
Financial Analysis Summary

26 November 2018

Issuer

6PM Holdings p.l.c.

(C 41492)

The Directors
6PM Holdings p.l.c.
Idox Business Centre
Triq it-Torri
Swatar, B'Kara BKR 4012

26 November 2018

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary (the “**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to 6PM Holdings p.l.c. (the “**Company**”, “**Issuer**” or “**6PM Group**”) and its parent company Idox plc (the “**Idox Group**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the latest three years (31 December 2015, 31 December 2016 and 31 October 2017) has been extracted from the audited consolidated financial statements of the Company.
- (b) The forecast data of the 6PM Group for the year ending 31 October 2018 has been provided by management of the Company.
- (c) Historical financial data relating to Idox plc for the latest three years (years ending 31 October 2015, 31 October 2016 and 31 October 2017) and interim periods 1 November 2016 to 30 April 2017 and 1 November 2017 to 30 April 2018 has been extracted from its audited consolidated annual financial statements and reviewed consolidated interim financial statements respectively.
- (c) Our commentary on the results of the 6PM Group and Idox Group and on their respective financial positions is based on the explanations provided by the Company.

- (d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) Relevant financial data in respect of the companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist current and potential investors in the Company's securities by summarising the more important financial data of the 6PM Group and its parent, Idox plc. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest in any of the Company's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company's securities.

Yours faithfully,



Evan Mohnani
Head – Corporate Finance

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PART 1 – INFORMATION ABOUT THE ISSUER

1. KEY ACTIVITIES

6PM Holdings p.l.c. is the parent company of the 6PM Group (the “**Company**”, “**Issuer**” or the “**6PM Group**”), and acts as a holding and finance company. The 6PM Group is principally involved in the provision of IT and business solutions for the healthcare industry, which include clinical solutions, data management solutions and mobile health solutions. Its main customers comprise trusts operating within the UK National Health Services (UK NHS).

In Q1 2017, the 6PM Group was acquired by Idox plc (the “**Idox Group**”) and on 26 July 2017, the Company’s issued share capital was de-listed from the official list of the Malta Stock Exchange. Idox plc is an AIM quoted company established in the UK that specialises in information management and digital transformation solutions primarily to the public sector and also to asset intensive industries around the world. The Idox Group operates through five business segments: Public Sector Software (PSS); Engineering Information Management (EIM); Content (CONT); Digital (DIG); and Health (HLT).

2. DIRECTORS

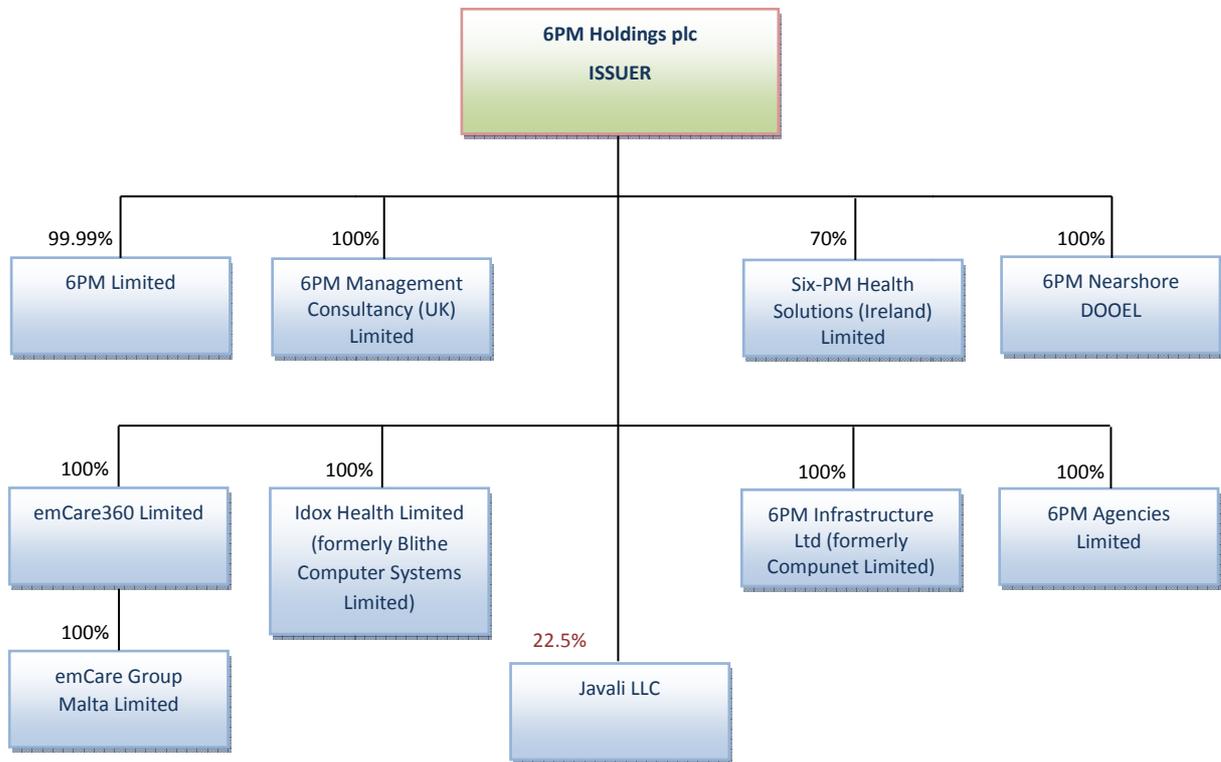
The Company is managed by a Board consisting of four directors entrusted with its overall direction and management. In the execution of the strategic direction, investment and management oversight of the 6PM Group, the Board is assisted by the senior officers of the Idox Group.

Board of Directors

Lucienne Vassallo	Executive
Anthony Marshall	Non-Executive
Michael Hakiel	Non-Executive
Dean Bennett	Non-Executive

3. 6PM GROUP ORGANISATIONAL STRUCTURE

The diagram below illustrates the principal subsidiary and associate companies within the organisational structure of the 6PM Group.



The following is a brief overview of the principal Operating Companies of the 6PM Group:

6PM Limited - The company is engaged in the provision of information technology services, including software development and maintenance, and offers these services both locally and overseas. As of the date of this report, 6PM Limited generates the most revenue for the 6PM Group and employs a substantial portion of the 6PM Group's workforce.

6PM Management Consultancy (UK) Limited – The company acts as the primary sales office for the solutions of the 6PM Group for the United Kingdom, the 6PM Group's main market.

6PM Nearshore DOOEL – The company is principally involved in the development and implementation of 6PM Group products and solutions. The company employs 30 IT professionals and complements the research & development and delivery teams in Malta.

SIX-PM Health Solutions (Ireland) Limited - The key business activities of the company include document management services, microfilming, scanning, off-site storage and consultancy. The sales team of the company also actively market and sell 6PM Group products and solutions.

Idox Health Limited (formerly Blithe Computer Systems Limited) – The company specialises in the provision of systems and solutions for the management of Electronic Patient Records (EPR) within the healthcare sector, particularly in relation to sexual health and substance misuse. It is compliant with the national and international ISO 9001:2008 and ISO/IEC 17799:2009. The company’s solutions are currently being used by more than 10,000 healthcare professionals in more than 700 locations throughout the United Kingdom.

6pm Infrastructure Ltd (formerly Compunet Limited) - The company is principally engaged in the importation and sale of IT related hardware, products, consumables, networking supplies and other accessories. During the second quarter of 2015, the company ceased operations of its retail outlet which was located in Birkirkara, Malta.

emCare360 Limited - The principal activities of the company relates to the commercialisation of the emCare electronic service platform (“emCare”). EmCare was built by the 6PM Group between 2011 and 2013. Since its launch in November 2013, the company has taken over the Telecare Service in Malta in collaboration with GO p.l.c. servicing just under 10,000 households. Complementing the Telecare Service, emCare has also introduced a Vital Signs Monitoring service and this is being implemented and adopted by care providers in Malta, Italy and the UK. All services are integrated with a central repository that enables emCare to manage an Electronic Medical Record (EMR) for and on behalf of its customers. On 1 January 2016, the Issuer acquired the remaining 50% shareholding in emCare360 Limited.

Javali LLC - is a joint venture between the University of Utah, United States of America, the 6PM Group and other American entrepreneurs. Javali is a product with revenue leakage auditing capability and was developed using the CareSolutions platform of the 6PM Group. Hospitals occasionally overcharge or undercharge clients for medical episodes, and such leakage typically occurs as a result of improper medical coding. The term “coding” refers to the activity performed by qualified personnel (a “coder”) to analyse clinical statements and assigning clinical codes using a classification system. These clinical codes are used for a number of purposes including billing. Trading commenced during FY2015. In the same year, the Issuer increased its shareholding in the company from 10% to 22.5%, and is currently an AFS (available-for-sale) investment.

4. 6PM GROUP BUSINESS OVERVIEW

4.1 Principal Activities

The 6PM Group provides a range of solutions to enable organisations enhance and optimise business efficiency. Its products comprise clinical solutions, HR solutions, data management solutions and mobile health solutions. The 6PM Group also offers professional services and infrastructure such as business intelligence and data warehousing solutions, EDM consultations, datacentre services and infrastructure services.

The 6PM Group operates principally in the health market vertical and is mainly active within the UK's NHS. Its flagship products include iFIT and Lillie, which are described in further detail in section 4.2 below. The following is an analysis of the Group's revenue from continuing operations by reportable segments:

6PM Group - Revenue Analysis for the year ended

	31 Dec 2015 Restated (12 mths) £'000	31 Dec 2016 Actual (12 mths) £'000	31 Oct 2017 Actual (10 mths) £'000	31 Oct 2018 Forecast (12 mths) £'000
Licences and products	2,303	1,907	3,725	4,635
Services	2,670	1,999	2,364	1,688
Support and maintenance	2,401	2,297	785	3,259
Other	987	919	-	16
Total revenue	8,361	7,122	6,874	9,598
<i>% of total revenue:</i>				
Licences and products	28%	27%	54%	48%
Services	32%	28%	34%	18%
Support and maintenance	29%	32%	11%	34%
Other	12%	13%	0%	0%

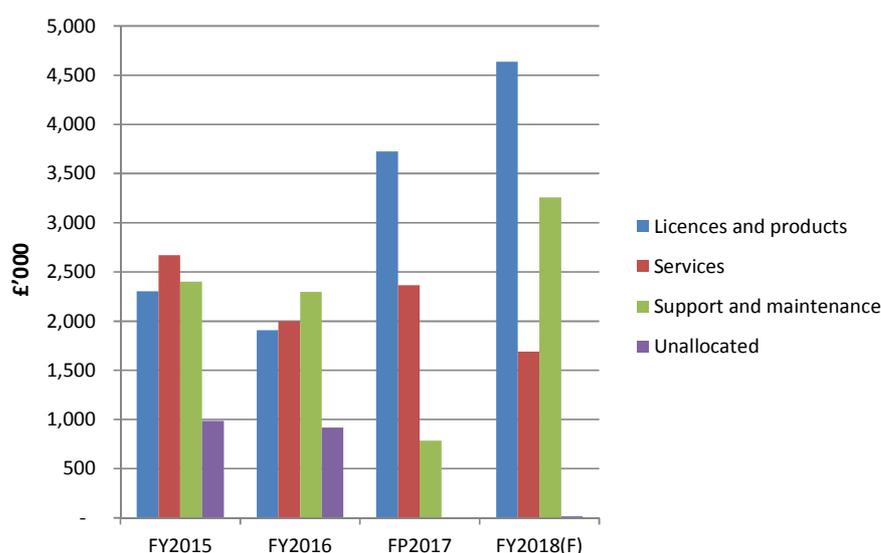
Note 1: The financial statements for FY2015 have been restated primarily due to erroneous and inconsistent application of accounting standards.

Note 2: In 2017, 6PM Group changed its financial year end from 31 December to 31 October. In this regard, the financial information for 2017 covers the 10-month period 1 January 2017 to 31 October 2017.

A description of each revenue segment is provided hereunder:

- **Licences and products** – solutions are offered to customers through the granting of restrictive non-exclusive licence agreements for the utilisation of such solutions in accordance with the terms and conditions thereof. To a lesser extent, the 6PM Group also sells products (technological infrastructure and devices) to consumers and businesses.
- **Services** – This income stream principally relates to professional services provided to clients with respect to the implementation of the 6PM Group’s solutions and required customisations.
- **Support and maintenance** – The 6PM Group offers support and maintenance services for all products and licences sold to customers.

6PM Group Revenue Analysis



In FY2016, revenue decreased by £1.2 million (-15%) when compared to a year earlier, from £8.4 million in FY2015 to £7.1 million. Each operating segment registered y-o-y declines, particularly licences & products and services, which decreased by £0.4 million (-17%) and £0.7 million (-25%) respectively.

During the following financial period, which ended 31 October 2017, a y-o-y decrease in revenue of £0.2 million was registered. It should be noted however that FP2017 consisted of a 10-month period (due to a change in year-end) as compared to a 12-month cycle in FY2016. In FP2017, revenue generated from licences & products increased considerably by £1.8 million, from £1.9 million in FY2016 to £3.7 million, while the provision of services also increased 18% from £2.0 million in FY2016 to £2.4 million in FP2017. In contrast, income from support & maintenance decreased by £1.5 million to £0.8 million in FP2017 (FY2016: £2.3 million). Moreover, no miscellaneous revenue was generated in FP2017 (FY2016: £0.9 million).

Revenue in FY2018 is projected to increase substantially by £2.7 million (40%) from £6.9 million in FP2017 to £9.6 million, principally on account of an increase in licences & products and support & maintenance of £0.9 million and £2.5 million respectively. The afore-stated growth in revenue is however expected to be dampened by a £0.7 million decrease in income from services. In FY2018, the top 5 customers of the 6PM Group are expected to generate 11% of aggregate projected revenue (FP2017: top 5 customers generated 20% of total revenue).

4.2 Principal Products

The 6PM Group's principal products can be split into three categories as follows:

1. **Hospital Management Solutions** – these products provide operational support with a view to improve service standards and process efficiencies. The solutions also make use of data analysis tools to assist business decision processes.
 - a) **iFIT (Intelligent File and Inventory Tracking)** is a unique multi-purpose tracking and business management solution. The core functionality of the solution provides support for mobile devices and fixed RFID (radio-frequency identification) infrastructure whilst the various verticals enable users to carry out their day-to-day operations effectively by capturing data in a timely manner, processing it to generate the required outputs as well as providing the visibility needed by management on operational efficiency. The use of both passive and active RFID tags detected by readers and sensors within the customer's estate is also part of this modern logistics management technology. It has enabled NHS trusts and health boards across the UK meet Cost Improvement Programme (CIP) targets, address Care Quality Commission (CQC) issues and significantly reduce the costs of managing medical records, devices, drugs, specimens, personnel, supplies and other physical hospital items.
 - i. **iFIT iRecords** transforms the current medical records processes into a modern, location-based logistics operation, utilising the latest RFID technology and complying with GS1 standards. Savings are achieved by implementing the enhanced functions delivered through the iFIT solution including automatic tracking of records in real-time, complete control of your paper records inventory, reduce and eliminate lost records, automatically log ad-hoc requests instead of the use of emails, hand-written notes or phone calls, over 25 pre-built management, operational and KPI reports specific to medical records management, eliminating pre-sort and snaking of records and improved information governance and auditability.
 - ii. **iFIT iAssets** tracks and intelligently manages mobile hospital assets, ensuring that the customer has a 360-degree view of everything required to manage equipment effectively, such as their location history, availability, maintenance, assignment to patients and their overall utilisation. iAsset's new SmartFind view shows users the asset locations graphically on a user-friendly map of the hospital site. The system enables rapid and simple location of the nearest available device with the 'Find my nearest' function. This ensures even shorter search times and increased patient safety. This

essential data can then be used by other business functions, such as procurement, to determine what new equipment is required and where it is most needed.

- iii. **iFIT iPharmacy** tracks and digitally prioritises drug prescriptions while also ensuring the internal pharmacy workflows are monitored and visible. One of the main pharmacy challenges for hospitals is the inability to digitally prioritise prescriptions. With iFIT, prioritisation is clear – the solution defines the correct delivery order for each prescription rather than following a ‘first-in, first-out’ approach. With iFIT, discharge medication is clearly identified allowing internal Service Level Agreements (SLAs) to be met. In addition, it facilitates, patient flow and discharge for beds to be released for incoming patients in a timely manner. As such, the service addresses the issue of extended bed occupancy which occurs when patients are discharged but unable to leave before their medication is processed. iFIT’s real-time solution is automatically updated at each stage of the dispensing process and maximises drug visibility, delivering an audit trail after prescriptions leave the pharmacy department. As a result, the hospital pharmacy can reduce incidences of re-dispensing or unaccounted-for medication, as well as maximise productivity through improved communication across healthcare teams.

- b) **Health Data Warehouse** has been built in collaboration with the NHS and is a valuable tool that provides unlimited access to the customer’s health data. The solution offers continuous, real-time, and reliable data, with no delays and reduced downtimes. It connects directly to the EHR (electronic health record) platform and retrieves data in real-time by performing net change replications in a time frame determined by the trust. As a result, the trust has a fully accessible replica of the EHR data, providing transparency of data from the EHR platform enabling improved reporting and operational performance analysis. Extracts from the health data warehouse can also be generated in line with data submissions requested as part of the statutory obligations of customers.

2. Clinical Solutions – these products provide support to clinical resources on specific patient care pathways, and as such provide a more detailed electronic record for the patient.

- a) **Lilie** is the market-leading clinical management software specifically designed for contraception and sexual health (CaSH), genitourinary medicine (GUM), human immunodeficiency virus (HIV) and fully integrated sexual health services. It supports multi-disciplinary teams in treating sexual health and HIV patients whilst streamlining services and delivering the cost savings to customers. Lilie opens up the patient record, giving visibility to all electronically recorded information. At a glance, healthcare professionals can review previous consultations, test results, referrals and written correspondence, previously prescribed medication, statutory reporting i.e. HIV and AIDS Reporting System (HARS), Sexual and Reproductive Health Activity Data set (SRHAD) and Genitourinary Medicine Clinic Activity Data Set (GUMCAD) and ad hoc report generation - in a secure manner. Lilie is a fully scalable Electronic Patient Record system (EPR) used to capture outpatient activity, diagnoses and treatments for GUM patients. Having patient data in an

EPR system provides the clinic team members with fast access to patient records and greatly reduces administration functions. All audit and quality measures are incorporated automatically to reduce clinical risk and improve the quality of the sexual health service.

- b) **Climate-HIV** is a specialised solution, which has all the customer's HIV patients' data in a hosted EPR. With a Patient Overview Dashboard, clinicians have faster access to all crucial patient information at a glance. The solution also speeds up data collection by making it easier to prescribe and monitor drug usage, sign off pathology tests, document patient encounters, write clinical letters and code diagnoses. The solution is web-enabled, eliminating the need to install software on individual workstations. The system can be accessed by approved staff from any NHS computer. All Climate-HIV patient data is streamed over the health and social care network (HSCN) or N3 national broadband network using Secure Sockets Layer (SSL) industry standard encryption to encapsulate the patient data transferred between clinician and the secure Idox Health cloud. Therefore, all audit compliance measures are incorporated automatically to ensure improvement of the service throughout the entire care pathway. Public Health England requires the HIV and AIDS Reporting System (HARS) data set to be submitted quarterly. Climate-HIV was one of the first fully compliant solutions to test these HARS data set submissions.
- c) **StrokePad** is a Windows-based tablet solution, which is very intuitive and easy to use. It was developed to enable the care process of a stroke patient to be recorded quickly and accurately from start to finish. The solution allows clinicians to enter information onto a handheld wireless tablet at the bedside while they are making their clinical assessment. It follows the 'real life' clinical processes undertaken by highly experienced clinical staff while recording each step of the patient journey. StrokePad automates reporting, allowing clinicians to focus on patient care and to decide the best course of treatment. Each phase of assessment is recorded and time-stamped for ease of reporting. StrokePad records and consolidates all aspects of the treatment and captures auditable information needed for improvement of the service. It provides outcomes to other bodies, including Stroke Networks and Sentinel Stroke National Audit Programme (SSNAP).
- 3. Electronic and Mobile Care (emCare)** is an electronic and mobile platform geared up to provide services to both individuals (business to consumer) and to organisations (business to business).
- a) **eCare** – this is an environmental monitoring service available predominantly to elderly people living alone in their own residence. This service is comprehensive and monitors falls, gas leaks, extreme temperatures, floods and other services such as medicine dispensing. This service is fully supported by a 24x7 call centre.
- b) **mCare** – this is a mobile service operated through the mobile phones of users. mCare provides continuous GPS tracking, alert button, medication reminder and other features.

The intellectual property relating to Hospital Management and Electronic and Mobile Care solutions are fully owned by the 6PM Group, as is the intellectual property for the Lilie product.

For Clinical solutions, the intellectual property of Climate-HIV is fully owned by North Middlesex University Hospital NHS Trust and the intellectual property of StrokePad is co-owned by the 6PM Group and University College London Hospitals NHS Foundation Trust. Such clinical products are developed in close collaboration with clinicians for use by clinicians and are implemented upon completion within at least one NHS hospital that becomes the reference site for other hospitals. The 6PM Group has exclusivity in relation to the commercialisation of the above-mentioned clinical products and each of the respective NHS Trust is entitled to a royalty fee from sales thereof.

5. RESEARCH AND DEVELOPMENT

Research and development activities are an integral part of the 6PM Group's operations to ensure it remains at the forefront of innovative solutions that deliver business benefit to customers.

Strategic roadmaps are maintained for each of the products, outlining improvements and new developments planned for the medium and longer-term to ensure the 6PM Group meets current and future customer needs as well as addresses market challenges and industry trends, resulting in high quality clinical care and sustainable operations at customer sites.

With mobility and tracking established as key concepts within the NHS, the Group maintains its investment in these areas to ensure that latest hardware is brought into the solutions provided, leading to improved ease for data capture, more cost-effective solutions as well as extended spectrum and robustness in the logistics tracking platform. Mobility is also supporting two additional areas of research and development: (i) a variety of mobile applications with a view to engage further with end-users and patients; and (ii) to support the Scan4Safety strategy within the NHS.

Interoperability is another area of focus for the 6PM Group to be able to collaborate with a wider range of partners within the NHS supply chain. Engaging with different organisations necessitates researching new technologies and looking into integration options to provide a seamless solution to the end customer. Such initiatives also highlight the need for strict security measures, full audit capabilities and compliance to data access regulations, all of which are part of the research and development activities.

As in previous years, the 6PM Group also continues to invest in alternative deployment models for the 6PM Group's products to ensure that customers have a range of options, which best suits their budgets and server estates, including hosting, SaaS (Software as a Service), on-premise and bring-your-own device models.

6. TREND INFORMATION AND COMPETITION

In 2014, NHS England published a Five Year Forward View, setting out ***“how the health service needs to change, arguing for a more engaged relationship with patients, carers and citizens so that we can promote wellbeing and prevent ill-health.”*** It defines the vision for a better service and steps that need to be taken to achieve this. The vision is based on 3 key aspects of quality in health care – patient safety, clinical effectiveness and patient experience.

At the core of this vision is technology as one of the main enablers for achieving expected outcomes. The NHS has defined a new approach to technology adoption, where it focuses on key systems that

provide the “electronic glue” to enable different parts of the health service to work together whilst the local NHS will decide upon and procure other systems, provided they meet nationally specified interoperability and data standards. To lead this sector-wide approach, a National Information Board was established, bringing together various stakeholders within the health and public sector to advance the implementation of this Five Year Forward View.

The Personalised Health and Care 2020 Framework, published by the National Information Board, details how ***“better use of data and technology has the power to improve health, transforming the quality and reducing the cost of health and care services. It can give patients and citizens more control over their health and wellbeing, empower carers, reduce the administrative burden for care professionals, and support the development of new medicines and treatments.”***

Seven groups of initiative proposals were defined in this framework as follows:

- i. Enable a person to make the right health and care choices.
- ii. Give care professionals and carers access to all the data, information and knowledge they need.
- iii. Make the quality of care transparent.
- iv. Build and sustain public trust.
- v. Bring forward life-saving treatments and support innovation.
- vi. Support care professionals to make the best use of data and technology.
- vii. Assure best value for taxpayers.

The 6PM Group has aligned its product roadmaps in line with the vision outlined above in that:

1. The Sexual Health product ‘Lilie’ is at the basis of the case study mentioned in the report for proposals to enable the right health and care choices, enabling technologies to improve the management of health and access to care services by patients. This market-leading product remains at the fore-front with the recent introduction of the Virtual Clinic portal, providing patients with access to their health record and appointment booking from their mobile and home computing devices.
2. The Health Records vertical within iFIT - iRecords - supports the transition from paper to digital patient and care records, planned to be completed by 2020. Primarily, this product manages the current paper record inventory, which cannot be destroyed and is substantially costly to digitise. It introduces mobility and tracking technology to improve efficiency in day-to-day operations but more importantly facilitates the management and visibility of a hybrid system between paper and digital records through a common portal.

The IT solutions industry within health remains highly competitive and innovation is crucial to maintain relevant in such a market. The 6PM Group continues to invest in its research and development functions as outlined above, ensuring that its product and service propositions provide value to customers, healthcare professionals and patients.

7. BUSINESS STRATEGY

Whilst the integration of the various business functions is now nearing completion, the 6PM Group is still focused on its innovative approach, particularly in relation to its flagship products – iFIT and Lillie. These two products have continued to extend their scope over the past year with the introduction of iPharmacy, significant improvements in iAssets and the launch of the virtual clinic solution. Making solutions available to customers through a secure hosted environment has also been one of the major achievements this year.

emCare has continued to strengthen its reputation as a high-quality service provider in Telecare services within the Maltese market, through the provision of its services to an increasing share of the population. In addition, as part of the integration process within the Idox Group, emCare has found its niche area, positioning its business for growth and complementing other areas of the organisation, predominantly health and social care.

Going forward, concrete roadmaps are also in place for next year to provide its customers with added business benefits through patient tracking and supporting the scan-for-safety strategy that most of its customers are looking to adopt. In addition, capitalising on its experience in the UK market, the 6PM Group will also be exploring opportunities in health markets outside the UK in the coming months. In the case of emCare, plans are in place to explore new opportunities by extending its portfolio of products and services, both locally and abroad.

Leveraging on its expertise, experience and innovative approach within the healthcare market, the 6PM Group aims at achieving sustained revenue, profit and cash flow growth within the wider Idox Group.

8. IDOX GROUP BUSINESS OVERVIEW

8.1 Introduction

The entire share capital of 6PM Holdings plc was acquired by Idox plc on 9 March 2017, and shortly thereafter, a restructuring exercise was initiated to integrate the 6PM Group into the Idox Group as the 'Idox Health' division. Significant progress has been achieved in this regard with expected synergies delivering results as from FY2018.

As to the financial obligations of the 6PM Group, the Directors have obtained assurance that Idox plc, as the majority shareholder, will continue to support the 6PM Group financially on an ongoing basis, to enable the 6PM Group to meet its liabilities as and when they fall due.

A brief overview of the principal activities and financial results of the Idox Group is provided hereunder.

8.2 Principal Activities

The Idox Group is a supplier of specialist software, services and content to a diverse customer base spanning both the UK and international markets. It operates through 19 offices in 11 countries and has *circa* 766 employees.

The Idox Group provides: (i) public sector organisations with tools to manage information and knowledge, documents, content, business processes and workflow as well as connecting directly with the citizen via the web and providing elections management solutions; (ii) decision support content such as grants and planning policy information and corporate compliance services; and (iii) engineering document control, project collaboration and facility management applications to many companies in industries such as oil & gas, architecture and construction, mining, utilities, pharmaceuticals and transportation in North America and around the world.

Revenue generated by the Idox Group is organised into 5 business units, as follows:

- (i) **Public Sector Software (PSS)** – specialist information management solutions and services to the public sector.
- (ii) **Engineering Information Management (EIM)** – engineering document management and control solutions to asset intensive industry sectors.
- (iii) **Content (CONT)** – funding and compliance solutions to corporate, public and commercial customers.
- (iv) **Digital (DIG)** – digital consultancy services to public, private and third sector customers.
- (v) **Health (HLT)** – a broad range of innovative solutions to the healthcare market (broadly, the operating business activities of the 6PM Group).

8.3 Financial Highlights

The financial tables set out below provide information on Idox plc for the financial years ended 31 October 2015 to 31 October 2017, and for the interim six-month periods ended 30 April 2017 and 30 April 2018. The afore-mentioned financial data has been extracted from the audited annual consolidated financial statements of Idox plc for each of the years ended 31 October 2015 to 31 October 2017 and the reviewed interim consolidated financial statements for the six-month periods ended 30 April 2017 and 30 April 2018.

In relation to the audited annual financial statements for FY2017, the Auditors gave a qualified opinion as explained hereinafter. With respect to revenue and deferred income within the sub-group headed by 6PM Holdings p.l.c., having balances of £7.6 million and £4.3 million respectively, the audit evidence available to the Auditors was limited because 6PM Holdings p.l.c.'s group, which was acquired in February 2017, had a history of poor record keeping until it was fully integrated into the Idox Group in July 2017 and the record keeping issues addressed. Owing to the nature of the company's records, the Auditors were unable to obtain sufficient appropriate audit evidence regarding these elements of revenue and deferred income by using other audit procedures.

In addition, with respect to consolidated revenues of £0.4 million and consolidated net liabilities of £0.2 million in three of 6PM Holdings p.l.c.'s subsidiaries, the audit evidence available to the Auditors was also limited because the accounting records of these three subsidiaries was poor. Owing to the nature of the company's records, the Auditors were unable to obtain sufficient appropriate audit

evidence regarding these matters by using other audit procedures. As a result of the poor record keeping and poor accounting records, the Auditors were unable to determine whether any adjustments might have been found necessary in respect of these two matters.

As a result of the above-stated issues, the finance team conducted a comprehensive review of revenue, accrued income and debtors, and identified a number of prior period errors in relation to timing of when revenue had been recognised. Accordingly, the financial statements with respect to FY2017 have been restated.

IDOX PLC Condensed Consolidated Statement of Comprehensive Income	for the financial year ended			for the 6-mth period ended	
	31 Oct	31 Oct	31 Oct	30 Apr	30 Apr
	2015	2016	2017	2017	2018
	Actual	Actual	Restated	Interim	Interim
	£'000	£'000	£'000	£'000	£'000
Revenue	62,575	76,739	86,403	43,565	35,241
Net operating expenses	(44,360)	(55,287)	(70,095)	(33,950)	(32,534)
EBITDA¹	18,215	21,452	16,308	9,615	2,707
Depreciation and amortisation	(6,265)	(6,636)	(9,641)	(4,475)	(5,368)
Restructuring, acquisition and other costs	(1,406)	(531)	(1,068)	(536)	138
Impairment	-	-	(2,681)	-	(39,530)
Net finance costs	(781)	(1,302)	(1,668)	(1,182)	(1,125)
Profit/(loss) before tax	9,763	12,983	1,250	3,422	(43,178)
Taxation	(1,934)	(1,177)	(420)	(524)	2,725
Non-controlling interest	-	-	(10)	(49)	22
Profit/(loss) after tax	7,829	11,806	820	2,849	(40,431)
Other comprehensive income					
Exchange differences	(276)	295	265	(73)	(20)
Total comprehensive income/(loss)	7,553	12,101	1,085	2,776	(40,451)

¹ EBITDA - Earnings before interest, tax, depreciation, amortisation, non-recurring items and impairment.

IDOX PLC Revenue Analysis	for the financial year ended			for the 6-mth period ended	
	31 Oct	31 Oct	31 Oct	30 Apr	30 Apr
	2015	2016	2017	2017	2018
	Actual	Actual	Restated	Interim	Interim
	£'000	£'000	£'000	£'000	£'000
Public Sector Software (PSS)	35,803	40,966	41,202	20,541	16,344
Engineering Information Management (EIM)	13,606	14,059	12,901	6,578	4,830
Content (CONT)	12,020	10,804	12,421	5,985	6,547
Digital (DIG)	1,146	10,910	12,796	7,060	3,683
Health (HLT)	-	-	7,083	3,401	3,837
Total revenue	62,575	76,739	86,403	43,565	35,241
Recurring revenues	27,613	32,861	38,588		
Non-recurring revenues	34,962	43,878	47,815		
Total revenue	62,575	76,739	86,403		

IDOX PLC				
Condensed Consolidated Statement of Financial Position				
as at	31 Oct	31 Oct	31 Oct	30 Apr
	2015	2016	2017	2018
	Actual	Actual	Restated	Interim
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	74,812	82,519	122,754	80,538
Property, plant and equipment	1,077	1,115	1,807	1,566
Investments	-	-	18	18
Other Receivables	4,956	6,094	8,738	5,621
Deferred tax assets	1,649	2,114	1,085	1,432
	<u>82,494</u>	<u>91,842</u>	<u>134,402</u>	<u>89,175</u>
Current assets				
Stock	-	-	166	85
Trade and other receivables	26,713	33,753	33,877	29,956
Cash and cash equivalents	4,084	3,787	3,260	10,433
	<u>30,797</u>	<u>37,540</u>	<u>37,303</u>	<u>40,474</u>
Total assets	<u>113,291</u>	<u>129,382</u>	<u>171,705</u>	<u>129,649</u>
EQUITY				
Equity and reserves				
Share capital	3,587	3,640	4,145	4,164
Reserves	14,296	16,647	43,758	43,250
Retained earnings	35,756	44,945	41,130	(1,512)
Non-controlling interest	-	-	9	(13)
	<u>53,639</u>	<u>65,232</u>	<u>89,042</u>	<u>45,889</u>
LIABILITIES				
Non-current liabilities				
Bank loans and bonds	24,831	26,410	32,913	11,663
Other non-current liabilities	4,357	5,951	7,010	4,518
	<u>29,188</u>	<u>32,361</u>	<u>39,923</u>	<u>16,181</u>
Current liabilities				
Bank overdrafts and loans	2,428	2,425	2,410	24,298
Trade and other payables	28,036	29,364	40,330	43,281
	<u>30,464</u>	<u>31,789</u>	<u>42,740</u>	<u>67,579</u>
	<u>59,652</u>	<u>64,150</u>	<u>82,663</u>	<u>83,760</u>
Total equity and liabilities	<u>113,291</u>	<u>129,382</u>	<u>171,705</u>	<u>129,649</u>

IDOX PLC Condensed Consolidated Cash Flow Statement	for the financial year ended			for the 6-mth period ended	
	31 Oct	31 Oct	31 Oct	30 Apr	30 Apr
	2015	2016	2017	2017	2018
	Actual	Actual	Restated	Interim	Interim
	£'000	£'000	£'000	£'000	£'000
Net cash from operating activities	8,073	11,092	13,837	11,366	12,419
Net cash from investing activities	(11,167)	(9,453)	(24,340)	(18,655)	(2,301)
Net cash from financing activities	1,693	(2,025)	10,195	9,755	(2,934)
Net movement in cash and cash equivalents	(1,401)	(386)	(308)	2,466	7,184
Cash and cash equivalents at beginning of year/period	5,855	4,084	3,787	3,787	3,260
Effect of foreign exchange rates	(370)	89	(219)	(514)	(11)
Cash and cash equivalents at end of year/period	4,084	3,787	3,260	5,739	10,433

Key Accounting Ratios	FY2015	FY2016	FY2017
Operating profit margin (EBITDA/revenue)	29%	28%	19%
Interest cover (times) (EBITDA/net finance cost)	23.32	16.48	9.78
Net profit margin (Profit after tax/revenue)	13%	15%	1%
Return on equity (Profit after tax/shareholders' equity)	15%	18%	1%
Return on capital employed (Operating profit/total assets less current liabilities)	22%	22%	13%
Return on assets (Profit after tax/total assets)	7%	9%	0%

During **FY2015**, revenue generated by the Idox Group amounted to £62.6 million and net operating expenses amounted to £44.4 million, which resulted in an EBITDA of £18.2 million (EBITDA margin: 29%). Depreciation & amortisation and net finance costs amounted to £6.3 million and £0.8 million respectively, while restructuring, acquisition and other costs amounted to £1.4 million. The latter amount mainly related to redundancy payments to former staff (£1.0 million) and share option costs (£0.4 million). In FY2015, the Idox Group registered a profit after tax of £7.8 million and total comprehensive income amounted to £7.6 million after accounting for exchange differences amounting to £0.3 million.

In **FY2016**, revenue increased by £14.2 million to £76.7 million, when compared to £62.6 million in FY2015 (+23%), primarily on account of a £5.2 million increase in PSS revenue (which accounted for 53% of aggregate revenue) and an increase of €9.8 million in DIG revenue, derived substantially from Reading Room – a company acquired in the prior financial year. EBITDA increased by £3.2 million

(+18%), from £18.2 million in FY2015 to £21.5 million (EBITDA margin FY2016: 28%, FY2015: 29%). During the year under review, depreciation & amortisation increased y-o-y by £0.4 million to £6.6 million, while net finance costs increased by £0.5 million to £1.3 million. In contrast, restructuring, acquisition and other costs declined by £0.9 million, from £1.4 million in FY2015 to £0.5 million in FY2016. Overall, the Idox Group reported a profit after tax of £11.8 million (FY2015: £7.8 million) and total comprehensive income of £12.1 million (FY2015: £7.6 million).

During **FY2017**, revenue increased by £9.7 million (y-o-y) to £86.4 million (FY2016: £76.7 million), principally due to the addition of 6PM Holdings p.l.c. in the newly created HLT division. Notwithstanding the growth in revenue, EBITDA declined by 24% to £16.3 million (FY2016: £21.5 million) as a result of lower margins in the DIG and HLT divisions and a change in mix of election revenue in the PSS division. Election revenue and EBITDA were down on the prior year as 2016 included the EU referendum, May Scottish and local elections and the Scottish Government eCount project.

Depreciation & amortisation increased y-o-y by £3.0 million to £9.6 million in FY2017 and net finance costs increased by £0.4 million primarily on account of the 6PM Group's bond interest payable. Restructuring, acquisition and other costs were also higher by £0.5 million, from £0.5 million in FY2016 to £1.0 million, and an impairment of £2.7 million relating to 6PM Holdings p.l.c. was charged to the income statement. Overall, total comprehensive income declined from £12.1 million in FY2016 to £1.1 million in FY2017.

During the 6 months to April 2018 (**H1 2018**), revenue generated by the Idox Group amounted to £35.2 million, £8.3 million less than that generated in H1 2017 (£43.6 million), due to reductions principally in the DIG, EIM and PSS divisions, which were partially offset by increases in the CONT and HLT divisions. On the other hand, net operating expenses were lower by only £1.4 million when compared to the corresponding period to £32.5 million (H1 2017: £33.9 million). As such, reported EBITDA was significantly lower by £6.9 million, from £9.6 million in H1 2017 to £2.7 million in H1 2018.

Following a comprehensive review of the forecasts for each segment and an assessment of appropriate discount rates, £39.5 million of impairment charges were incurred in H1 2018. The impairment charge related to: £6.1 million of goodwill, acquired intangibles and research and development of the Cloud Amber Limited acquisition (PSS division), £25.4 million of goodwill and acquired intangibles of the 6PM Holdings p.l.c. acquisition (HLT division), £6.3 million of goodwill and intangibles of the Rippleffect Limited and Reading Room Limited acquisitions (DIG division) and £1.8 million of goodwill and intangibles of the CT Space Ltd acquisition (EIM division).

The Idox Group reported a loss before tax in H1 2018 of £43.2 million (H1 2017: profit £3.4 million) and total comprehensive loss of £40.5 million (H1 2017: income £2.8 million).

Following a challenging H1 2018, the market outlook for H2 2018 is consistent with previous years, with the Idox Group's public sector markets focused on value for money and delivering savings. The Board of Directors has reiterated its guidance of an improved second half performance, with EBITDA expected to be at the lower end of the £13m – £15m range.

The Idox Group's financial position as at 30 April 2018 had net assets of £45.9 million, compared to £89.0 million at 31 October 2017, as a result of the impairment charge incurred in the period. Cash and cash equivalents amounted to £10.4 million (31 October 2017: £3.3 million).

Total borrowings amounted to £36.0 million and included debt securities of 6PM Holdings p.l.c. (£11.7 million) and bank borrowings (£24.3 million). The Idox Group's banking facility is presented as being due within one year as the current facilities mature in February 2019. The Directors are in ongoing discussions with existing lenders regarding an extension to the facility and short-term funding requirements. As at the date of this report, there has been no written commitment that the facility will be renewed, however, no matters have been drawn to the Directors attention to suggest that the renewal may not be forthcoming on acceptable terms.

Trade and other payables (in current liabilities) includes deferred income of £24.7 million (31 October 2017: £19.8 million), and represents software revenue, where billing milestones have been reached but the appropriate proportion of work has not been completed, and maintenance, managed service and subscription revenues that are spread over the period, typically one year, for which the service is supplied.

PART 2 – 6PM GROUP PERFORMANCE REVIEW

9. FINANCIAL HIGHLIGHTS

The financial information provided hereunder is extracted from the audited consolidated financial statements of 6PM Holdings p.l.c. for the years ended 31 December 2015 and 31 December 2016, and for the 10-month period ended 31 October 2017 (due to a change in financial year end). The forecasted financial information for the year ending 31 October 2018 has been provided by management of the Company.

The financial statements relating to FY2015 have been restated principally due to erroneous and inconsistent application of accounting standards, the impact of which was compounded by the weak internal financial control environment. Further details are provided in section 10 below.

With reference to the FY2017 audited financial statements, the auditors have qualified their opinion as explained hereinafter. Included with consolidated revenues and deferred income are amounts of £2.1 million and £1.2 million respectively reported in the financial statements of Idox Health Limited, a UK registered subsidiary of the Company. The audit evidence available was limited since management could not provide adequate supporting documentation for these amounts and there were no satisfactory alternative audit procedures that could be applied to ensure that these amounts are not materially misstated.

The projected financial statements relate to events in the future and are based on assumptions which the Company believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

6PM Group Income Statement

for the year ended

	31 Dec 2015 Restated £'000	31 Dec 2016 Actual £'000	31 Oct 2017 Actual £'000	31 Oct 2018 Forecast £'000
Revenue	8,361	7,122	6,874	9,598
Net operating expenses	(8,918)	(8,246)	(9,723)	(7,847)
EBITDA¹	(557)	(1,124)	(2,849)	1,751
Depreciation and amortisation	(399)	(906)	(1,991)	(643)
Impairments	(1,758)	(8,332)	(361)	-
Share of results of associated undertaking	(199)	-	-	-
Net finance costs	(279)	(2,298)	(852)	(758)
(Loss)/profit before tax	(3,192)	(12,660)	(6,053)	350
Taxation	(1,563)	(1)	208	(4)
(Loss)/profit after tax	(4,755)	(12,661)	(5,845)	346
Other comprehensive income				
Exchange differences	(176)	(660)	(253)	(130)
Total comprehensive (expense)/income	(4,931)	(13,321)	(6,098)	216

¹ EBITDA - Earnings before interest, tax, depreciation, amortisation, impairments and share of results of associates.**6PM Group Cash Flow Statement**

for the year ended

	31 Dec 2015 Restated £'000	31 Dec 2016 Actual £'000	31 Oct 2017 Actual £'000	31 Oct 2018 Forecast £'000
Net cash from operating activities	(337)	3,272	3,285	2,104
Net cash from investing activities	(6,025)	(1,436)	31	(109)
Net cash from financing activities	7,095	(1,998)	(1,524)	(821)
Net movement in cash and cash equivalents	733	(162)	1,792	1,174
Cash and cash equivalents at beginning of year	(906)	(253)	(1,525)	(23)
Effect of foreign exchange rates	(80)	(1,110)	(290)	(246)
Cash and cash equivalents at end of year	(253)	(1,525)	(23)	905

6PM Group Balance Sheet				
as at	31 Dec 2015 Restated £'000	31 Dec 2016 Actual £'000	31 Oct 2017 Actual £'000	31 Oct 2018 Forecast £'000
ASSETS				
Non-current assets				
Intangible assets	7,996	2,162	1,376	980
Property, plant and equipment	836	1,440	194	138
Investment property	602	724	-	-
Financial assets	1,117	20	19	19
Receivables	74	80	53	53
Deferred tax assets	23	71	71	71
	<u>10,648</u>	<u>4,497</u>	<u>1,713</u>	<u>1,261</u>
Current assets				
Inventories	546	356	163	152
Trade and other receivables	3,176	2,690	3,372	2,186
Cash and cash equivalents	1,710	664	943	905
	<u>5,432</u>	<u>3,710</u>	<u>4,478</u>	<u>3,243</u>
Total assets	<u>16,080</u>	<u>8,207</u>	<u>6,191</u>	<u>4,504</u>
EQUITY				
Equity and reserves				
Share capital	4,151	4,151	4,151	4,151
Reserves	(218)	(878)	(1,131)	(1,261)
Retained earnings	(4,432)	(17,098)	(22,954)	(22,712)
Non-controlling interest	22	27	38	14
	<u>(477)</u>	<u>(13,798)</u>	<u>(19,896)</u>	<u>(19,808)</u>
LIABILITIES				
Non-current liabilities				
Bank loans and bonds	9,713	11,455	11,238	11,434
Other non-current liabilities	81	-	-	-
	<u>9,794</u>	<u>11,455</u>	<u>11,238</u>	<u>11,434</u>
Current liabilities				
Bank overdrafts and loans	2,186	2,520	966	-
Trade and other payables	4,577	8,030	13,883	12,878
	<u>6,763</u>	<u>10,550</u>	<u>14,849</u>	<u>12,878</u>
	<u>16,557</u>	<u>22,005</u>	<u>26,087</u>	<u>24,312</u>
Total equity and liabilities	<u>16,080</u>	<u>8,207</u>	<u>6,191</u>	<u>4,504</u>

Key Accounting Ratios	FY2015	FY2016	FP2017	FY2018
	Restated	Actual	Actual	Forecast
Operating profit margin (EBITDA/revenue)	-7%	-16%	-41%	18%
Interest cover (times) (EBITDA/net finance cost)	n/a	n/a	n/a	2.31
Net profit margin (Profit after tax/revenue)	-57%	-178%	-85%	4%
Earnings per share (£) (Profit after tax/number of shares)	-0.23	-0.60	-0.28	0.02
Return on capital employed (EBITDA/total assets less current liabilities)	n/a	n/a	n/a	-21%
Return on assets (Profit after tax/total assets)	n/a	n/a	n/a	8%

During **FY2015**, the Group entered the Irish health sector through the formation of a joint venture, SIX-PM Health Solutions (Ireland) Limited. In addition, the 6PM Group acquired Idox Health Limited (formerly Blithe Computer Systems Limited) in June 2015, and consequently the consolidated accounts of the 6PM Group for FY2015 include the results of Idox Health Limited for the six-month period July to December 2015.

Revenue for the FY2015 amounted to £8.4 million, a decrease of £0.4 million (-4.5%) when compared to £8.8 million generated in FY2014 (as restated). Similar to FY2014, the iFIT product and related solutions generated the highest portion of revenue in FY2015 when compared to the 6PM Group's other offerings. Loss after tax in FY2015 amounted to £4.8 million (restated FY2014: loss after tax of £0.2 million).

In **FY2016**, the 6PM Group generated revenue of £7.1 million, a decrease of £1.2 million when compared to a year earlier (FY2015: £8.4 million). As in the prior year, net operating expenses in FY2016 were higher than reported turnover, which resulted in negative EBITDA amounting to -£1.1 million (FY2015: -£0.6 million). Impairments during the year amounted to £8.3 million (FY2015: £1.8 million) and represented an impairment charge on goodwill and intangible assets of £6.8 million and £0.5 million respectively, as well as an impairment charge on the Javali AFS financial asset of £1.1 million.

Net finance costs were significantly higher by £2.0 million to £2.3 million (FY2015: £0.3 million), primarily on account of foreign exchange movement on bond securities of £1.6 million. Loss after tax in FY2016 amounted to £12.7 million as compared to an after tax loss of £4.8 million in FY2015.

During **FP2017**, total revenue declined by £0.2 million to £6.9 million (FY2016: £7.1 million), although the financial period covered only 10 months as compared to a full financial year in 2016. Notwithstanding, net operating expenses increased by 18.3% from £8.2 million in FY2016 to £9.7 million in FP2017, which resulted in negative EBITDA increasing to -£2.8 million from -£1.1 million in FY2016. The 6PM Group registered a loss after tax in FP2017 of £5.8 million as compared to a loss after tax of £12.7 million in the prior year (which comprised exceptional charges of *circa* £10 million).

As explained elsewhere in this report, the integration of the Company's business into the Idox Group is almost complete, and as such, the Company is now operating in a more cost effective and efficient manner. As to revenue, the Company has to date reported an increase in sales of licences and products, and income from support and maintenance contracts is materially higher. Accordingly, in **FY2018**, revenue is forecasted to increase by £2.7 million (+40%) from £6.9 million in FP2017 to £9.6 million. More importantly, the 6PM Group expects to report an EBITDA of £1.8 million after three consecutive years of negative EBITDA. Overall, the 6PM Group is projecting total comprehensive income in FY2018 of £0.2 million, as compared to total comprehensive expense of £6.1 million registered in FP2017.

FINANCIAL POSITION

As at 31 October 2018, the 6PM Group is expected to have net liabilities amounting to £19.8 million (FP2017: net liabilities of £19.9 million). In this regard, the Company's auditors have obtained written confirmation from Idox plc that it will continue to support the 6PM Group to ensure that it will be able to meet its liabilities as and when they fall due and that the 6PM Group will continue to operate as a going concern. A brief overview of the Idox Group and its financial position is provided in section 8 of this report.

10. RESTATED FY2015 AUDITED FINANCIAL STATEMENTS

During the audit of FY2016 financial statements, certain transactions and balances for the comparative period (FY2015) were restated. A variance analysis in this regard is set out hereinafter.

6PM Group Income Statement			
for the year ended 31 December			
	2015	2015	
	Audited	Restated	Variance
	£'000	£'000	£'000
Revenue	11,332	8,361	(2,971)
Net operating expenses	<u>(8,681)</u>	<u>(8,918)</u>	<u>(237)</u>
EBITDA	2,651	(557)	(3,208)
Depreciation and amortisation	(682)	(399)	283
Impairments	-	(1,758)	(1,758)
Share of results of associated undertaking	(15)	(199)	(184)
Net finance costs	<u>(326)</u>	<u>(279)</u>	<u>47</u>
Profit before tax	1,628	(3,192)	(4,820)
Taxation	64	(1,563)	(1,627)
Profit/(loss) after tax	1,692	(4,755)	(6,447)
Other comprehensive income			
Exchange differences	(222)	(176)	46
Revaluation of intangibles, net of deferred tax	<u>9,095</u>	<u>-</u>	<u>(9,095)</u>
	8,873	(176)	(9,049)
Total comprehensive income/(expense)	10,565	(4,931)	(15,496)

6PM Group Condensed Balance Sheet			
as at 31 December			
	2015	2015	
	Audited	Restated	Variance
	£'000	£'000	£'000
ASSETS			
Non-current assets	25,703	10,648	(15,055)
Current assets	<u>9,814</u>	<u>5,432</u>	<u>(4,382)</u>
Total assets	35,517	16,080	(19,437)
Equity and reserves	15,803	(477)	(16,280)
Non-current liabilities	11,896	9,794	(2,102)
Current liabilities	<u>7,818</u>	<u>6,763</u>	<u>(1,055)</u>
Total equity and liabilities	35,517	16,080	(19,437)

6PM Group Cash Flow Statement for the year ended 31 December	2015 Audited £'000	2015 Restated £'000	Variance £'000
Net cash from operating activities	(4,232)	(337)	3,895
Net cash from investing activities	(2,235)	(6,025)	(3,790)
Net cash from financing activities	6,903	7,095	192
Net movement in cash and cash equivalents	436	733	297
Cash and cash equivalents at beginning of year	(836)	(906)	(70)
Effect of foreign exchange rates	129	(80)	(209)
Cash and cash equivalents at end of year	(271)	(253)	18

Revenue for FY2015 was restated at £3.0 million lower than the original audited figure, at £8.4 million. This was due to the fact that upon review, it came to the Board's attention that internal revenue recognition processes and controls were both inadequate and poorly enforced. The flaws in the design and implementation of these internal controls resulted in a lack of overall control and transparency in the recognition and reporting of revenue.

Some costs, including one-off transactions such as staff bonuses, had been treated incorrectly in the period and therefore required correction. The review also resulted in the decision to impair £1.8 million of capitalised development costs.

In terms of the originally published 2015 Annual Report & Financial Statements, the 6PM Group revised its policy for intangible assets, specifically developed software. Previously, costs were capitalised and amortised over their estimated useful life. In 2015, this was revised and developed software costs were revalued at fair value less costs to sell. After extensive review and in consultation with an external specialist, the Board took the decision that this type of revaluation should not have been performed in 2015 as there is no active market for this niche and specialised developed software. As such, the fair value revaluation performed in 2015, amounting to £9.1 million, was reversed in full.

Furthermore, the review took into consideration the value of all projects and products capitalised as at 31 December 2015. It was determined that a number of the products had no viable commercial future and therefore should have been fully impaired in the originally published financial statements.

11. FY2016 VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information for the year ended 31 December 2016 included in the Financial Analysis Summary dated 31 May 2016 and the audited consolidated financial statements for the year ended 31 December 2016.

6PM Group Income Statement			
for the year ended 31 December			
	2016	2016	
	Actual	Projection	Variance
	£'000	£'000	£'000
Revenue	7,122	14,922	(7,800)
Net operating expenses	(8,246)	(11,512)	3,266
EBITDA	(1,124)	3,410	(4,534)
Depreciation and amortisation	(906)	(264)	(642)
Impairments	(8,332)	-	(8,332)
Net finance costs	(2,298)	(1,092)	(1,206)
(Loss)/profit before tax	(12,660)	2,054	(14,714)
Taxation	(1)	-	(1)
(Loss)/profit after tax	(12,661)	2,054	(14,715)

As presented in the above table, the 6PM Group's revenue for FY2016 was lower than forecasted by £7.8 million (-52%), principally due to weaker than expected sales as well as adjustments made by the auditors on the revenue recognition policy of the 6PM Group which negatively affected revenues. The adverse variance in EBITDA amounted to £4.5 million, from a projected amount of £3.4 million to an actual negative EBITDA of £1.1 million.

Moreover, unforeseen impairments amounting to £8.3 million were accounted for in the actual financial statements. Overall, the 6PM Group reported a loss after tax of £12.7 million as compared to a projected profit after tax of £2.1 million (a resultant variance of £14.7 million).

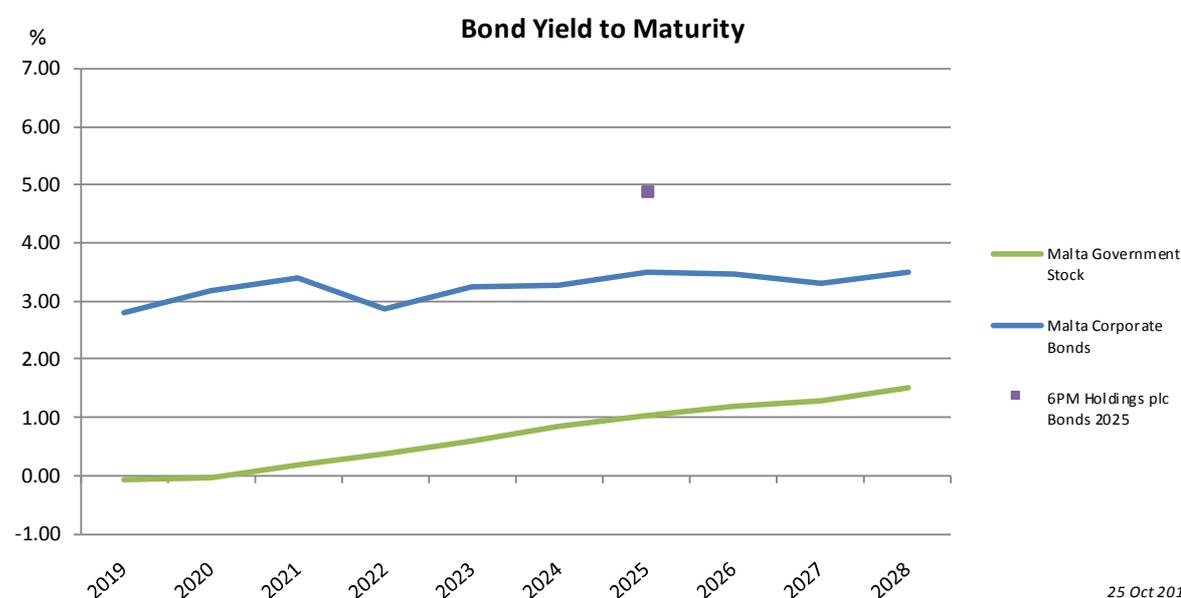
PART 3 - COMPARABLES

The table below compares the Company and its bond issue to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc), and material differences between the risks associated with the Company's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Company.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.5% Pendergardens Dev. plc Secured € 2020 Series I	15,000,000	3.19	6.29	68,589	14,418	66.04
6% Pendergardens Dev. plc Secured € 2022 Series II	27,000,000	2.86	6.29	68,589	14,418	66.04
4.25% Gap Group plc Secured € 2023	40,000,000	3.25	2.61	56,906	6,696	85.08
5.3% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.85	1.19	21,625	4,844	69.04
6% AX Investments Plc Unsecured € 2024	40,000,000	3.59	4.44	286,318	173,323	26.09
5.3% Mariner Finance plc Unsecured € 2024	35,000,000	3.26	4.42	77,088	38,701	45.62
5% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	4.05	3.05	107,801	39,813	54.01
5.1% 1923 Investments plc Unsecured € 2024	36,000,000	4.43	1.69	118,490	33,711	58.11
4.5% Hili Properties plc Unsecured € 2025	37,000,000	3.82	1.26	135,879	39,974	68.23
5.1% 6PM Holdings plc Unsecured € 2025	13,000,000	4.87	-	6,191	- 19,896	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.70	2.59	1,765,072	901,595	40.43
4.0% International Hotel Invest. plc Secured € 2026	55,000,000	3.26	3.03	1,602,317	884,632	36.36
4.0% MIDI plc Secured € 2026	50,000,000	3.47	0.98	235,302	86,621	39.27
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.18	7.90	161,128	47,607	57.32
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.57	39.11	17,088	5,835	30.63
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.80	5.93	229,882	63,771	50.15
4.0% Eden Finance plc Unsecured 2027	40,000,000	3.31	4.46	169,936	90,162	36.52
4% Stivala Group Finance plc Secured 2027	45,000,000	3.35	6.21	199,560	121,041	31.54
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.48	3.27	408,204	82,870	73.40

25 Oct '18

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts Investment Management Service Limited



25 Oct 2018

The Malta Government Stock yield curve has been included as the benchmark risk-free rate for Malta.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated from business activities during the financial year, including licences, products, services and support & maintenance.
Net operating expenses	Net operating expenses include the cost of products, labour expenses, and all other direct expenses.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associates	The 6PM Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of associates'.
Profit after tax	Profit after tax is the profit made during the financial year both from operating as well as non-operating activities.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.

Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Company.
Cash flow from investing activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Company.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Company.
Balance Sheet	
Non-current assets	Non-current asset are long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the cost of the asset is allocated over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include goodwill and other intangible assets, property, plant & equipment and investments accounted for using the equity method.
Current assets	Current assets are all assets which are realisable within one year from the balance sheet date. Such amounts include inventory, accounts receivable, cash and bank balances.
Current liabilities	All liabilities payable within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Net debt	Borrowings before unamortised issue costs less cash and cash equivalents.
Non-current liabilities	Long-term financial obligations that are not due within the present accounting year, and include bank borrowings and bonds.
Total equity	Total equity includes share capital, reserves & other equity components, and retained earnings.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.

Interest cover	The interest coverage ratio is calculated by dividing a company's EBITDA of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.