THE FOLLOWING IS A COMPANY ANNOUNCEMENT ISSUED BY 6PM HOLDINGS P.L.C. ("THE COMPANY") IN COMPLIANCE WITH THE LISTING RULES.

The following is a company announcement by the Company pursuant to the Malta Financial Services Authority Listing Rules, specifically Listing Rule 5.16.1.

Subject: Financial Statements for year ended 31 December 2016

Quote

The Company announces that its Board of Directors have approved the Company's audited Financial Statements for the financial year ended 31 December 2016. The audited Financial Statements are available for viewing on the Company's website www.6pmsolutions.com/investor-information/financial-statements.

The Board of Directors shall be recommending to the annual general meeting of the Company that no dividend will be paid.

The Company further announces that the Board of Directors resolved that the audited Financial Statements be submitted to the shareholders for their approval at the forthcoming Annual General Meeting scheduled to take place on 12 October 2017 at 9:00am at 40 Furnival Street, London, EC41 1JQ.

The Company notes that in terms of Listing Rule 5.16.24 the board of Directors of the Company has determined that the results in respect of the financial years ended 31 December 2014 and 31 December 2015 were materially misstated, resulting principally from a failure of internal controls and management in the Group operations during the said financial years ended 31 December 2014 and 31 December 2015. More specifically and as set out in further detail in the financial statements for the year ended 31 December 2016 published on the date hereof and available for viewing on the Company's website www.6pmsolutions.com, the failures resulting in these restatements are deemed to have originated primarily from erroneous and inconsistent application of accounting standards, coupled with the re-evaluation of some material transactions and revaluations conducted in the financial periods which have been restated.

Impact of Restatements

	Published 2014 GBPmillion	Restated 2014 GBPmillion	Published 2015 GBPmillion	Restated 2015 GBPmillion
Revenue	9.7	8.8	11.3	8.4
Operating profit / (loss)	1.1	0.3	2.0	(2.7)
Profit / (loss) before tax	0.9	(0.1)	1.6	(3.2)
Profit / (loss) for the year	0.8	(0.2)	1.7	(4.8)
Net assets / (liabilities)	5.7	4.9	15.8	(0.5)

Restatement of Financial Year Ended 31 December 2014

	GBPmillion	GBPmillion
Published 2014 profit for the year		0.8
Misstatements identified during review:		
Revenue	(0.8)	
Cost of sales	0.2	
Administrative and other costs	(0.2)	
Share of loss in associates	(0.2)	
Total adjustments		(1.0)
Restated 2014 loss for the year		(0.2)

Restatement of Financial Position 31 December 2014

	GBPmillion	GBPmillion
Published net assets as at 31 December 2014		5.7
Misstatements identified during review:		
Investment in associates	(0.2)	
Trade and other receivables/payables	(0.6)	
Total adjustments		(0.8)
Restated net assets as at 31 December 2014		4.9

6pm Holdings plc
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6PM Holdings plc, registered in Malta on 1 February 2001, No. C41492. VAT registration number MT1599-6927
Idox plc registered in England & Wales at 2nd Floor, 1310 Waterside, Arlington Business Park, Theale, Reading RG7 4SA on 26 April 2000, No. 3984070

Restatement of Financial Year Ended 31 December 2015

	GBPmillion	GBPmillion
Published 2015 profit for the year		1.7
Misstatements identified during review:		
Revenue	(3.0)	
Cost of sales	0.6	
Administrative costs	(2.3)	
Share of loss in associates	(0.2)	
Tax	(1.6)	
Total adjustments		(6.5)
Restated 2015 loss for the year		(4.8)

Restatement of Financial Position 31 December 2015

	GBPmillion	GBPmillion
Published net assets as at 31 December 2015		15.8
Misstatements identified during review:		
Goodwill	(0.7)	
Intangible assets	(14.1)	
Investment in associate	(0.3)	
Trade and other receivables/payables	(3.5)	
Deferred tax	2.1	
Other	0.2	
Total adjustments		(16.3)
Restated net liabilities as at 31 December 2015		(0.5)

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Revenue
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. The review identified the following issues which, the Board believes, contributed to revenue being materially misstated:

- Failure to obtain or review sufficient sales documentation such as customer contracts and sales agreements
- Inconsistent application of the relevant accounting standards on revenue recognition which resulted in revenue recognition through accrued income not being commensurate to the work performed or income not being initially deferred and spread across the appropriate term
- Material errors in the calculation of revenue
- Lack of sufficient review of the monthly financial information at management level which may have identified the misstatements at the time they arose

Cost of Sales
The misstatement in cost of sales arose from the inconsistent application of the relevant accounting standards on revenue recognition. Where revenue was recognised in the period that was not commensurate to the actual work performed, costs associated with those sales were also recognised at the time, in line with the basic matching principle of accounting. As a result of the aforementioned revenue misstatements, it was also necessary to review and correct the misstatements within cost of sales to ensure consistency.

Administrative Costs
The review concluded that 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 a significant amount of capitalised development costs, as outlined in the Intangible Assets section below, which is reflected in the administrative and other costs adjustment.

Share of loss in associates
Associates were also within the scope of the review and where the original accounting treatments were found to be incorrect or errors identified, the adjustments were made and included in the restatements.

Intangible Assets
According to the originally published 2015 Annual Report & Financial Statements, the 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 external specialists, the Board has taken the decision that this revaluation should not have been performed in 2015 as there is no active market for this niche and specialised developed software. As such, the revaluation performed in 2015 has been 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.

Goodwill
Towards the end of 2015 there was a shift in the focus of the Group away from the retail business and primarily towards the provision of hospital management and clinical services therefore, given this shift, the Board has now taken the decision to fully impair the goodwill previously recognised for 6PM Infrastructure Ltd (previously Compunet Ltd) and 6PM Agencies Ltd. The Group's retail business (predominantly 6PM Infrastructure Ltd) reduced significantly in 2016 as a result of this shift and, with the retail operation winding down, the goodwill of 6PM Infrastructure and 6PM Agencies was impaired in full.

Deferred Tax

In line with the aforementioned intangible asset revaluation reversal, a corresponding reduction in the deferred tax liability that was originally recognised in the financial statements was warranted.
The Board decided not to recognise a substantial deferred tax asset arising on the losses incurred in the years ended 31 December 2014 and 2015 (as restated), since it does not consider it prudent to assume that the Group companies will have sufficient future taxable profits against which the losses can be utilised in the foreseeable future.

Restatements - Remedial Actions

Given the results of the aforementioned review, the Board has acknowledged that additional safeguards are required to be implemented in order to ensure a similar situation does not arise in future periods. This has also coincided with the changes being made post-acquisition. The main changes implemented since the conclusion of the review are as follows:

- Change in the composition of the Board, which now includes additional financial expertise and experience
- Change in the composition of the audit committee
- Change in the monthly preparation of financial information and management accounts, which are now prepared in accordance with new guidelines and with greater oversight
- Clearer communication and additional training of both finance and non-finance staff to establish clearer processes to avoid scenarios which could give rise to material misstatements

Additionally the Board intend to write to all Bond holders to give access to the 6pm financial statements and explain the restatements. Access will also be given to Idox Plc financial statements.

Unquote

Jane Mackie

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Company Secretary

10th October 2017

6pm Holdings plc
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