737,899)	(1,569,400)
	-	(2,614,636)
Total EBITDA	<u>(3,573,015)</u>	<u>(4,988,542)</u>

An analysis of Loss before tax is as follows:

	2016 £	2015 £
Digital Payments	(835,116)	(804,506)
Mobile Data and Location Intelligence Group	(4,947,490)	(1,569,400)
	-	(3,718,951)
Total loss before tax	<u>(5,782,606)</u>	<u>(6,092,857)</u>

The geographical analysis of revenue is as follows:

	2016 £	2015 £
United Kingdom	175,274	112,203
Europe	888,236	973,655
Rest of world	750,728	1,457,786
Total revenue	<u>1,814,238</u>	<u>2,543,644</u>

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

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

	2016 £	2015 £
South Africa customer 1	285,815	-
United States of America customer 1	226,233	706,750
United States of America customer 2	-	318,075
Europe customer 1	555,704	548,777
Europe customer 2	205,924	-
	<u></u>	<u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

4. FINANCE INCOME

	2016 £	2015 £
Income from cash and cash equivalents	<u>1,781</u>	<u>11,641</u>

5. FINANCE EXPENSE

	2016 £	2015 £
Bank interest	180,783	41,570
Finance lease interest	87	604
Interest payable on convertible loan note	65,984	46,542
Finance cost on convertible loan note	485,335	-
Other loan interest	17,656	50,908
	<u>749,845</u>	<u>139,624</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

6. LOSS BEFORE TAXATION

	2016 £	2015 £
The loss before taxation is stated after charging/(crediting): -		
Depreciation of property, plant and equipment		
- Owned	90,053	102,242
- Held under hire purchase agreements	5,057	5,393
Loss/(Profit) on disposal of tangible assets	12,689	(2,512)
Amortisation of intangible assets	934,937	890,295
Impairment of intangible assets	431,480	87,777
Government grants	(551,666)	(272,398)
Research and development expensed as incurred in administrative expenses	264,034	565,753
Operating lease rentals		
- Land and buildings	246,533	255,239
- Plant and machinery	1,323	616
Share based payments	80,447	335,517
Net foreign exchange losses	10,981	10,189
Auditors remuneration:		
For audit services		
- Company audit	26,500	18,500
- Subsidiary audits	17,500	21,500
- Audit	12,000	-
For tax advisory services	15,000	100
For other non-audit services		
- Half year review	-	3,250
- IXBRL tagging	-	1,500
Exceptional item	-	(109,375)

The exceptional item in 2015 is the reversal of the £109,375 included in 2014 for the earn-out consideration accounted for as contingent post acquisition remuneration on the acquisition of Aconite. This has been removed as the conditions for the settlement have not been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

7. STAFF COSTS

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

	2016 Number	2015 Number
Management	12	16
Research and development	43	55
Commercial and client services	14	19
	<u>69</u>	<u>90</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,861,225	5,165,867
Social security costs	450,142	574,833
Pension costs	23,019	62,851
Expense of share based payments	80,446	335,517
	<u>4,414,832</u>	<u>6,139,068</u>

8. KEY MANAGEMENT COMPENSATION

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

	2016 £	2015 £
Salaries and other short term employee benefits	634,064	867,067
Pension costs	1,234	35,734
Expense of share based payments	14,738	335,517
	<u>650,036</u>	<u>1,238,318</u>

The directors are of the opinion that the key management of the Group comprises the executive and non-executive directors of Proxima Plc. These persons have authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. At 31 December 2016, key management comprised seven (2015: six) people. The remuneration of the highest paid director is £171,304 (2015: £210,000).

Directors' remuneration is disclosed in the directors' remuneration report on pages 9 to 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

9. CORPORATION TAX CHARGE

(a) Analysis of credit in the period

	2016 £	2015 £
Current tax:		
UK corporation tax	<u>(456,220)</u>	<u>(628,015)</u>
Deferred tax:		
UK deferred tax movement (note 17)	<u>(132,800)</u>	<u>(136,800)</u>

(b) Factors affecting the tax credit for the period

The tax assessed for the period does not reflect an expense equivalent to the profit before tax multiplied by the UK standard rate of corporation tax of 20% (2015: 20%) as explained below:

	2016 £	2015 £
Loss before tax	<u>(5,782,606)</u>	<u>(6,092,857)</u>
Loss before tax multiplied by the standard rate of corporation tax	(1,156,521)	(1,244,499)
Non-deductible expenses	104,203	194,405
Unrecognised deferred tax asset	611,466	714,514
Additional deduction for R&D expenditure	(334,699)	(410,808)
Surrender of tax losses for R&D tax credit	162,845	(136,017)
R&D expenditure credits	6,726	-
Other differences	16,960	-
Total tax for the period	<u>(589,020)</u>	<u>(764,815)</u>

Subject to the UK tax authority's agreement, the Group has UK tax losses of approximately £20,160,000 (2015: £17,000,000) available for carry forward and offset against future taxable profits arising from the same trade. The Group has a potential deferred tax asset of £3,629,000 (2015: £3,064,000) which will not be recognised until it is regarded as more likely than not that there will be sufficient taxable profits from which the tax losses can be deducted. In addition no deferred tax asset is recognised in respect of future tax deductions on exercise of share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the loss of £5,193,586 (2015: £5,328,042) and on the number of shares in issue, being the weighted average number of equity shares in issue during the period of 1,332,551,074 0.01p ordinary shares (2015: 1,019,191,254 1p ordinary shares). A separate adjusted earnings per share calculation has been prepared related to the loss before exceptional items for the prior year.

	2016	2015
Loss for the year	(5,193,586)	(5,328,042)
Add back:		
Exceptional items	-	(109,375)
Adjusted loss	<u>(5,193,586)</u>	<u>(5,437,417)</u>
Loss per share – basic and diluted	(0.39p)	(0.52p)
Adjusted loss per share – basic and diluted	(0.39p)	(0.53p)

Dilutive instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11. INTANGIBLE ASSETS

	Trademarks	Goodwill	Customer relationships	Intellectual Property Rights	Development costs	Total
	£	£	£	£	£	£
Cost						
At 1 January 2015	5,102	659,288	1,000,000	6,001	3,386,271	5,056,662
Additions (internally developed)	-	-	-	-	1,056,904	1,056,904
At 31 December 2015	5,102	659,288	1,000,000	6,001	4,443,175	6,113,566
Additions, (internally developed)	-	-	-	-	1,117,415	1,117,415
At 31 December 2016	5,102	659,288	1,000,000	6,001	5,560,590	7,230,981
Amortisation and impairment						
At 1 January 2015	1,364	-	20,000	2,400	111,121	134,885
Charge for the year	510	-	240,000	600	649,185	890,295
Impairment	-	-	-	-	87,777	87,777
At 31 December 2015	1,874	-	260,000	3,000	848,083	1,112,957
Charge for the year	510	-	240,000	600	693,827	934,937
Impairment	-	399,394	-	-	32,086	431,480
At 31 December 2016	2,384	399,394	500,000	3,600	1,573,996	2,479,374
Net book amount						
At 31 December 2016	2,718	259,894	500,000	2,401	3,986,594	4,751,607
At 31 December 2015	3,228	659,288	740,000	3,001	3,595,092	5,000,609

Internal development represents the cost incurred in developing the Company's SaaS platform and mobile payments systems. These internal costs have been capitalised in accordance with the Company's accounting policies where all the conditions for capitalisation have been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors have identified one R&D project which has become impaired due to the fact that the market has moved on and therefore this R&D work has become obsolete and the assets have been retired. If no future economic benefit is expected assets are derecognised.

Impairment of research and development is considered within the conditions of capitalisation. Amortisation charges are included in administrative expenses in the Income Statement.

Other intangible assets represent amounts paid to third parties for acquiring trademarks and intellectual property rights and the goodwill and separable intangible assets on the acquisition of the Aconite Group of companies. The initial valuation of acquired intangibles on acquisition in December 2014 were determined based on management's estimates of future revenue and profits for a period of 3 years. The discount rate applied was 25% given the small size and high risk nature of the business.

Further to the strategic review (announced to the market on 17 May 2017) and decision to focus resource and investment on the Mobile Data and Location Intelligence business, formal impairment testing has been undertaken for the goodwill and acquired Intangibles associated with the Digital Payments Division.

The recoverable amounts for the Digital Payments Division was considered based on value-in-use calculations, and expected recoverable value based on market multiples of sustainable revenue and sustainable earnings. Management has prepared a cash flow forecast, based on existing clients and the sustainable operating base with no assumption in investment in future growth, then applied a discount rate in order to calculate the present value of such cash flows, which represents the recoverable amount. The discount rate used in the calculations was 8.5% given the change in business strategy for the Digital Payments Division and the zero growth assumption.

The principal assumptions used in the forecasts are the sustainable level of profit and the discount rate. The results of the Impairment review and the sensitivity to a change in key assumptions are set out below

Impairment review results:

	Carrying amount of goodwill and intangibles before impairment	Value in use	Impairment
	£'000	£'000	£'000
Digital Payments	3,280	2,881	399
Increase in discount rate of 5%	3,280	2,181	1,099
20% reduction in sustainable earnings after Year 3	3,280	2,472	808

As noted above, formal impairment testing has been undertaken for goodwill and an impairment of £399,394 is recognised. The goodwill wholly relates to the Digital Payments Division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £	Computer Equipment £	Total £
Cost			
At 1 January 2015	207,829	209,168	416,997
Additions	30,778	8,536	39,314
Disposals	(18,187)	-	(18,187)
At 31 December 2015	220,420	217,704	438,124
Additions	16,258	11,855	28,113
Disposals	(58,061)	(145,608)	(203,669)
At 31 December 2016	178,617	83,951	262,568
Depreciation			
At 1 January 2015	102,392	114,876	217,268
Charge for the year	60,830	46,805	107,635
Eliminated on disposals	(13,849)	-	(13,849)
At 31 December 2015	149,373	161,681	311,054
Charge for the year	55,768	39,342	95,110
Eliminated on disposal	(57,661)	(130,860)	(188,521)
At 31 December 2016	147,480	70,163	217,643
Net book amount			
At 31 December 2016	31,137	13,788	44,925
At 31 December 2015	71,047	56,023	127,070

Hire purchase agreements

Included within the net book value of £44,925 is £9,424 (2015: £2,783) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of such assets amounted to £5,057 (2015: £5,393).

13. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Trade receivables	817,188	1,527,702
Prepayments and accrued income	3,019	258,902
Other receivables	255,249	93,140
	1,075,456	1,879,744

Trade receivables comprise amounts due from customers for services provided. All amounts are short term. The net carrying amount of trade receivables is considered a reasonable approximation of fair value. Average credit terms were 30 days (2015: 30) and average debtor days outstanding were 164 (2015: 82).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	2016 £	2015 £
Outstanding between one and two months	-	88,954
Outstanding between two and three months	10,620	82,176
Outstanding over three months	230,080	211,299
	<u>240,700</u>	<u>382,429</u>

Trade receivables as a whole have decreased due to the overall decrease in revenue compared to 2015. The amount in past due trade receivables is primarily due to a debt of £226k with the Nigerian Identity Management commission which is an average of 559 days old. No provision is recognised since the contractual revenue has not been recognised and is included in deferred income.

All of the Group's trade and other receivables have been reviewed for impairment. An impairment provision of £5,000 (2016 £nil) has been recognised in the year.

14. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank	<u>2,026,764</u>	<u>270,487</u>

15. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Trade payables	232,842	254,570
Taxation and social security	535,528	186,812
Accruals	261,010	456,267
Deferred income	1,155,227	940,316
Other payables	152,646	177,021
	<u>2,337,253</u>	<u>2,014,986</u>

Trade payables and accruals principally comprise amounts outstanding for operational costs.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

16. BORROWINGS

	2016 £	2015 £
Current portion of borrowings		
Bank loans	2,500,000	-
Convertible loan notes (note 23)	2,655,662	-
Derivative financial instrument	63,113	-
Finance lease agreements	3,899	2,747
	<u>5,222,674</u>	<u>2,747</u>
Non-current borrowings		
Bank loans	-	1,600,000
Convertible loan notes (note 23)	-	367,456
Finance lease agreements	4,925	-
	<u>4,925</u>	<u>1,967,456</u>
Bank loans	2016 £	2015 £
Current portion of borrowings	2,500,000	-
Non-current borrowings	-	1,600,000
	<u>2,500,000</u>	<u>1,600,000</u>

The bank loan is a revolving credit facility with Barclays Bank and is secured by way of a debenture over the assets of the Group. Interest on the bank loan is payable at 7% over base rate per annum on the amount drawn down plus 50% of the rate on the margin on the undrawn down element. The loan is repayable 24 months after the date of the facility agreement which was 14th September 2015, or if requested by the Group, and at the bank's discretion, the date falling 36 months after the date of the facility agreement. See post balance sheet event note 24.

Convertible loans

The Group has loan notes of £400,000 (2015: £400,000) in issue. Interest is accruing on the loan notes at 10% per annum (non compound). On 16 September 2015, 20% of the loan notes were redeemed at par, together with interest accumulated to that date. The notes were then subordinated to the Barclays loan.

Senior Convertible Loan Note Instrument

The Group has created £2,000,000 senior convertible loan notes on the terms set out in the loan instrument, which includes a maturity date of 12th December 2017. The issue consisted of 80 loan notes of £25,000 each issued at £22,500 each, i.e. £1,800,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The loan notes are immediately convertible into a variable number of shares depending on the weighted average share price prior to conversion. The conversion price is set as the lesser of 1.24875p and 90% of the average of the five lowest daily volume weighted average share price calculations out of the twenty trading days prior to and including such date.

Alongside the loan notes, the holders have warrants to subscribe for up to 75,675,676 ordinary shares at a warrant price of £0.0124875 per share, expiring on 19 December 2021.

Subsequent to the year end all loan notes have been converted into shares but no warrants have been exercised.

Finance lease agreements	2016 £	2015 £
Gross finance lease liabilities – minimum lease payments:		
Within one year	3,899	2,909
Later than one year and no later than five years	4,925	-
	<u>8,824</u>	<u>2,909</u>
Less: Future finance charges on finance leases	-	(162)
Present value of finance lease liabilities	<u>8,824</u>	<u>2,747</u>

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

	2016 £	2015 £
Within one year	3,899	2,747
Later than one year and no later than five years	4,925	-
	<u>8,824</u>	<u>2,747</u>

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 where applicable.

17. DEFERRED TAX LIABILITIES

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

	£
At 1 January 2016	487,200
Movement in the year	(132,800)
At 31 December 2016	<u>354,400</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

18. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT**Treasury risk management**

The Group manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risks. Interest on significant borrowings is set out in note 5.

Credit risk

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

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

As a result, investment returns and credit risk to the Group in this regard are not material to the financial statements.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date. No collateral is held in respect of these amounts which are expected to be received in full. An impairment provision of £5,000 (2015 £nil) has been made. In order to manage credit risk, credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Currency risks

The Group's operations are located in the United Kingdom and the USA. The Group's transactions are primarily denominated in sterling with little exposure to foreign currency risks. Due to the limited risks to the Group, forward exchange contracts are not considered necessary and are not used. The Group operates one US Dollar bank account and a Euro bank account.

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

Liquidity risk

The Group has sufficient capital resources to meet its external current liabilities as they fall due in H1 2017. However, the outlook presents some challenges in terms of timing of contractual revenue streams and the Group needs to secure new funding. This puts significant pressure on working capital.

Operational cash flow represents on going trading revenue and costs, administrative costs and research and development activities. The Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Group's policy is to ensure facilities are available as required or to issue equity share capital to ensure cash resources available are in accordance with long-term cash flow forecasts. The Group currently has no undrawn committed facilities as at 31 December 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

The Group's main financial liabilities include bank borrowings, trade payables and operational costs. All amounts for trade and other payables are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines. All such payment terms are within 6 months.

At 31 December 2016 the Group had financial liabilities by way of a facility with Barclays Bank, one convertible loan note repayable no earlier than the Barclays loan, and new senior convertible loan notes which have all converted to equity post year end. The Group has a fully drawn down bank facility of £2.5m (2015 £1.6m). This bank facility is planned to be settled over the coming weeks as detailed in note 24.

Interest rates on the Barclay's loan is 7% over base rates and on the convertible loan is fixed at 10%. No interest is payable on the senior convertible loan notes but they attract a redemption premium if redeemed by the Group of 5% of the principal.

Derivative financial instruments

In accordance with IAS 39, "Financial Instruments: recognition and measurement", the Group has reviewed all contracts for derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard.

Capital management

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

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

The Group manages capital on the basis of the carrying amount of equity, and debt with regard to maintaining sufficient liquidity to enable the Group to continue to trade and invest in commercialisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	2016 £	2015 £
<u>Capital</u>		
Total equity	<u>435,760</u>	<u>3,489,798</u>
Total equity	435,760	3,489,798
Borrowings	<u>5,227,599</u>	<u>1,970,203</u>
Overall financing	<u>5,663,359</u>	<u>5,460,001</u>
Equity to overall financing ratio	<u>0.08</u>	<u>0.64</u>

Categories of financial instruments

All of the Group's financial assets are classified as loans and receivables.

The accounting policies applied are set out in note 2. The carrying amounts of financial assets and liabilities as at 31 December 2016 are categorised as follows:

	2016 £	2015 £
Carrying value of financial assets and liabilities within the consolidated statement of financial position:		
Financial assets classified as loans and receivables		
Trade and other receivables	1,072,437	1,879,744
Cash and cash equivalents	<u>2,026,764</u>	<u>270,487</u>
	<u>3,099,201</u>	<u>2,150,231</u>

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

Financial liabilities at amortised cost

Trade and other payables	646,498	887,858
Convertible loan notes	2,655,662	367,456
Other borrowings	<u>2,508,824</u>	<u>1,600,000</u>
	<u>5,810,984</u>	<u>2,855,314</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Financial liabilities at fair value

Conversion feature on convertible loan

63,113-

The derivative classified as a financial liability is based on a Level 3 valuation per the hierarchy as established by IFRS13, being derived from the volatility in the Company's share price.

The contractual maturity of financial liabilities is as follows:

At 31 December 2016	Within 6 months £	Between 6 – 12 months £	Between 1 to 2 years £	Total £
Trade and other payables	646,498	-	-	646,498
Convertible loan notes	-	2,655,662	-	2,655,662
Other borrowings	1,949	2,501,950	4,925	2,508,824
	<u>648,447</u>	<u>5,157,612</u>	<u>4,925</u>	<u>5,810,984</u>

At 31 December 2015	Within 6 months £	Between 6 – 12 months £	Between 1 to 2 years £	Total £
Trade and other payables	887,858	-	-	887,858
Convertible loan notes	-	-	367,456	367,456
Other borrowings	-	-	1,600,000	1,600,000
	<u>887,858</u>	<u>-</u>	<u>1,967,456</u>	<u>2,855,314</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

19. SHARE CAPITAL

Allotted, called up and fully paid:

	2016	2015
	£	£
(2015: 1,019,502,472) ordinary shares of 1p each	-	10,195,024
1,721,245,256 (2015: nil) ordinary shares of 0.01p each	172,124	-
1,040,712,398 (2015: nil) deferred shares of 0.99p each	10,303,053	-
	<u>10,475,177</u>	<u>10,195,024</u>

Shares issued during the year

- On 28 January 2016 42,095 ordinary 1p shares were issued at par as one employee exercised their right to purchase share options.
- On 31 March 2016 20,892,669 ordinary 1p shares were issued at a premium of 1.35p per share, being settlement of deferred consideration on the acquisition of Aconite Technology Limited.
- On 13 June 2016 275,162 ordinary 1p shares were issued at par to two employees who exercised their right to purchase share options.
- On 25 July 2016, each ordinary share of 1p each in issue was subdivided into 1 ordinary share of 0.01p and one deferred share of 0.99p
- On 25 July 2016 666,666,666 ordinary 0.01p shares were issued at a premium of 0.0029p per share.
- On 19 September 2016 13,866,192 0.01p shares were issued at a premium of 0.0052p per share as one employee exercised their right to purchase share options.

Share rights

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Deferred shares have attached to them no voting, dividend or capital distribution (including on winding up) rights; they do not confer any rights of redemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

20. SHARE BASED PAYMENTS

The share option scheme was introduced by Proxima Solutions Limited on 29 September 2011. It was established to attract and retain the best available personnel for positions of responsibility, to provide additional incentive to employees, officers or consultants of the Company and to promote the success of the Company's business. Further to the acquisition of the business by Proxima Plc, the options are granted over shares in the parent entity. The share option scheme is administered by the directors.

Details of the share options outstanding at the yearend are as follows:

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	0.025	44,258,651	0.045	55,968,386
Granted during the year	0.005	18,432,939	0.008	16,070,308
Forfeited during the year	0.020	(9,418,065)	0.041	(27,044,780)
Exercised during the year	0.053	(13,908,287)	0.050	(735,263)
Outstanding at the end of the year	0.017	<u>39,365,238</u>	0.025	<u>44,258,651</u>

The weighted average contractual life of options outstanding at year end is 8.1 years (2015: 8.0 years). The weighted average share price at the date of grant is 0.48p (2015: 1.23p).

Options issued from August 2013 have been valued using a Binomial option pricing model that takes into account factors specific to the share incentive planned including performance conditions. The performance conditions include either a 15% compound growth in the share price over a three year period or target share price. The inputs into the model for options granted in the year were as follows:

	2016
Average share price (pence)	0.4p – 1.7p
Exercise price (pence)	0.42p - 1.64p
Expected volatility	55%
Risk-free interest rate	<u>3%</u>

The expected volatility was determined with reference to both historic volatility and the industry volatility give the short period of time that the parent Company has been listed. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations, and is estimated at 10 years.

The Company recognised total expenses of £80,447 (2015: £335,517) related to equity settled, share based payment transactions during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

21. OPERATING LEASE COMMITMENTS

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

	Property And Total 2016 £	Property 2015 £	Plant and machinery 2015 £	Total 2015 £
No later than one year	96,027	246,533	564	247,097
Later than one year and no later than five years	172,701	226,901	-	226,901
	268,728	473,434	564	473,998

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

22. CAPITAL COMMITMENTS

No capital expenditure was committed to as at 31 December 2016 (2015: £nil).

23. RELATED PARTY TRANSACTIONS

As at 31 December 2016, N R Garner (a former director) was owed £Nil by the Group (2015: £87).

As at 31 December 2016, White Angle Ltd Consulting Limited, a Company with common directorship, was owed £Nil (2015: £11,237) by the Group.

As at 31 December 2016, David Bailey Enterprises Limited, a Company in which the director is also a director of a fellow Group Company, was owed £Nil (2015: £4,000) by the Group.

As at 31 December 2016, S Gregory (a director), was owed £2,000 (2015: £7,914) by the Group.

Admin expenses were incurred during the year of £20,574 (2015: £5,445), from Whitespace Norwich Limited, of which N R Garner is a director. There was £5,000 (2015: £5,445) outstanding at the yearend included within Other Creditors.

Fixed assets of £nil (2015: £6,850), were sold to Whitespace Norwich Limited during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

During 2013 the Company issued a total of 1,000,000 50p loan notes to White Angle Ltd, a Company wholly owned by White Angle Ltd for a total of £500,000. Interest is accruing on the loan notes at 10% per annum (non compound). Both the interest and the loan notes was repayable on the third anniversary of the issue of the loan note instrument. However on 16 September 2015, £100,000 of the loan principal along with all the accrued interest at that point of £127,534 was repaid. The loan was then subordinated to the Barclays loan (note 16) so it is no longer redeemable in March 2016, and cannot be redeemed until the Barclays loan has been repaid. The interest charge included in these accounts amounts to £65,984 (2015: £46,542) and the balance of the loan as at 31 December 2016 is £451,616 (2015: £411,616).

Subject to the Barclays Loan of £2,500,000 which is senior debt, the holder of the loan note has the right to convert it, together with accrued interest if it so chooses, into ordinary shares at the rate of one ordinary share per 50p loan note. The loan note is a compound financial instrument, containing both elements of liability and equity. Included in the amount above, an amount of £44,160 (2015: £44,160) has been estimated as being in relation to the equity element. The liability element recognised has a carrying value of £433,440 (2015: £367,456).

24. POST BALANCE SHEET EVENTS

The £2m convertible loan notes were all converted into Ordinary shares during Q1 of 2017 as follows:

- £300,000 converted in January 17 into 75,373,854 Ordinary shares at a price of 0.398016 pence
- £900,000 converted in February 17 into 319,774,878 Ordinary shares at a price of 0.281448 pence
- £800,000 converted in March 17 into 292,937,282 Ordinary shares at a price of 0.273096 pence

Subject to securing funding from an Accelerated Book Build and Open Offer or loan funding from an Alternative Investment Manager, the £2.5m loan with Barclays has been agreed to be partially repaid, by way of a combination of cash and share warrants, with the remaining balance written off by the Bank.

The convertible loan note with a capital value of £400,000 has been agreed to be converted to equity.

INDEPENDENT AUDITOR'S REPORT - COMPANY**FOR THE YEAR ENDED 31 DECEMBER 2016****Independent auditor's report to the members of Proxima Plc**

We have audited the parent Company financial statements of Proxima Plc for the year ended 31 December 2016 which comprise the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016;
- have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made within note 1 to the parent Company financial statements concerning the Company's ability to continue as a going concern. The Company incurred a loss of £13,773,950 for the year ended 31 December 2016 and had net current liabilities of £1,766,675 at 31 December 2016. The loss and net current liability position along with other matters explained in note 1 to the parent Company financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would be required if the Company were unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT - COMPANY**FOR THE YEAR ENDED 31 DECEMBER 2016****Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Proxima Plc for the year ended 31 December 2016. This report includes an emphasis of matter relating to going concern.

Grant Thornton UK LLP

Alison Seekings (Senior Statutory Auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

Date: *29 June 2017*

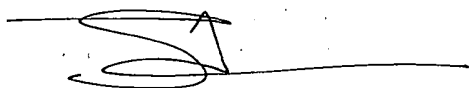
COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Non-current Assets			
Investments	2	7,334,903	17,074,518
Current Assets			
Trade and other receivables	4	1,910,366	2,184,595
Cash and cash equivalents	5	1,617,941	26,871
		<u>3,528,307</u>	<u>2,211,466</u>
Current Liabilities			
Trade and other payables	6	(76,207)	(134,084)
Current borrowings	7	(5,218,775)	-
		<u>(5,294,982)</u>	<u>(134,084)</u>
Net Current (Liabilities)/Assets		<u>(1,766,675)</u>	<u>2,077,382</u>
Non-current liabilities			
Non-current borrowings	7	-	(1,967,456)
Net Assets		<u>5,568,228</u>	<u>17,184,444</u>
Equity			
Share capital	9	10,475,177	10,195,024
Share premium account		10,991,445	8,703,332
Merger relief reserve		11,605,556	11,605,556
Share based payment reserve		262,447	934,966
Equity reserve		44,160	535,138
Retained earnings		<u>(27,810,557)</u>	<u>(14,789,572)</u>
Total Equity		<u>5,568,228</u>	<u>17,184,444</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax for the parent Company for the year was £13,773,950 (2015: Loss £12,625,813).

The financial statements were authorised for issue by the board of directors on 29th June 2017 and were signed on its behalf by:



John Kennedy

Director

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Loss before taxation		(13,773,950)	(12,625,813)
Adjustments for:			
Interest income		(1,614)	(11,594)
Interest expense		731,905	80,096
Impairment to investments		9,806,563	-
Share based payments		13,498	14,498
		<u>(3,223,598)</u>	<u>(12,542,813)</u>
(Increase)/Decrease in trade and other receivables		274,229	6,133,119
(Decrease)/Increase in trade and other payables		<u>(57,877)</u>	<u>(123,715)</u>
Net cash outflows from operating activities		(3,007,246)	(6,533,409)
Cash flows from investing activities			
Interest received		1,614	11,594
Cash flows from financing activities			
Interest paid		(180,586)	(34,094)
Proceeds of share issues		2,077,288	7,352
Convertible loan note redeemed		-	(100,000)
Convertible loan note redeemed - interest		-	(127,534)
New long-term loan		900,000	1,600,000
New convertible loan note		<u>1,800,000</u>	<u>-</u>
		4,596,702	1,345,724
Net increase/(decrease) in cash and cash equivalents		1,591,070	(5,176,091)
Cash and cash equivalents at beginning of year		26,871	5,202,962
Cash and cash equivalents at end of year		1,617,941	26,871

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Merger relief reserve	Share based payment reserve	Equity reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2015	10,187,672	8,703,332	11,605,556	599,449	546,178	(2,174,799)	29,467,388
Loss for the year	-	-	-	-	-	(12,625,813)	(12,625,813)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	(12,625,813)	(12,625,813)
Issue of shares	7,352	-	-	-	-	-	7,352
Equity to be issued	-	-	-	-	(11,040)	11,040	-
Share based payments	-	-	-	335,517	-	-	335,517
Share based payments lapsed	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Total transactions with owners	7,352	-	-	335,517	(11,040)	11,040	342,869
Total movement in shareholder's equity	7,352	-	-	335,517	(11,040)	(12,614,773)	(12,282,944)
Share issue costs	-	-	-	-	-	-	-
At 31 December 2015	10,195,024	8,703,332	11,605,556	934,966	535,138	(14,789,572)	17,184,444
At 1 January 2016	10,195,024	8,703,332	11,605,556	934,966	535,138	(14,789,572)	17,184,444
Loss for the year	-	-	-	-	-	(13,773,950)	(13,773,950)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	(13,773,950)	(13,773,950)
Issue of shares	280,153	2,288,113	-	-	-	-	2,568,266
Equity element of convertible loan	-	-	-	-	-	-	-
Equity to be issued	-	-	-	-	(490,978)	-	(490,978)
Share based payments	-	-	-	80,446	-	-	80,446
Share based transfer	-	-	-	(752,965)	-	752,965	-
Share issue costs	-	-	-	-	-	-	-
Total transactions with owners	280,153	2,288,113	-	(672,519)	(490,978)	752,965	2,157,734
Total movement in shareholder's equity	280,153	2,288,113	-	(672,519)	(490,978)	(13,020,985)	(11,616,216)
At 31 December 2016	10,475,177	10,991,445	11,605,556	262,447	44,160	(27,810,557)	5,568,228

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES**Basis of preparation**

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

Going Concern

The directors have taken a view of the Group as a whole. The Group has made good progress in securing a series of important contracts in 2016 and post year end has completed the restructuring of Digital Payments Division and the relaunch of the Mobile Data and Location Intelligence Division. Throughout 2016 the Group operated at a trading loss and whilst the Group has sufficient capital resources to meet its external current liabilities as they fall due over in the short term, the outlook presents some challenges in terms of timing of contractual revenue streams and the Group needs to secure new funding. Currently working capital is provided through a bank facility with Barclays Bank, which is secured by way of a debenture over the assets of the Group. The facility of £2.5m is fully drawn down as at 31 December 2016. These circumstances necessarily create material uncertainties over future trading results and cash flows of the Group, which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As a result, the Group Board has been exploring a number of options to fund the required investment whilst securing the financial future of the business. To support the next phase of development of the Group, the Company will be announcing a placing by way of an Accelerated Book Build, and Open Offer to raise approximately £4m. In conjunction with the proposed placing, the Company has received an Irrevocable undertaking from Barclays Bank to partially write off the outstanding loan and settle the balance through a combination of cash and share warrants, releasing the Company from all liabilities and obligations under the Barclays facility. Similarly, there is an agreement with White Angle Ltd, the holder of a convertible loan note, to convert the remaining balance to equity. This will allow Proxama to be completely debt free, further strengthening the Group's financial position. In the event that the Company does not raise a minimum requirement of £3.1m through the Accelerated Book Build and Open Offer then it will pursue other financing options open to it, including a Loan Note with an Alternative Investment Manager. The success of this activity is not known and therefore there is material uncertainty as to the source of the funds, which creates significant doubt. However, based on the current status, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group will be able to execute its plans in the medium term such that Group will have adequate resources to continue in operational existence for the foreseeable future. This provides the directors assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****Foreign currencies**

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

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

Investments

Investments are stated at cost, less any provisions for impairment in value. The Company grants options over its equity instruments to the employees of its subsidiaries. The carrying value of the investment in this subsidiary is increased by an amount equal to the value of the share based payment charge attributable to the option holders in the subsidiary.

Financial instruments

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

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

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

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

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

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

Cash and cash equivalents

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

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

Deferred taxation

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

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

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

Equity

Equity comprises:

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

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

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

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

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

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

Critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. An assessment of the impact of these estimates and judgements on the financial statements is set out below. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information is available.

*Estimates in applying the Company's accounting policies:**Fair values for employee share schemes*

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

*Critical judgements in applying the Company's accounting policies:**Impairment of Group balances*

The Board is required to consider whether investments and balances with Group companies are impaired. This requires an estimation of the expected future cash flows from the trading subsidiaries which depend on the future commercial success and profitability of the entities. Given the stage of development and trading performances to date, impairment provisions have been recognised (note 2 and 4).

Classification and valuation of financial instruments

The Company has issued financial instruments including conversion features and warrants. The valuation of these financial instruments, including Level 3 fair values where there are no observable market inputs, are performed in consultation with third party valuation specialists, with the overall aim of maximising the use of market based information.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2. FIXED ASSET INVESTMENTS

	2016 £	2015 £
Investment in Proxima Solutions Limited	4,807,579	14,614,142
Investment in Aconite Technology Limited	1,613,667	1,613,667
Capital contributions arising from IFRS2 share based payments charge	913,657	846,709
	<u>7,334,903</u>	<u>17,074,518</u>

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

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

*Indirectly held by Aconite Technology Limited

In view of operating losses incurred and the current change in focus of the business, the board has assessed the carrying value of subsidiary investments. The board considers that the carrying amount of investments approximates to their fair value, after incorporating an impairment provision of £9,806,563 (2015: £nil) against Proxima Solutions Limited.

The carrying value for the investments was considered based on expected recoverable value based on market multiples of revenue and earnings which were then referenced against the current market value of the Group. The multiples were determined with reference to industry data as adjusted by management to reflect the Group's size and phase of development. After impairment, management are of the view that the carrying amounts for investments is further supported by the impairment analysis prepared for assessing the recoverable amount of intangible assets. Failure to secure funding and be able to exploit the potential commercial opportunities would impact the assessment of recoverable value.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. LOSS BEFORE TAXATION

	2016 £	2015 £
The loss before taxation is stated after charging: -		
Share based payment	13,498	14,498
Exceptional items (notes 2 and 4)	12,485,756	11,823,081
Auditors remuneration:		
For audit services		
- Company audit	26,500	18,500
- Audit	12,000	-
For tax advisory services	15,000	100
For other non-audit services		
- Half year review	-	3,250

4. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Prepayments	1,624	1,563
Due from Proxima Solutions Limited	-	-
Due from Aconite Technology Limited	1,267,621	1,683,461
Due from Proxima Inc.	641,121	499,571
	<u>1,910,366</u>	<u>2,184,595</u>

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In view of the current challenging outlook, and in view of the current change in focus of the business, the board has assessed the requirement to provide for certain intercompany receivables. The board considers that the carrying amount of trade and other receivables approximates to their fair value, after incorporating an increase in impairment provision of £2,679,193 (2015: £11,823,081).

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank	<u>1,617,941</u>	<u>26,871</u>

6. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Trade payables	-	2,484
Accruals	50,700	104,680
Other payables	<u>25,507</u>	<u>26,920</u>
	<u>76,207</u>	<u>134,084</u>

7. BORROWINGS

	2016 £	2015 £
Current borrowings		
Bank facility	2,500,000	-
Convertible loan notes	2,655,662	-
Derivative financial instrument	<u>63,113</u>	<u>-</u>
	<u>5,218,775</u>	<u>-</u>
Non-current borrowings		
Bank facility	-	1,600,000
Convertible loan notes	<u>-</u>	<u>367,456</u>
	<u>-</u>	<u>1,967,456</u>

The bank loan is a revolving credit facility with Barclays Bank and is secured by way of a debenture over the assets of the Group. Interest on the bank loan is payable at 7% over base rate per annum on the amount drawn down plus 50% of the rate on the margin on the undrawn down element. The loan is repayable 24 months after the date of the facility agreement which was 14th September 2015, or if requested by the Group, and at the bank's discretion, the date falling 36 months after the date of the facility agreement. The loan will be repaid in the coming weeks, see post balance sheet event note 13.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Convertible loans

The Company has loan notes of £400,000 (2015: £400,000) in issue. Interest is accruing on the loan notes at 10% per annum (non compound). On 16 September 2015, 20% of the loan notes were redeemed at par, together with interest accumulated to that date. The notes were then subordinated to the Barclays loan.

Senior Convertible Loan Note Instrument

The Company has created £2,000,000 senior convertible loan notes on the terms set out in the loan instrument, which includes a maturity date of 12th December 2017. The issue consisted of 80 loan notes of £25,000 each issued at £22,500 each, i.e. £1,800,000.

The loan notes are convertible into a variable number of shares depending on the weighted average share price prior to conversion.

Alongside the loan notes, the holders have warrants to subscribe for up to 75,675,676 ordinary shares at a warrant price of £0.0124875 per share, expiring on 19 December 2021.

Subsequent to the year end all loan notes have been converted into shares but no warrants have been exercised.

8. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT**Treasury risk management**

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

Credit risk

The Company's principal financial assets are bank balances and intercompany receivables.

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

As a result, investment returns and credit risk to the Company in this regard are not material to the financial statements.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date. An impairment provision of £17,935,016 (2015 £11,823,081) is included against intercompany receivables based on an assessment of the recoverable value of the subsidiary entities.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Currency risks

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

The translation risk on the Company's foreign exchange payables and receivables is considered to be immaterial due to their small values.

Liquidity risk

The Company has sufficient capital resources to meet its external current liabilities as they fall due in H1 2017. However, the outlook presents some challenges in terms of achieving a return with minimal risks.

Operational cash flow represents financing support together with head office costs. The Company manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Company's policy is to manage liquidity by ensuring facilities are available for the Group as a whole as required or to issue equity share capital in accordance with long-term cash flow forecasts. The Company currently has no undrawn committed facilities as at 31 December 2016.

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

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

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

At 31 December 2016 the Company had financial liabilities by way of a facility with Barclays Bank, one convertible loan note repayable no earlier than the Barclays loan, and new senior convertible loan notes which have all converted to equity post year end. The Group has a fully drawn down bank facility of £2.5m (2015 £1.6m). This bank facility is planned to be settled over the coming weeks as detailed in note 13.

Interest rates on the Barclay's loan is 7% over base rates and on the convertible loan is fixed at 10%. No interest is payable on the senior convertible loan notes but they attract a redemption premium if redeemed by the Company of 5% of the principal.

Derivative financial instruments

In accordance with IAS 39, "Financial instruments: recognition and measurement", the Company has reviewed all contracts for derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Commodity contracts

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

Capital management

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

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

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

	2016 £	2015 £
Capital		
Total equity	<u>5,568,228</u>	<u>17,184,444</u>
Total equity	5,568,228	17,184,444
Borrowings	<u>5,218,775</u>	<u>1,967,456</u>
Overall financing	<u>10,787,003</u>	<u>19,151,900</u>
Equity to overall financing ratio	<u>0.52</u>	<u>0.90</u>

Categories of financial instruments

All of the Company's financial assets are classified as loans and receivables.

The accounting policies applied are set out in note 1. The carrying amounts of financial assets and liabilities as at 31 December 2016 are categorised as follows:

	2016 £	2015 £
Carrying value of financial assets and liabilities within the Company statement of financial position:		
Financial assets classified as loans and receivables		
Trade and other receivables	1,908,742	2,183,032
Cash and cash equivalents	<u>1,617,941</u>	<u>26,871</u>
	<u>3,526,683</u>	<u>2,209,903</u>

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Financial liabilities at amortised cost

Trade and other payables	76,207	134,084
Convertible loan notes	2,655,662	367,456
Other borrowings	2,500,000	1,600,000
	<u>5,206,362</u>	<u>2,101,540</u>

Financial liabilities at fair value

Conversion feature on convertible loan	<u>63,113</u>	<u>-</u>
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The derivative classified as a financial liability is based on a Level 3 valuation per the hierarchy as established by IFRS13, being derived from the volatility in the Company's share price.

The contractual maturity of financial liabilities is as follows:

At 31 December 2016	Within 6 months £	Between 6 – 12 months £	Between 1 to 2 years £	Total £
Trade and other payables	76,207	-	-	76,207
Convertible loan notes	-	2,655,662	-	2,655,662
Other borrowings	-	2,500,000	-	2,500,000
	<u>76,207</u>	<u>5,155,662</u>	<u>-</u>	<u>5,231,869</u>

At 31 December 2015	Within 6 months £	Between 6 – 12 months £	Between 1 to 2 years £	Total £
Trade and other payables	134,084	-	-	134,084
Convertible loan notes	-	-	367,456	367,456
Other borrowings	-	-	1,600,000	1,600,000
	<u>134,084</u>	<u>-</u>	<u>1,967,456</u>	<u>2,101,540</u>

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

9. SHARE CAPITAL

Allotted, called up and fully paid:

	2016	2015
	£	£
(2015: 1,019,502,472) ordinary shares of 1p each	-	10,195,024
1,721,245,256 (2015: nil) ordinary shares of 0.01p each	172,124	-
1,040,712,398 (2015: nil) deferred shares of 0.99p each	10,303,053	-
	<u>10,475,177</u>	<u>10,195,024</u>

Shares issued during the year

- On 28 January 2016 42,095 ordinary 1p shares were issued at par as one employee exercised their right to purchase share options.
- On 31 March 2016 20,892,669 ordinary 1p shares were issued at a premium of 1.35p per share, being settlement of deferred consideration on the acquisition of Aconite Technology Limited.
- On 13 June 2016 275,162 ordinary 1p shares were issued at par to two employees who exercised their right to purchase share options.
- On 26 July 2016, each ordinary share of 1p each in issue was subdivided into 1 ordinary share of 0.01p and one deferred share of 0.99p
- On 26 July 2016 666,666,666 ordinary 0.01p shares were issued at a premium of 0.0029p per share.
- On 19 September 2016 13,866,192 0.01p shares were issued at a premium of 0.0052p per share as one employee exercised their right to purchase share options.

Share rights

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Deferred shares have attached to them no voting, dividend or capital distribution (including on winding up) rights; they do not confer any rights of redemption.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10. SHARE BASED PAYMENTS

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

Details of the share options outstanding at the year end to the employees of the Company, Proxima Plc were as follows:

	Number 2016	Number 2015
Outstanding at the beginning of the year	4,938,271	-
Granted during the year	-	4,938,271
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the year	<u>4,938,271</u>	<u>4,938,271</u>

The weighted average contractual life of options outstanding at year end is 8.0 (2015: 9.0) years. The share price at the date of grant in 2015 was 1.23p.

No options were granted to employees of Proxima Plc during 2016.

Details of all share options in issue and the assumptions to evaluate the share based payment charge are disclosed in note 20 of the Group accounts.

The Company recognised total expenses of £13,498 (2015: £14,498) related to equity settled, share based payment transactions during the year.

11. CAPITAL COMMITMENTS

No capital expenditure was committed to as at 31 December 2016.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12. RELATED PARTY TRANSACTIONS

During 2013 the Company issued a total of 1,000,000 50p loan notes to White Angle Ltd, a Company wholly owned by White Angle Ltd for a total of £500,000. Interest is accruing on the loan notes at 10% per annum (non compound). Both the interest and the loan notes was repayable on the third anniversary of the issue of the loan note instrument. However on 16 September 2015, £100,000 of the loan principal along with all the accrued interest at that point of £127,534 was repaid. The loan was then subordinated to the Barclay's loan (note 16) so it is no longer redeemable in March 2016, and cannot be redeemed until the Barclays loan has been repaid. The interest charge included in these accounts amounts to £65,984 (2015: £46,542) and the balance of the loan as at 31 December 2016 is £451,616 (2015: £411,616).

Subject to the Barclays Loan of £2,500,000 which is senior debt, the holder of the loan note has the right to convert it, together with accrued interest if it so chooses, into ordinary shares at the rate of one ordinary share per 50p loan note. The loan note is a compound financial instrument, containing both elements of liability and equity. Included in the amount above, an amount of £44,160 (2015: £44,160) has been estimated as being in relation to the equity element. The liability element recognised has a carrying value of £433,440 (2015: £367,456).

At 31 December 2016, Proxama Plc was owed £13,631,434 (2015: £11,823,081) by Proxama Solutions Limited, £2,138,461 (2015: £1,683,461) by Aconite Technology Limited and £641,121 (2015: £449,571) by Proxama Inc.

At 31 December 2016, a provision of £13,631,434 (2015: £11,823,081) has been made against the amounts due from Proxama Solutions Limited and £870,840 (2015: £nil) from Aconite Technology Limited.

13. POST BALANCE SHEET EVENTS

The £2m convertible loan notes were all converted into Ordinary shares during Q1 of 2017 as follows:

- £300,000 converted in January 17 into 75,373,854 Ordinary shares at a price of 0.398016 pence
- £900,000 converted in February 17 into 319,774,878 Ordinary shares at a price of 0.281448 pence
- £800,000 converted in March 17 into 292,937,282 Ordinary shares at a price of 0.273096 pence

Subject to securing funding from an Accelerated Book Build and Open Offer or loan funding from an Alternative Investment Manager, the £2.5m loan with Barclays has been agreed to be partially repaid, by way of a combination of cash and share warrants, with the remaining balance written off by the Bank.

The convertible loan note with a capital value of £400,000 has been agreed to be converted to equity.

COMPANY INFORMATION

Directors

Gavin DP Breeze (resigned 15 July 2016)

Dr Neil R Garner (resigned 27 January 2016)

John Kennedy

David J Bailey

Michael J Woods – (resigned 18 May 2017)

Shaun Gregory

Kelvin F Harrison (appointed 15 February 2017)

Company secretary

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