## Contents

# 6pm Holdings p.l.c.

## Directors, officer and other information

| | |
|---|---|
| *Directors:* | Nazzareno Vassallo – Chairman<br>Ivan Bartolo – Chief Executive Officer<br>Stephen Wightman<br>Alan West Robinson<br>Hector Spiteri<br>Robert Borg |
| *Secretary:* | Dr. Ivan Gatt LL.D. |
| *Registered office:* | 6pm House, 188,<br>21st September Avenue,<br>Naxxar,<br>Malta. |
| *Country of incorporation:* | Malta |
| *Company registration number:* | C 41492 |
| *Auditor:* | Nexia BT,<br>Suite 2, Tower Business Centre<br>Tower Street<br>Swatar BKR4013<br>Malta. |
| *Legal advisers:* | Gatt Tufigno Gauci Advocates,<br>66, Old Bakery Street,<br>Valletta,<br>Malta. |

# 6pm Holdings p.l.c.

## Directors' report

Year ended 31 December 2011

The directors have pleasure in submitting their report and the audited financial statements of the group and the company for the year ended 31 December 2011.

**Principal activities**

The group provides a range of Benefit Directed IT and Business solutions complemented with specialised services enabling organisations to enhance and optimise business efficiency. These include Product Solutions and Consultancy aimed at the UK National Health Services and HR resourcing providing Consultancy and IT services to a variety of other companies in diverse market verticals. As from 2011, the 6pm Group has also got involved in ICT Retail, ICT Infrastructure and related services in the local market. The company acts as a holding company.

**Performance review**

The consolidated financial statements cover 6pm Holdings p.l.c. (parent) and its subsidiaries 6pm Management Consultancy (UK) Limited, 6pm Limited, Softweb Limited, 6pm Nearshore DOOEL and 9 months of Compunet Operations Limited and Compunet Agencies Limited.

The group's pre-tax loss was *GBP563,261* (2010 – *GBP447,235*). The gross profit for the year amounted to *GBP1,824,068* (2010 – *GBP1,241,649*) equivalent to *34%* (2010 – *40%*) of total revenues. Administrative expenses amounted to *GBP2,226,028* (2010 – *GBP1,576,406*).

The pre-tax loss for the year has been negatively affected by a number of one-off transactions, mainly the loss on sale of immovable property amounting to *GBP67,809* and professional fees in connection with the various acquisitions and overall restructuring of the group amounting to *GBP86,413*. In addition the group experienced an increased loss on exchange on intercompany balances denominated in GBP from *GBP30,801* in 2010 to *GBP78,411* in 2011. Therefore, excluding the said one-off transactions and loss on exchange the group registered an improvement in its operating results of approximately 20% from a loss of *GBP416,434* in 2010 to a loss of *GBP330,628* in 2011.

In 2011, 6pm increased and diversified its IT related product offerings through a number of acquisitions and investments. In particular the group acquired Compunet Operations Limited and Compunet Agencies Limited, two companies focused on ICT retail, ICT infrastructure and related services. In addition, to counter the increasing labour costs in Malta and the UK, the group set up 6pm Nearshore DOOEL, a 100% owned subsidiary in Macedonia.

During the latter part of the year, the group started bearing the fruits of its investment in proprietary software and notwithstanding the continuing general economic uncertainty, 6pm enjoyed a significant increase in orders from the National Health Service ('NHS'), most of which will be fulfilled in 2012.

In 2011, the group continued its investment in own software and in addition to new products targeted at the NHS, it also started laying the foundations of a low margin, high volume product strategy with the development of the Quick TM Products which should be launched into the market by June 2012.

Group total equity at the year-end amounted to *GBP4,662,132* (2010 – *GBP2,419,666*).

**Results and dividends**

The results for the year ended 31 December 2011 are shown in the statements of comprehensive income on page 14. The group registered a loss after tax of *GBP354,888* (2010 – *GBP293,057*). The company registered a loss after tax of *GBP1,848* (2010 – *GBP9,134*). The directors do not recommend the payment of a dividend. However the directors are recommending that a bonus issue of 1 share for every 25 shares held as at 1 May 2012 equivalent to *GBP146,304* is allocated from the share premium account.

**Post balance sheet events**

In April 2012, the directors have recommended that a bonus issue of 1 share for every 25 shares held as at 1 May 2012 equivalent to *GBP146,304* is allocated from the share premium account.

**Directors**

The directors of the company who served during the period were:

Nazzareno Vassallo – Chairman (appointed on 1 July 2011)
Jason Brickell (removed on 1 July 2011)
Ivan Bartolo – Chief Executive Officer
Stephen Wightman
Alan West Robinson
Hector Spiteri
Robert Borg (appointed on 1 July 2011)

In accordance with article 55.1 of the company's articles of association, the directors shall be appointed by the shareholders during the forthcoming annual general meeting.

**Auditor**

The auditors, Nexia BT, have intimated their willingness to remain in office and a resolution proposing their reappointment will be put before the members at the next annual general meeting.

**Going concern**

As required by Listing Rule 5.62, and after making the necessary enquiries and after reviewing the group's plans for the coming financial years, as explained in more detail in note 1 to the financial statements, the directors are satisfied that at the time of approving the financial statements, the company and the group have adequate resources to continue operating for the foreseeable future.

For this reason, the directors feel it is appropriate to continue adopting the going concern basis in preparing these financial statements.

**Information required by Malta Financial Services Authority Listing Rule**

The information required to be published in the directors' report pursuant to Listing Rule 5.64 is set out in pages 57 to 62.

**Approved by the board of directors and signed on its behalf on 16 April 2012 by:**

***Ivan Bartolo***
***Chief Executive Officer***

***Nazzareno Vassallo***
***Chairman***

# 6pm Holdings p.l.c.

## Statement of directors' responsibilities

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the company and the group at the end of each financial year and of the profit or loss of the company and its group for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of responsibility persuant to the Listing Rules issued by the Listing Authority**

We, the undersigned declare that to the best of our knowledge, the consolidated financial statements set out on pages 14 to 54 are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company and the group included in the consolidation taken as a whole and that the directors' report includes a fair review of the development and performance of the business and the position of the company and the group included in the consolidation taken as a whole, together with a description of the principle risks and uncertainties that they face.

**Signed on behalf of the board of directors on 16 April 2012 by:**

***Ivan Bartolo***
***Chief Executive Officer***

***Nazzareno Vassallo***
***Chairman***

# 6pm Holdings p.l.c.

## Corporate governance statement

6pm Holdings p.l.c. ('the Company') is committed to observing the principles of transparent, responsible corporate governance aimed at maximizing value. The Board considers compliance with corporate governance principles to constitute an important means of instilling confidence on the part of present and future shareholders, creditors, employees, business partners and the public in national and international markets.

Pursuant to the Malta Financial Services Authority Listing Rules 5.94 and 5.97, the Company is hereby presenting a statement of compliance with the Code of Principles of Good Corporate Governance ('the Principles' or 'the Code') for the year ended 31 December 2011, which details the extent to which the Principles have been adopted, as well as the effective measures taken by the Company to ensure compliance with these Principles.

Other than as stated in the Second Part, the Company has fully implemented the Principles set out in the Code.

**FIRST PART – COMPLIANCE WITH THE CODE**

*PRINCIPLE 1 – THE BOARD*

The composition of the Board of Directors ensures that the Company is led by individuals who not only have the necessary skill and diversity of knowledge but who also possess leadership qualities whilst maintaining integrity and the Company's interests in all their decision-making.

The Board supplements the executive management team in delivering sustainable added value for shareholders. It considers strategic issues, key projects and major investments and regularly monitors performance against delivery of the key targets of the business plan. It approves the corporate plan and the annual budget and reviews performance against targets at every meeting.

*PRINCIPLE 2 – CHAIRMAN AND CHIEF EXECUTIVE*

The roles of the Chairman and the Chief Executive, set out in writing and agreed by the Board are held separately in order to ensure that there is a clear distinction between the running of the Board and the executive responsibility for the running of the business of the Company.

The interplay between Mr. Ivan Bartolo as the Chief Executive Officer - responsible for the day-to-day management of the Company and Mr. Nazzareno Vassallo, a stalwart of the Maltese business community as Chairman of the Company has ensured that both the senior managers as well as the Board are not only able to deliver what is expected from them but are also prepared for the expansion strategy of the Company.

*PRINCIPLE 3 – COMPOSITION OF THE BOARD*

The number of Directors shall be not less than three (3) and not more than six (6) individuals. This range provides diversity of thought and experience without hindering effective discussion or diminishing individual accountability.

The Board of the Company is currently composed as follows:

| | | |
|---|---|---|
| Mr. Nazzareno Vassallo | Chairman | Non-Executive |
| Mr. Ivan Bartolo | CEO | Executive |
| Mr. Stephen Wightman | | Executive |
| Mr. Alan West Robinson | | Non-Executive |
| Mr. Hector Spiteri | | Non-Executive |
| Mr. Robert Borg | | Non-Executive |

The Board considers that, save for as indicated in Part 2 of this Report the non-executive directors are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

*PRINCIPLE 4 – THE RESPONSIBILITIES OF THE BOARD*

The Board has responsibility for overseeing the strategic planning process and reviewing and monitoring management's execution of the corporate and business plan. Annually, the Board receives the strategic plan and critical issues and opportunities from senior management.

Succession planning for the top positions in the Company is also an agenda item for at least one Board meeting annually.

The Board delegates certain powers, authorities and discretions to the Audit Committee and the Remuneration Committee. The role and competence of such committees is further described in Principle 8 hereunder.

*PRINCIPLE 5 – BOARD MEETINGS*

The Board meets once a month unless further meetings are required in accordance with the needs of the Company. The Board has a formal schedule of matters reserved for it to discuss and includes a review of the market outlook, operational performance and future prospects as well as a financial report.

Prior to every meeting, Dr. Ivan Gatt, the Company Secretary distributes the agenda of the meeting along with any such papers and documentation as may be necessary for the directors to prepare themselves for the items to be discussed. The Company Secretary keeps record of the attendance and minutes all the discussions and decisions adopted by the Board that are subsequently circulated to the members of the Board. For the period under review, the meetings of the Board were attended as follows:

| | | Meetings held [13]<br>Attended |
|---|---|---|
| Mr. Nazzareno Vassallo* | Chairman | 5[5] |
| Mr. Ivan Bartolo | CEO | 13[13] |
| Mr. Stephen Wightman | | 13[13] |
| Mr. Alan West Robinson | | 12[13] |
| Mr. Hector Spiteri | | 13[13] |
| Mr. Robert Borg* | | 5[5] |
| Mr. Jason Brickell* | | 8[8] |

* Nazzareno Vassallo appointed director on 01/07/11
* Robert Borg appointed director on 01/07/11
* Jason Brickell removed from director on 01/07/11

Each director is expected to attend all meetings of the Board and Board committees of which the director is a member. The Board recognises that occasional meetings may need to be scheduled on short notice when the participation of a director is not possible and that conflicts may arise from time that will prevent a director from attending or participating in a regularly scheduled meeting. However, the Board expects that each director will make every possible effort to keep such absences to a minimum.

Directors have access to the advice and services of the company secretary and are regularly informed of their dealing in securities of the company within the parameters of law and the code.

*PRINCIPLE 6 – INFORMATION AND PROFESSIONAL DEVELOPMENT*

The Company firmly believes in the professional development of all the members in the organization.

The CEO, appointed by the Board is responsible to establish and implement schemes which are aimed for maintaining and recruiting employees and management personnel. Furthermore, regular training exercises are held in order for the Company's employees to keep abreast of current technological trends and practices.

Directors are encouraged to talk directly to any member of management regarding any questions or concerns the directors may have. Senior management are invited to attend Board meetings from time to time when appropriate.

When a new director joins the Board, management will provide an orientation program to enable the new director promptly to gain an understanding of the Company and its industry. Each director is encouraged to participate in continuing education programs pertinent to service on the Board. If a new director has not previously served on the board of a publicly traded company, the new director will be given a number of informative sessions with the Company's legal advisors. Additionally, each director is expected to take steps reasonably necessary to be adequately informed about the Company and external matters affecting it and to enable the director to function effectively on the Board and committees on which the director serves.

*PRINCIPLE 7 – EVALUATION OF THE BOARD'S PERFORMANCE*

The Board and each of its committees perform an annual self-evaluation of their performance through a series of questionnaires, the results of which are analysed accordingly.

*PRINCIPLE 8 – COMMITTEES*

The Board delegates certain powers, authorities and discretions to the Audit Committee and the Remuneration Committee.

*Audit Committee*

The Audit Committee's primary role is to support the main Board in terms of quality control of the group's financial reports, its internal controls and in managing the Board's relationships with the external auditors.

The members of the Audit Committee and the attendance for the meetings held during the period under review are as follows:

| | Meetings held [3]<br>Attended |
|---|---|
| Mr. Hector Spiteri | 3[3] |
| Mr. Ivan Bartolo | 3[3] |
| Mr. Robert Borg * | 1[1] |
| Mr. Jason Brickell * | 2[2] |

* Robert Borg appointed director on 01/07/11
* Jason Brickell removed from director on 01/07/11

The Board considers that Hector Spiteri possesses the required competence in accounting and/or auditing. Mr. Hector Spiteri holds a warrant of a Certified Public Accountant and a Practicing certificate in Auditing. He is a fellow member of the Malta Institute of Taxation and a Member of the Malta Institute of Management.

Other executive directors or members of management are normally requested to attend when required.

*Remuneration Committee*

The Remuneration Committee is responsible for the development and implementation of the remuneration and related policies of the group, particularly to attract, retain and motivate directors, senior management and employees through incentive based remuneration and share option plans, and for ensuring compliance with the relevant provisions and regulations of good corporate governance on remuneration and related matters.

The members of the Remuneration Committee and the attendance for the meetings held during the period under review are as follows:

| | Meetings held [3]<br>Attended |
|---|---|
| Mr. Hector Spiteri | 3[3] |
| Mr. Ivan Bartolo | 3[3] |
| Mr. Robert Borg * | 1[1] |
| Mr. Jason Brickell * | 2[2] |

* Robert Borg appointed director on 01/07/11
* Jason Brickell removed from director on 01/07/11

*Remuneration Statement*

Throughout the period under review:

- All remuneration payable to the directors and to the senior executives of the Company and the Group is of a fixed nature and, save for an annual review undertaken at the end of every year is not linked to performance;
- There is no supplementary pension or early retirement scheme for Directors and/or senior Executives;
- There is no share option plan or share-incentive scheme currently in place;
- All the contracts of employment of the directors and senior executives are of an indefinite duration and comply with all applicable laws and regulations, particularly the provisions of the Employment and Industrial Relations Act, Chapter 452 of the Laws of Malta;
- No compensation is paid or receivable by any former executive Director or senior executive in connection with the termination of his activities during that financial year;

*PRINCIPLE 9 & 10 – RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET & INSTITUTIONAL SHAREHOLDERS*

The CEO is responsible for establishing effective communications with all the stakeholders notably shareholders, customers, employees, suppliers, media, government and corporate partners.

In limited circumstances, the Chairman will speak on behalf of the Board.

The Board believes that shareholders should have an opportunity to send communications to the Board. Any communication from a shareholder to the Board generally or a particular director should be in writing, signed, contain the number of shares held in the sender's name and should be delivered to the attention of the Company Secretary at the principal offices of the Company.

*PRINCIPLE 11 – CONFLICT OF INTEREST*

Directors should always act in the best interests of the Company and its shareholders.

The procedures internally followed by the Board reflect how sensitive such situations, if and when they arise are considered by the Company. In accordance with the provisions of the Articles of Association of the Company, any actual, potential or perceived conflict of interest must be immediately declared by a director to the other members of the Board, who then (also possibly through a referral to the Audit Committee) decide on whether such a conflict exists. In the event that the Board perceives such interest to be conflicting with the director's duties, the conflicted director is required to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are conducted in the absence of the conflicted director.

The Board has approved an Internal Code of Dealing that details the obligations of the directors, as well as those of senior management and other individuals having access to sensitive information, on dealings in the equity of the Company within the parameters of the law and the Principles.

Each director has declared his interest in the share capital of the Company distinguishing between beneficial and non-beneficial interest.

*PRINCIPLE 12 – CORPORATE SOCIAL RESPONSIBILITY*

The Company understands that it has an obligation to society at large to put into practice sound principles of Corporate Social Responsibility (CSR). Therefore the group is committed to playing a leading and effective role in the country's sustainable development, whilst tangibly proving itself to be a responsible and caring citizen of the community in which it operates.

In its dealings with its employees the group seeks to put into practice good CSR principles. The group considers itself to be a good employer, encouraging open communication and personal development whilst creating opportunities based on performance, creativity and initiative. The group is committed towards social investment and the quality of life of its work force and their families, as well as of the local communities it supports. Various initiatives have been organised throughout the period by the company within the context of the group-wide strategy.

In 2008 the Company took the decision to set up the 6pm Charity Foundation. The objectives of the Foundation are to provide sustained and substantial support to underprivileged children and families in Malta and in the UK.

Towards the end of 2009, the 6pm Charity Foundation together with the Santu Wistin parish in Valletta opened the Santu Wistin 6pm IT & Resource Centre. The IT Centre was created in order to get the children off the streets and provide them with the resources, equipment and guidance necessary to pursue their education. The parish also intended use the Centre to run a series of courses directed at parents and single mothers to help build awareness on certain parenting issues, as well as providing the skills to reintroduce them into the workforce. In 2010 the Foundation worked with the Qawra parish and raised funds to open another IT and Resource Centre for children in Qawra.

In 2011, the Foundation committee organised a number of fund-raising activities and events. The committee identified a number of families in desperate need of support and have been working with them to provide financial relief for medications required or supermarket vouchers.

In 2012 the committee intend to continue to provide assistance to families and children in need and have already put together a calendar of fund raising events.

**SECOND PART – NON-COMPLIANCE WITH THE CODE**

*PRINCIPLE 7 – EVALUATION OF THE BOARD*

Even though the Board undertook a self evaluation of its own performance, it did not appoint an ad hoc Committee to carry out such evaluation. The Board believes that the outcome of such self-assessment exercises currently provides the deliverables needed.

*PRINCIPLE 8 – NOMINATION COMMITTEE*

The Memorandum and Articles of Association of the Company regulates the appointment of directors. Article 55.1 of the Articles of Association provides that a member holding not less than 0.5% of the issued share capital of the Company having voting rights or a number of members who in the aggregate hold not less than 0.5% of the issued share capital of the Company having voting rights shall be entitled to nominate a fit and proper person for appointment as a director of the Company. In addition, the directors themselves or a Committee appointed for the purpose by the directors may make recommendations and nominations to the shareholders for the appointment of directors at the next Annual General Meeting.

Furthermore, in accordance with the provisions of 55.3 of the Articles of Association of the Company, in the event that the Board is of the opinion that none of the Directors appointed or elected in accordance with the provisions of these Articles is a non-executive independent Director competent in accounting and/or auditing as required by the Listing Rules relating to the composition of the Audit Committee, the Board shall, during the first board meeting after the annual general meeting appoint a person, who is independent and competent in accounting and/or auditing as a non-executive Director and shall appoint such person to the Audit Committee.

The Board believes that the setting up of a Nomination Committee is currently not suited to the Company as envisaged by the spirit of the Code. Notwithstanding this, the Board will retain under review the issue relating to the setting up of a Nomination Committee.

*PRINCIPLE 9 - RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET*

The Company firmly believes that shareholder participation is an essential precondition for effective corporate governance.

The Company has fully implemented the Shareholders Rights Directive (Directive 2007/36/EC) as transposed in Maltese Law and to this regard has introduced a number of measures aimed at facilitating the exercise of shareholders rights and protecting the shareholders' interests.

The measures currently available for shareholders notably the right to put items on the agenda of the annual general meeting and to table draft resolutions and the right to ask questions provide the necessary safeguards for the protection of the shareholder's interests. To this regard, the Company does not believe that the current corporate structure requires it to introduce procedures to resolve conflicts between minority shareholders and controlling shareholders.

**Approved by the Board of directors and signed on its behalf on 16 April 2012 by:**

***Ivan Bartolo***
***Chief Executive Officer***

***Nazzareno Vassallo***
***Chairman***

## Independent auditor's report to 6pm Holdings p.l.c. on corporate governance

Pursuant to the Listing Authority Rules issued by the Malta Financial Services Authority, the directors are required to include in their annual report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility as laid down by Listing Rule 5.98 requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages 6 to 12 has been properly prepared in accordance with the requirements of the Listing Rules.

_____

**Mr Manuel Castagna**
For and on behalf of
**Nexia BT**
**Certified Public Accountants**

**Suite 2, Tower Business Centre**
**Tower Street**
**Swatar BKR4013**
**Malta**

**Date: 16 April 2012**

# 6pm Holdings p.l.c.

## Statements of comprehensive income

Year ended 31 December 2011

| | *Notes* | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|---|
| Revenue | *7* | **5,321,108** | **-** | 3,067,602 | - |
| Cost of sales | | **(3,497,040)** | **-** | (1,825,953) | - |
| Gross profit | | **1,824,068** | **-** | 1,241,649 | - |
| Administrative expenses | | **(2,226,028)** | **2,559** | (1,576,406) | (9,134) |
| Operating (loss)/profit | | **(401,960)** | **2,559** | (334,757) | (9,134) |
| Finance costs | *9* | **(89,523)** | **(4,448)** | (112,478) | - |
| Interest income | *8* | **834** | **48** | - | - |
| Share of losses of associates | *16* | **(4,803)** | **-** | - | - |
| Loss on sale of immovable property | | **(67,809)** | **-** | - | - |
| Loss before tax | *10* | **(563,261)** | **(1,841)** | (447,235) | (9,134) |
| Income tax credit/(charge) | *13* | **208,373** | **(7)** | 154,178 | - |
| **Loss for the year** | | **(354,888)** | **(1,848)** | (293,057) | (9,134) |
| *Attributable to:* | | | | | |
| Owners of the company | | **(328,005)** | | (295,486) | |
| Non-controlling interest | | **(26,883)** | | 2,429 | |
| | | **(354,888)** | | (293,057) | |
| **Other comprehensive expense** | | | | | |
| Exchange differences arising on translation of foreign operations | | **(53,869)** | **-** | (40,791) | - |
| **Total comprehensive expense for the year** | | **(408,757)** | **(1,848)** | (333,848) | (9,134) |
| *Attributable to:* | | | | | |
| Owners of the company | | **(381,874)** | | (336,277) | |
| Non-controlling interest | | **(26,883)** | | 2,429 | |
| | | **(408,757)** | | (333,848) | |
| **Earnings per share** | *6* | **(0.026)** | | (0.039) | |

# 6pm Holdings p.l.c.

## Statements of financial position

31 December 2011

| | Notes | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | *14* | **2,353,930** | **-** | 1,680,220 | - |
| Property, plant and equipment | *15* | **928,101** | **-** | 1,075,828 | - |
| Investments in subsidiaries | *16* | **-** | **2,499,048** | - | 1,600,094 |
| Investments in associates | *16* | **7,941** | **27,519** | - | - |
| Deferred tax assets | *17* | **1,474,284** | **-** | 1,274,132 | - |
| | | **4,764,256** | **2,526,567** | 4,030,180 | 1,600,094 |
| **Current assets** | | | | | |
| Inventories | *18* | **265,168** | **-** | - | - |
| Trade and other receivables | *19* | **1,770,072** | **1,809,614** | 832,767 | 88,531 |
| Current tax asset | | **37,594** | **-** | 37,868 | - |
| Other cash at bank | *24* | **417,650** | **-** | - | - |
| Cash and cash equivalents | *24* | **216,236** | **10,299** | 215,424 | 2,057 |
| | | **2,706,720** | **1,819,913** | 1,086,059 | 90,588 |
| **Total assets** | | **7,470,976** | **4,346,480** | 5,116,239 | 1,690,682 |
| **Current liabilities** | | | | | |
| Trade and other payables | *20* | **1,622,679** | **5,278** | 766,221 | 5,336 |
| Other financial liabilities | *21* | **109,321** | **95,437** | 258,961 | 88,956 |
| Bank overdrafts and loans | *22* | **537,738** | **-** | 1,265,925 | - |
| Current tax liabilities | | **27,108** | **-** | - | - |
| | | **2,296,846** | **100,715** | 2,291,107 | 94,292 |
| **Non-current liabilities** | | | | | |
| Bank loans | *22* | **511,998** | **-** | 405,466 | - |
| **Total liabilities** | | **2,808,844** | **100,715** | 2,696,573 | 94,292 |
| **Net assets** | | **4,662,132** | **4,245,765** | 2,419,666 | 1,596,390 |
| **EQUITY** | | | | | |
| Share capital | *23* | **3,611,823** | **3,611,823** | 1,500,000 | 1,500,000 |
| Share premium | | **539,400** | **539,400** | - | - |
| Retained earnings | | **390,065** | **94,542** | 718,070 | 96,390 |
| Exchange reserve | | **132,590** | **-** | 186,459 | - |
| Minority interest | | **(11,746)** | **-** | 15,137 | - |
| **Total equity** | | **4,662,132** | **4,245,765** | 2,419,666 | 1,596,390 |

**These financial statements were approved by the board of directors, authorised for issue on 16 April 2012 and signed on its behalf by:**

***Ivan Bartolo***
***Chief Executive Officer***

***Nazzareno Vassallo***
***Chairman***

# 6pm Holdings p.l.c.

## Statements of changes in equity

Year ended 31 December 2011

**Group**

| | Share capital GBP | Share premium GBP | Exchange reserve GBP | Retained earnings GBP | Attributable to owners of the company GBP | Non-controlling interest GBP | Total GBP |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2010** | 1,500,000 | - | 227,250 | 1,013,109 | 2,740,359 | - | 2,740,359 |
| (Loss)/profit for the year | - | - | - | (295,486) | (295,486) | 2,429 | (293,057) |
| Other comprehensive expense for the year | - | - | (40,791) | - | (40,791) | - | (40,791) |
| Effect of acquisition of subsidiary | - | - | - | 447 | 447 | 12,708 | 13,155 |
| Total comprehensive income/(expense) for the year | - | - | (40,791) | (295,039) | (335,830) | 15,137 | (320,693) |
| **Balance at 1 January 2011** | 1,500,000 | - | 186,459 | 718,070 | 2,404,529 | 15,137 | 2,419,666 |
| Loss for the year | - | - | | (328,005) | (328,005) | (26,883) | (354,888) |
| Other comprehensive expense for the year | - | - | (53,869) | - | (53,869) | - | (53,869) |
| Total comprehensive expense for the year | - | - | (53,869) | (328,005) | (381,874) | (26,883) | (408,757) |
| Issue of share capital | 2,157,600 | 539,400 | - | - | 2,697,000 | - | 2,697,000 |
| Transaction costs (note 23) | (45,777) | - | - | - | (45,777) | - | (45,777) |
| **Balance at 31 December 2011** | **3,611,823** | **539,400** | **132,590** | **390,065** | **4,673,878** | **(11,746)** | **4,662,132** |

# 6pm Holdings p.l.c.

## Statements of changes in equity (continued)

Year ended 31 December 2011

**Holding company**

| | Share capital GBP | Share premium GBP | Retained earnings GBP | Total GBP |
|---|---|---|---|---|
| **Balance at 1 January 2010** | 1,500,000 | - | 105,524 | 1,605,524 |
| Loss for the year | - | - | (9,134) | (9,134) |
| Total comprehensive expense for the year | - | - | (9,134) | (9,134) |
| **Balance at 1 January 2011** | 1,500,000 | - | 96,390 | 1,596,390 |
| Loss for the year | - | - | (1,848) | (1,848) |
| Total comprehensive expense for the year | - | - | (1,848) | (1,848) |
| Issue of share capital | 2,157,600 | 539,400 | - | 2,697,000 |
| Transaction costs (note 23) | (45,777) | - | - | (45,777) |
| **Balance at 31 December 2011** | **3,611,823** | **539,400** | **94,542** | **4,245,765** |

# 6pm Holdings p.l.c.

## Statements of cash flows

Year ended 31 December 2011

| | Notes | Group 2011 GBP | Holding company 2011 GBP | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss before tax | | **(563,261)** | **(1,841)** | (447,235) | (9,134) |
| *Adjustments for:* | | | | | |
| Depreciation and amortisation | | **243,261** | **-** | 219,566 | - |
| Interest expense | | **89,523** | **4,448** | 112,477 | - |
| Interest income | | **(834)** | **(48)** | - | - |
| Movement in provision for bad debts | | **(14,369)** | **-** | 1,892 | - |
| Bad debts written off | | **22,474** | **-** | - | - |
| Loss on sale of property, plant and equipment | | **67,809** | **-** | - | - |
| Exchange adjustments | | - | **(22,026)** | - | (1,100) |
| Share of losses in associates and unrealised profits on sales to associates | | **19,578** | **-** | **-** | - |
| Operating loss before working capital movements | | **(135,819)** | **(19,467)** | (113,300) | (10,234) |
| Movement in inventories | | **(9,067)** | **-** | | |
| Movement in trade and other receivables | | **(497,140)** | **-** | 372,135 | 10,462 |
| Movement in trade and other payables | | **603,587** | **-** | 235,240 | (244) |
| Cash flows from operations | | **(38,439)** | **(19,467)** | 494,075 | (16) |
| Net income taxes paid | | **(119)** | **(7)** | (26,256) | - |
| *Net cash flows from operating activities* | | **(38,558)** | **(19,474)** | 467,819 | (16) |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | **(84,190)** | **-** | (44,431) | - |
| Net proceeds from disposal of property, plant and equipment | | **164,267** | **-** | - | - |
| Payments to acquire intangible assets | | **(227,153)** | **-** | (157,225) | - |
| Acquisition of associates | | **(27,519)** | **(27,519)** | - | - |
| Acquisition and incorporation of subsidiaries | | **(351,072)** | **(376,954)** | - | - |
| Interest income | | **834** | **48** | - | - |
| *Net cash flows from investing activities* | | **(524,833)** | **(404,425)** | (201,656) | - |
| **Cash flows from financing activities** | | | | | |
| Movement in related party balances | | **(486,706)** | **(1,692,634)** | 258,961 | - |
| Movement in bank borrowings | | **(168,772)** | **-** | (100,071) | - |
| Interest paid | | **(89,523)** | **(4,448)** | (112,477) | - |
| Issue of share capital net of transaction costs | | **2,129,223** | **2,129,223** | - | - |
| Deposits into bank | | **(417,650)** | **-** | - | - |
| *Net cash flows from financing activities* | | **966,572** | **432,141** | 46,413 | - |
| **Net movement in cash and cash equivalents** | | **403,181** | **8,242** | 312,576 | (16) |
| **Cash and cash equivalents at the beginning of year** | | **(684,570)** | **2,057** | (1,066,006) | 2,073 |
| **Acquired on acquisition of subsidiaries** | | **(960)** | **-** | - | - |
| **Effect of foreign exchange rates** | | **51,475** | **-** | 68,860 | - |
| **Cash and cash equivalents at the end of year** | *24* | **(230,874)** | **10,299** | (684,570) | 2,057 |

### 1. Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards, as adopted by the EU. EU-endorsed IFRSs may differ from IFRSs as published by the International Accounting Standards Board ('IASB') if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At the date of authorisation of these financial statements there were no unendorsed standards effective for the period then ended affecting these financial statements, and therefore there is no difference between IFRSs as adopted by the EU and IFRSs as issued by the IASB in terms of their application to the company and the group.

Following the successful rights issue the group focused its efforts on diversifying its product offerings through a number of acquisitions and investments. Most importantly, the acquisition of Compunet Operations Limited and Compunet Agencies Limited introduced 6pm to the ICT retail and ICT infrastructure markets.

Notwithstanding the increase in revenue from *GBP3,067,602* to *GBP5,321,108* which was partly attributable to the said acquisitions, the group registered a pre-tax loss of *GBP563,261* (2010 – *GBP447,235*). This loss includes a loss on sale of immovable property amounting to *GBP67,809*, one-off professional fees in connection with the various acquisitions and overall group restructuring of *GBP86,413* and unrealised exchange differences on intercompany balances of *GBP78,411* (2010 - *GBP30,801*). After adjusting for these non-operating items, on a like with like comparison 6pm registered improved operating performance by approximately 20% from a loss off *GBP416,434* in 2010 to a loss of *GBP330,628* in 2011.

During the first part of the year the UK market failed to gain the expected momentum and a number of key deals were further delayed. The group mitigated the risk by additional diversification through the investment in its Macedonian operation and the development of a low margin, high volume product strategy.

Throughout the last quarter of 2011 the group's UK business registered a significant increase in orders which will flow into the first half of 2012. The said improvement, together with key infrastructure deals and the intensification of a number of software development projects propelled the group into its first profitable quarter since 2009.

The positive trend is expected to flow into 2012 as management anticipates to start benefiting from the synergies created by its new investments and from economies of scale achieved through the centralisation of its management, administrative and support functions.

In November the group re-aligned its operational strategy to include the new businesses and markets and the board is still confident that 6pm will reap the necessary improved results in the coming years and have therefore considered it appropriate to continue to prepare these financial statements on a going concern basis despite the losses incurred in the past 2 years.

The significant accounting policies adopted are set out in note 2 below.

### 2. Significant accounting policies

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company (its subsidiaries).

Control is achieved where the holding company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities. All intragroup balances, transactions, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for by applying the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control, plus any costs directly attributable to the business combination.

An adjustment to the cost of the combination contingent on future events is included to the extent that the adjustment is probable and can be measured reliably. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date.

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition is recognised as goodwill. The goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination, after reassessment, is recognised immediately in profit or loss.

**2. Significant accounting policies (continued)**

*Investments in subsidiaries and associates*

A subsidiary is an entity that is controlled by the company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in subsidiaries are accounted for in the separate financial statements of the holding company on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from investments are recognised in profit or loss.

On consolidation, the results of subsidiaries are included in from the date that control commences until the date that control ceases. Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities. Intragroup balances, transactions, income and expenses are eliminated on consolidation.

Investments in associates are accounted for in the separate financial statements of the holding company on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses.

On consolidation, the results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, from the date that significant influence commences until the date that significant influence.

Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter for the post-acquisition change in the company's share of net assets of the associates, less any impairment in the value of individual investments.

The company's share of the post-acquisition profit or loss of the associates controlled entities is recognised in profit or loss and the company's share of the post-acquisition changes in other comprehensive income is recognised in other comprehensive income. Distributions received from an investee reduce the carrying amount of the investment. The company's share of losses of an associate in excess of its interest in that associate (which includes any long-term interests that, in substance, form part of the company's net investment in the associate) are not recognised, unless the company has incurred obligations or made payments on behalf of the associate.

**2. Significant accounting policies (continued)**

*Investments in subsidiaries and associates (continued)*

The acquisition of subsidiaries is accounted for by applying the acquisition method. The consideration is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred, except for costs to issue debt or equity securities. An adjustment to the cost of the combination contingent on future events is measured at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration that are the result of additional information obtained after the acquisition date about facts and circumstances that existed at the acquisition date and that qualify as measurement period adjustments are adjusted against the cost of acquisition. All other subsequent changes in the fair value of contingent consideration that are not measurement period adjustments are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised. The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale, which are recognised and measured at fair value less costs to sell. A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably. Such contingent liabilities are subsequently measured at the higher of the amount that would be recognised in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, if appropriate, cumulative amortisation.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred; (ii) the amount of any non-controlling interests in the acquiree; and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at their proportion of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**2. Significant accounting policies (continued)**

*Property, plant and equipment*

The group's property, plant and equipment are classified into the following classes – freehold land and buildings, motor vehicles, furniture, fittings and other equipment.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Land and buildings are held for use in the supply of services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

*Depreciation*

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings - 2% per annum
Motor vehicles - 20% per annum with a residual value of 25%
Furniture, fittings & other equipment - 6.67%-20% per annum with residual values of 15%-20%

No depreciation is charged on freehold land.

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

**2. Significant accounting policies (continued)**

*Intangible assets*

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria.

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

(i) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the group's development of software is recognised only if all of the following can be demonstrated by the group:

(a) the technical feasibility, the availability of resources and the intention and ability of completing the asset so that it will be available for use or sale,
(b) how the asset will generate probable future economic benefits, and
(c) the ability to measure reliably the expenditure attributable to the asset during its development.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. After initial recognition, internally-generated intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives from the date when they become available for use, which is generally assumed to be five years.

(ii) Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, judgment is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the group's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over five to ten years.

(iii) Agencies

Agencies represent the rights over a number of brands which enhance the future earning capacity of the group. Agencies are not being amortized and are considered to have an indefinite useful life.

**2. Significant accounting policies (continued)**

*Other financial instruments*

Financial assets and financial liabilities are recognised in the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Trade and other receivables

Trade and other receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material, in which case trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

(iii) Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

**2. Significant accounting policies (continued)**

*Other financial instruments (continued)*

(iv) Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

(v) Shares issued by the holding company

Ordinary shares issued by the holding company are classified as equity instruments.

Redemptions or refinancing of equity instruments are recognised as changes in equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

*Impairment*

All assets are tested for impairment except for deferred tax assets. At the end of each reporting period the carrying amount of assets, including cash-generating units are reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

Goodwill arising on the acquisition of subsidiaries and intangible assets with an indefinite useful life and that are not yet available for use, are tested for impairment annually and whenever there is an indication of impairment.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from a sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Goodwill is allocated to the group's cash-generating units expected to benefit from the synergies of the combination. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

**2. Significant accounting policies (continued)**

*Impairment* (continued)

Impairment losses are recognised immediately in profit or loss.

An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment reversals are recognised immediately in profit or loss.

*Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(ii) Sale of goods

Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of delivery, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(iii) Government grants

Government grants are recognised when there is reasonable assurance that all conditions attaching to them are complied with and the grants will be received.

Government grants related to income are recognised in profit or loss over the periods necessary to match them with related costs which they are intended to compensate, on a systematic basis. Such grants are deducted in reporting the related expense.

**2. Significant accounting policies (continued)**

*Borrowing costs*

Borrowing costs include the costs incurred in obtaining external financing.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

*Taxation*

Current and deferred tax is recognised to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries where the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

**2. Significant accounting policies (continued)**

*Taxation (continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities/assets are expected to be settled or recovered.

*Employee benefits*

Contributions towards the state pension are made in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the period in which they are incurred.

*Currency translation*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Pound Sterling, which is the functional currency of the company and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss.

For the purpose of presenting these consolidated financial statements, income and expenses of foreign operations having a different functional currency to that of the group are translated to Pound Sterling at the exchange rates ruling on the date of transaction. Assets and liabilities of operations having a different functional currency to that of the group are translated to Pound Sterling at the exchange rate ruling at the end of the reporting period. Exchange differences are recognised within the Exchange Reserve as a separate component of equity. Such differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Foreign exchange gains and losses are included within operating profit/(loss) except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

**2. Significant accounting policies (continued)**

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's or the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

*Dividends*

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared. Dividends to holders of equity instruments are debited directly to equity.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to:

1) The crystallisation of deferred tax asset
2) The carrying amount of goodwill
3) The carrying amount of other intangible assets

In 2011 the directors updated the strategic business plan prepared in 2010 to cover the group's forecast to the year ending 31 December 2014. The said plan is based on a number of assumptions which have also been used in assessing the crystallisation of the deferred tax assets and the carrying value of goodwill and other intangible assets. The principal assumptions relate to:

- Sales volume and product/service mix
- New product and service launches
- General economic trends
- Developments in the markets within which the group operates
- Technological developments
- Foreign exchange rates
- Achieving costs savings
- Economies of scale derived from acquisitions and mergers
- Synergies with new additions to the group

Inherent in any forecast, actual results may differ significantly from projected results. In addition to variances that are likely to arise between actual results and the forecasts based on the above assumptions, the directors' expectations are subject to substantial uncertainty considering the group's current situation and general economic uncertainty, especially in the UK where the group continues to generate a significant part of its revenue.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses and credits can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits. The carrying value of the deferred tax assets recognised at the end of the reporting period was *GBP1,474,284* (2010 – *GBP1,274,132*).

The majority of the group's deferred tax asset amounting to *GBP1,339,830* (2010 – *GBP1,251,972*) arises on unabsorbed investment tax credits which the subsidiary 6pm Limited is eligible to on its investment in tangible assets and intangible assets.

On the basis of the subsidiary's projections prepared by management, the subsidiary would have utilised a significant part of this asset by 2015.

(ii) Impairment of goodwill

The group tests goodwill for impairment at least annually irrespective of whether there are indications that goodwill might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit. The growth rates and changes in direct costs are based on past practices and expectations of future changes in the market.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

The assessment of recoverability of the carrying amount of goodwill includes:

- Forecasted projected cash flows, relating to the specific cash generating units to which goodwill has been allocated, for the three year period ending 31 December 2014 and projections of terminal values using the perpetuity method.
- Varying growth rates depending on the individual products and services provided by the group, that relate to the specific cash generating units to which goodwill has been allocated, for the next three years with a nil growth rate to perpetuity in determining the terminal value.
- Use of 15% to 20% (pre-tax) to discount the projected cash flows to net present values.

Based on the above assessment, the directors consider that the carrying amount of goodwill as at 31 December 2011 amounting to *GBP1,468,752* (2010 – *GBP1,149,182*) has not been impaired.

(iii) Other intangible assets

During the year management has reassessed the recoverability of the value of the group's intangible assets which are included in the statement of financial position at *GBP565,248* (2010 – *GBP531,038*) by applying discounting cash flow techniques to the cash flows included in the group's strategic business plan that relate to the specific intangibles. The key assumptions are the same as those disclosed in (ii) above. Based on the above assessment, management expects the carrying amount of other intangible assets to be recoverable and therefore the directors consider that there is no impairment in the carrying value of other intangible assets as at 31 December 2011.

### 4. International Financial Reporting Standards in issue but not yet effective

At the date of the approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board were either not yet endorsed by the EU or were not yet applicable to the group and the company.

***IFRS 9 – Financial Instruments***

IFRS 9 was issued in November 2009 and amended in October 2010. IFRS 9 represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The requirements for financial liabilities address the problem of volatility in profit or loss arising from measuring own debt at fair value. Under IFRS 9, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income. By virtue of the December 2011 Amendment, IFRS 9 is applicable for annual periods beginning on or after 1 January 2015. IFRS 9 has not yet been endorsed by the EU.

***IFRS 10 – Consolidated Financial Statements***

IFRS 10 was issued in May 2011. IFRS 10 *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (that is, whether an entity is controlled through voting rights of the investors or otherwise). IFRS 10 supersedes SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. IFRS 10 is applicable for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the EU.

***IFRS 12 – Disclosure of Interests in Other Entities***

IFRS 12 was issued in May 2011. IFRS 12 *Disclosure of Interests in Other Entities* addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 is applicable for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the EU.

**4. International Financial Reporting Standards in issue but not yet effective (continued)**

***IAS 27 Amendment – Separate Financial Statements***

IAS 27 was amended concurrently with IFRS 10 in May 2011. Together, the two IFRSs supersede IAS 27 Consolidated and Separate Financial Statements (as amended in 2008). IAS 27 Amendment is applicable for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the EU.

***IAS 28 Amendment – Investments in Associates and Joint Ventures***

IAS 28 was amended in May 2011. This Standard supersedes IAS 28 *Investments in Associates* (as revised in 2003). It introduces certain additional guidance in respect of investments held by a venture capital organisation, or a mutual fund, unit trust and similar entities. IAS 28 Amendment is applicable for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the EU.

***IAS 1 Amendment – Presentation of Items of Other Comprehensive Income***

IAS 1 was amended in June 2011. These Amendments will require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. IAS 1 Amendment is applicable for annual periods beginning on or after 1 July 2012 and has not yet been endorsed by the EU.

***IAS 12 Amendment – Deferred Tax: Recovery of Underlying Assets***

IAS 12 was amended in December 2010. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property*. For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. IAS 12 Amendment is applicable for annual periods beginning on or after 1 January 2012 and has not yet been endorsed by the EU.

***IAS 32 & IFRS 7 Amendments – Offsetting Financial Assets and Financial Liabilities***

IAS 32 & IFRS 7 were amended in December 2011. These Amendments are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. IAS 32 and IFRS 7 Amendments are applicable for annual periods beginning on or after 1 January 2014 and on or after 1 January 2013 respectively and have not yet been endorsed by the EU.

### 4. International Financial Reporting Standards in issue but not yet effective (continued)

***IFRS 7 Amendment – Disclosures – Transfers of Financial Assets***

IFRS 7 was amended in October 2010. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. IFRS 7 Amendment is applicable for annual periods beginning on or after 1 July 2011 and has been endorsed by the EU in July 2011.

The directors are assessing their potential impact, if any, on the financial statements of the group in the period of initial application.

### 5. Change in accounting estimate

On 1 January 2011 the group reassessed the depreciation rates and residual values of its property, plant and equipment as follows:

- Furniture, fittings and other equipment – from a depreciation rate of 6.67% - 33% with a residual value of 15% - 20% to a depreciation rate of 6.67% - 20% with a residual value of 15% - 20%; and
- Motor vehicles – from a depreciation rate of 20% with a residual value of 15% to a depreciation rate of 20% with a residual value of 25%.

The effect of this change in accounting estimate was a decrease in the depreciation charge of *GBP24,175*.

At the same date the group reassessed the amortisation rate and residual value of computer software held by one of its subsidiaries from an amortisation rate of 25% with no residual value to an amortisation rate of 33% with a residual value of 15%. The effect of this change in accounting estimate was an increase in the amortisation charge of *GBP585*.

### 6. Earnings per share

The basic earnings per share for the group has been calculated on the profits attributable to shareholders as recognised in the consolidated statement of comprehensive income divided by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period amounted to *14,800,373* (2010 – *7,500,000*).

There is no difference between the basic and diluted earnings per share.

### 7. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance.

Information reported to the group's chief operating decision makers for the purpose of resource allocation and assessment performance is focused on the service provided. The group's reportable segments under IFRS 8 are therefore as follows:

- Resourcing;
- Product solutions and consultancy; and
- Retail, infrastructure and related services

Information regarding the group's reportable segments is presented below.

*7.1 Segment revenues and results*

Group revenue represents the amount primarily receivable for services rendered during the year, net of any indirect taxes.

The following is an analysis of the group's revenue and results from continuing operations by reportable segments:

| | **Segment revenue** | | **Segment profit** | |
|---|---|---|---|---|
| | **2011 GBP** | 2010 GBP | **2011 GBP** | 2010 GBP |
| Resourcing | **1,250,118** | 779,308 | **284,088** | 294,787 |
| Product solutions and consultancy | **2,735,956** | 2,288,294 | **1,211,548** | 946,862 |
| Retail, infrastructure and related services | **1,335,034** | - | **328,432** | - |
| | **5,321,108** | 3,067,602 | **1,824,068** | 1,241,649 |
| Administrative expenses | | | **(2,226,028)** | (1,576,406) |
| **Operating loss** | | | **(401,960)** | (334,757) |
| Finance costs | | | **(89,523)** | (112,478) |
| Interest income | | | **834** | - |
| Share of losses of associates | | | **(4,803)** | - |
| Loss on sale of immovable property | | | **(67,809)** | - |
| **Loss before tax** | | | **(563,261)** | (447,235) |

Revenue reported above represents revenue from external customers. The accounting policies of the reportable segments are the same as the group accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of administrative expenditure, finance costs and income taxes. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### 7. Segment information (continued)

*7.2 Segment current assets and liabilities*

| **Current assets** | **2011 GBP** | 2010 GBP |
|---|---|---|
| Resourcing | **134,204** | 175,910 |
| Product solutions and consultancy | **951,596** | 558,024 |
| Retail, infrastructure and related services | **384,573** | - |
| Total segment current assets | **1,470,373** | 733,934 |
| Unallocated* | **1,236,347** | 352,125 |
| Consolidated current assets | **2,706,720** | 1,086,059 |

***** The unallocated amounts include the current tax asset, cash and cash equivalents, other cash at bank, prepayments, other receivables and related party receivables.

| **Current liabilities** | **2011 GBP** | 2010 GBP |
|---|---|---|
| Resourcing | **117,139** | 156,211 |
| Product solutions and consultancy | **858,628** | 398,481 |
| Retail, infrastructure and related services | **62,242** | - |
| Total segment current liabilities | **1,038,009** | 554,692 |
| Unallocated* | **1,258,837** | 1,736,415 |
| Consolidated current liabilities | **2,296,846** | 2,291,107 |

***** The unallocated amounts include current tax liabilities, bank overdraft and loans, other payables, other taxes and social security, payments received on account and general administrative accruals.

*7.3 Non-current assets and liabilities*

Non-current assets and liabilities are not analysed on a segmental basis by the chief operating decision maker and are thus considered unallocated.

*7.4 Geographical information*

The group operates in three geographical areas – United Kingdom, Malta and Macedonia. The group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2011 GBP** | 2010 GBP | **2011 GBP** | 2010 GBP |
| United Kingdom | **3,042,953** | 2,321,965 | **44,290** | 51,787 |
| Malta | **2,278,155** | 745,637 | **4,707,150** | 3,978,393 |
| Macedonia | **-** | - | **12,816** | - |
| **Consolidated total** | **5,321,108** | 3,067,602 | **4,764,256** | 4,030,180 |

### 7. Segment information (continued)

*7.5 Information about major customers*

Group revenue includes *GBP1,030,312* of product solutions and consultancy (2010 – *GBP1,386,324*), *GBP1,113,762* of resourcing (2010 – *GBP647,192*) and *GBP409,885* (2010 – *nil*) of retail, infrastructure and related services that cumulatively amount to 48% (2010 – 66%) of total group revenue, which arose from sales to the group's six largest customers (2010 – four largest customers).

### 8. Interest income

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Interest income on bank deposits | **834** | **48** | - | - |

### 9. Finance costs

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Interest on bank overdrafts and loans | **81,941** | **-** | 108,019 | - |
| Other interest | **7,582** | **4,448** | 4,459 | - |
| | **89,523** | **4,448** | 112,478 | - |

### 10. Loss before tax

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| *This is stated after crediting/(charging):* | | | | |
| Amortisation of intangible assets | **196,727** | **-** | 154,798 | - |
| Depreciation of property, plant and equipment | **46,534** | **-** | 64,769 | - |
| Government training grants | **-** | **-** | (6,898) | - |
| Net exchange differences | **57,052** | **(22,026)** | 30,801 | (1,100) |

The group loss before tax is also stated after charging auditor's fees of *GBP30,477* (2010 – *GBP28,004*) and other non-audit services of *GBP nil* (2010 – *GBP16,375*). The loss before tax of the holding company is also stated after charging auditor's fees of *GBP4,000* (2010 – *GBP4,135*).

### 11. Key management personnel compensation

| | Group 2011 GBP | Holding company 2011 GBP | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| ***Directors' compensation:*** | | | | |
| *Short-term benefits:* | | | | |
| Management remuneration | **264,988** | **-** | 165,343 | - |
| ***Other key management personnel compensation:*** | | | | |
| *Short-term benefits:* | | | | |
| Salaries and social security contributions | **169,473** | **-** | 128,473 | - |
| ***Total key management personnel compensation:*** | | | | |
| Short-term benefits | **434,461** | **-** | 293,816 | - |

Included within directors' compensation is *GBP34,288* (2010 – *GBP nil*) which was capitalised with software development costs.

No key management personnel compensation was capitalised in 2011 and 2010.

### 12. Staff costs and employee information

| | Group 2011 GBP | Holding company 2011 GBP | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| *Staff costs:* | | | | |
| Wages and salaries | **1,721,293** | **-** | 1,317,566 | - |
| Social security costs | **152,192** | **-** | 103,742 | - |
| | **1,873,485** | **-** | 1,421,308 | - |

The average number of persons employed by the group during the year, including executive directors, was made up as follows:

| | Group 2011 Number | Holding company 2011 Number | Group 2010 Number | Holding company 2010 Number |
|---|---|---|---|---|
| Sales and operations | **57** | **-** | 37 | - |
| Administration | **25** | **-** | 15 | - |
| | **82** | - | 52 | - |

### 13. Income tax (credit)/charge - continued

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Current tax | **27,501** | **7** | (37,063) | - |
| Deferred tax (note 17) | **(235,874)** | **-** | (117,115) | - |
| | **(208,373)** | **7** | (154,178) | **-** |

Tax applying the statutory domestic income tax rate and the income tax (credit)/charge for the year are reconciled as follows:

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Loss before tax | **(563,261)** | **(1,841)** | (447,235) | (9,134) |
| Tax at the applicable rate of 35% | **(197,141)** | **(644)** | (156,532) | (3,197) |
| *Tax effect of:* | | | | |
| Deferred tax not accounted for | **30,282** | **-** | - | - |
| Depreciation charges not deductible by way of capital allowances in determining taxable income | **4,789** | **-** | - | - |
| Unabsorbed capital allowances | **1,176** | **-** | - | - |
| Local income taxed at 15% | **(158)** | **(10)** | - | - |
| Different tax rates in foreign jurisdictions | **(8,223)** | **-** | 21,839 | - |
| Changes in tax rates in foreign jurisdictions | **(3,753)** | **-** | - | - |
| Small companies rate in the UK on tax losses utilised | | **-** | 6,024 | - |
| Disallowed expenses | **14,270** | **661** | 4,741 | 3,197 |
| Movement in unabsorbed investment tax credits | **(125,581)** | **-** | (50,103) | - |
| Exempt profits | | **-** | (2,456) | - |
| Loss on sale of immovable property | **23,778** | **-** | - | - |
| Exchange differences | **40,577** | **-** | - | - |
| Pre-acquisition profits of subsidiary acquired during the year | **5,507** | **-** | - | - |
| Unrealised profits on intercompany transactions | **4,423** | **-** | - | - |
| Share of losses in associates | **1,681** | **-** | - | - |
| Other permanent differences | | **-** | 22,309 | - |
| Income tax (credit)/charge for the year | **(208,373)** | **7** | (154,178) | - |

### 14. Intangible assets

#### Group

| | Computer software and licences GBP | Developed software GBP | Web page design GBP | Goodwill GBP | Agencies GBP | Total GBP |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 01.01.2010 | 373,462 | 575,614 | 3,103 | 1,149,182 | - | 2,101,361 |
| Additions | 7,534 | 143,086 | - | - | - | 150,620 |
| Acquired through acquisition of subsidiary | 7,139 | - | - | - | - | 7,139 |
| Net foreign currency exchange differences | (10,698) | (17,551) | (97) | - | - | (28,346) |
| At 01.01.2011 | 377,437 | 701,149 | 3,006 | 1,149,182 | - | 2,230,774 |
| Additions | 12,067 | 212,529 | 2,557 | - | - | 227,153 |
| Acquired through acquisition of subsidiary (carrying amount) | - | - | 21,172 | 330,876 | 334,387 | 686,435 |
| Net foreign currency exchange differences | (10,613) | (28,439) | (1,100) | (11,306) | (14,467) | (65,925) |
| **At 31.12.2011** | **378,891** | **885,239** | **25,635** | **1,468,752** | **319,920** | **3,078,437** |
| **Accumulated amortisation** | | | | | | |
| At 01.01.2010 | 187,725 | 216,376 | 3,103 | - | - | 407,204 |
| Provision for the year | 33,950 | 120,848 | - | - | - | 154,798 |
| Acquired through acquisition of subsidiary | 533 | - | - | - | - | 533 |
| Net foreign currency exchange differences | (5,474) | (6,410) | (97) | - | - | (11,981) |
| At 01.01.2011 | 216,734 | 330,814 | 3,006 | - | - | 550,554 |
| Provision for the year | 34,402 | 161,483 | 842 | - | - | 196,727 |
| Net foreign currency exchange differences | (6,937) | (15,717) | (120) | - | - | (22,774) |
| At 31.12.2011 | 244,199 | 476,580 | 3,728 | - | - | 724,507 |
| Carrying amount | | | | | | |
| At 31.12.2010 | 160,703 | 370,335 | - | 1,149,182 | - | 1,680,220 |
| **At 31.12.2011** | **134,692** | **408,659** | **21,907** | **1,468,752** | **319,920** | **2,353,930** |

The amortisation expense is included in the line item 'administrative expenses' in the statement of comprehensive income.

Included in the cost of intangible assets is internal software development costs amounting to *GBP885,239* (2010 – *GBP701,149*) which are amortised over 5 years.

The amounts capitalised during the year amounting to *GBP227,153* (2010 – *GBP143,086*) represent primarily labour costs and expenses incurred in the development of three major products, which the group expects to generate significant revenues in the next few years.

### 15. Property, plant and equipment

**Group**

| | Freehold land and buildings GBP | Furniture, fittings and other equipment GBP | Motor vehicles GBP | Total GBP |
|---|---|---|---|---|
| **Cost** | | | | |
| At 01.01.2010 | 1,000,807 | 365,903 | 92,653 | 1,459,363 |
| Additions | - | 40,810 | - | 40,810 |
| Acquired through acquisition of subsidiary | - | 18,339 | - | 18,339 |
| Net foreign currency exchange differences | (31,215) | (20,602) | (2,893) | (54,710) |
| At 01.01.2011 | 969,592 | 404,450 | 89,760 | 1,463,802 |
| Additions | - | 61,426 | 22,764 | 84,190 |
| Acquired through acquisition of subsidiary (carrying amount) | - | 47,924 | 26,164 | 74,088 |
| Disposals | (243,012) | (4,340) | - | (247,352) |
| Net foreign currency exchange differences | (19,158) | (15,069) | (4,606) | (38,833) |
| **At 31.12.2011** | **707,422** | **494,391** | **134,082** | **1,335,895** |
| **Accumulated depreciation** | | | | |
| At 01.01.2010 | 24,046 | 250,518 | 45,500 | 320,064 |
| Provision for the year | 11,616 | 37,090 | 16,063 | 64,769 |
| Acquired through acquisition of subsidiary | - | 14,717 | - | 14,717 |
| Net foreign currency exchange differences | (717) | (9,484) | (1,375) | (11,576) |
| At 01.01.2011 | 34,945 | 292,841 | 60,188 | 387,974 |
| Provision for the year | 10,187 | 24,004 | 12,343 | 46,534 |
| Eliminated on disposals | (10,936) | (4,340) | - | (15,276) |
| Net foreign currency exchange differences | (992) | (8,227) | (2,219) | (11,438) |
| **At 31.12.2011** | **33,204** | **304,278** | **70,312** | **407,794** |
| Carrying amount | | | | |
| At 31.12.2010 | 934,647 | 111,609 | 29,572 | 1,075,828 |
| **At 31.12.2011** | **674,218** | **190,113** | **63,770** | **928,101** |

***Freehold land and buildings:***

Cost of land included in total cost of land and buildings amounts to *Euro350,000* (2010 – *Euro450,000*) equivalent to *GBP292,355* (2010 – *GBP399,645*). The group's land and buildings with a carrying amount of *GBP674,218* (2010 – *GBP934,647*) have been pledged to secure bank borrowings of 6pm Limited (note 22).

### 16. Investments in subsidiaries and associates

*Investments in subsidiaries*

In the separate financial statements of the holding company, shares in subsidiary undertakings are accounted for at cost.

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have co-terminous year ends with that of the holding company:

| Name of subsidiary and place of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|
| | **2011** | 2010 |
| 6pm Limited<br>6pm House,<br>188, 21st September Avenue,<br>Naxxar,<br>Malta. | **99.9** | 99.99 |
| 6pm Management Consultancy (UK) Limited<br>94 Cross Drove,<br>Coates,<br>Whittlesey,<br>Peterborough,<br>PE7 2HJ,<br>United Kingdom. | **100** | 100 |
| 6pm Nearshore DOOEL (note 27)<br>18/1/1,<br>Rajko Zinzifov Street,<br>1000 Skopje,<br>Macedonia. | **100** | - |
| Compunet Operations Limited (note 27)<br>6pm House,<br>188, 21st September Avenue,<br>Naxxar,<br>Malta. | **100** | - |
| Compunet Agencies Limited (note 27)<br>6pm House,<br>188, 21st September Avenue,<br>Naxxar,<br>Malta. | **100** | - |
| Softweb Limited<br>6pm House,<br>188, 21st September Avenue,<br>Naxxar,<br>Malta. | **70** | 70 |

### 16. Investments in subsidiaries and associates (continued)

*Investments in associates*

In the separate financial statements of the holding company shares in associate undertakings are accounted for at cost.

The group financial statements include the results and position of the following associate undertakings which all have co-terminous year ends with that of the holding company using the equity method of accounting:

| Name of associate and place of incorporation | Proportion of ownership interest and voting power held | |
|---|---|---|
| | **2011** | 2010 |
| DSG Consulting Limited (note 28)<br>6pm House,<br>188, 21st September Avenue,<br>Naxxar,<br>Malta. | **33.33** | - |
| emCare360 Limited (note 28)<br>The Three Arches,<br>Valletta Road,<br>Mosta,<br>Malta. | **25** | - |

Summarised financial information in respect of associates is set out below:

| | **2011 GBP** |
|---|---|
| Total assets | **264,796** |
| Total liabilities | **(182,195)** |
| | **82,601** |
| Group's share of the aggregate of share capital and reserves | **22,716** |
| Revenue | **73,637** |
| Loss for the year | **(24,166)** |
| Group's share of loss for the year | **(4,803)** |

Unrealised profits amounting to *GBP 14,775* in connection with the provision of services by the group's subsidiaries to the group's associates have been netted off against the carrying amount of the associates. A deferred tax asset of *GBP 5,171* has been recognised in this regard.

### 17. Deferred tax assets

The balances at 31 December 2011 and 31 December 2010 for the group can be analysed as follows:

| **2011** | Opening balance GBP | Recognised directly in equity GBP | Recognised in profit and loss GBP | **Closing balance GBP** |
|---|---|---|---|---|
| *Arising on:* | | | | |
| Unabsorbed investment tax credits | 1,251,972 | (36,523) | 124,382 | **1,339,831** |
| Allowance for doubtful debts | 6,421 | (57) | (5,296) | **1,068** |
| Unabsorbed capital allowances | 82,115 | (1,878) | 66,969 | **147,206** |
| Excess of tax allowances over depreciation | (93,651) | 2,736 | (705) | **(91,620)** |
| Tax losses carried forward | 27,275 | - | 45,353 | **72,628** |
| Unrealised profits on sales from subsidiaries to associates | - | - | 5,171 | **5,171** |
| | 1,274,132 | (35,722) | 235,874 | **1,474,284** |

| 2010 | Opening balance GBP | Recognised directly in equity GBP | Recognised in profit and loss GBP | **Closing balance GBP** |
|---|---|---|---|---|
| *Arising on:* | | | | |
| Unabsorbed investment tax credits | 1,240,418 | (38,549) | 50,103 | **1,251,972** |
| Allowance for doubtful debts | 10,060 | (335) | (3,304) | **6,421** |
| Unabsorbed capital allowances | 5,991 | 26 | 76,098 | **82,115** |
| Unrealised difference on exchange | 19,497 | (661) | (18,836) | **-** |
| Excess of tax allowances over depreciation | (81,950) | 2,520 | (14,221) | **(93,651)** |
| Tax losses carried forward | - | - | 27,275 | **27,275** |
| | 1,194,016 | (36,999) | 117,115 | **1,274,132** |

The judgements involved in the recognition of the deferred tax asset are discussed in note 3.

### 18. Inventories

| | Group 2011 GBP | Holding company 2011 GBP | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Goods held for resale | **265,168** | **-** | - | - |

### 19. Trade and other receivables

| | Group 2011 GBP | Holding company 2011 GBP | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Trade receivables | **1,199,435** | **-** | 564,408 | - |
| Other receivables | **-** | **-** | 1,036 | - |
| Prepayments and accrued income | **368,596** | **-** | 267,323 | - |
| Amounts owed by subsidiaries | **-** | **1,809,614** | - | 88,531 |
| Amounts owed by associates | **108,974** | **-** | - | - |
| Amounts owed by other related undertakings | **93,067** | **-** | - | - |
| | **1,770,072** | **1,809,614** | 832,767 | 88,531 |

No interest is charged on trade and other receivables.

Amounts owed by subsidiaries, associates and other related undertakings are unsecured, interest-free and repayable on demand.

*Allowance for estimated irrecoverable amounts*

During the year, an allowance has been made for estimated irrecoverable amounts from the provision of services of *GBP9,356* (2010 – *GBP1,892*). Trade receivables of *GBP22,474* (2010 – *nil*) and *GBP 1,251* (2010 – *nil*) previously provided for have been respectively written off and recovered. These movements are included in the line item 'administrative expenses' in the statement of comprehensive income.

Total allowance for estimated irrecoverable amounts at year end amounts to *GBP15,770* (2010 – *GBP30,671*).

### 20. Trade and other payables

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Trade payables | **746,673** | **-** | 420,016 | - |
| Other payables | **239,378** | **-** | 101,568 | - |
| Other taxes and social security | **22,466** | **-** | - | - |
| Payments received on account | **1,265** | **-** | - | - |
| Accruals and deferred income | **612,897** | **5,278** | 244,637 | 5,336 |
| | **1,622,679** | **5,278** | 766,221 | 5,336 |

No interest is payable on trade and other payables.

### 21. Other financial liabilities

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Amounts owed to other related undertakings | **109,321** | **95,437** | 258,961 | 88,956 |

Amounts owed to other related undertakings are unsecured, repayable on demand and interest-free, except for *GBP93,404* (2010 – *GBP86,881*), which bear interest at 5% per annum.

### 22. Bank overdrafts and loans

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Bank overdrafts | **447,110** | **-** | 899,994 | - |
| Bank loans | **602,626** | **-** | 771,397 | - |
| | **1,049,736** | **-** | 1,671,391 | - |
| Less: amount falling due within one year | **(537,738)** | **-** | (1,265,925) | - |
| Amount falling due after one year | **511,998** | **-** | 405,466 | - |

### 22. Bank overdrafts and loans (continued)

Bank overdrafts and loans are repayable as follows:

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| On demand or within one year | **537,738** | **-** | 1,265,925 | - |
| In the second year | **95,852** | **-** | 26,389 | - |
| In the third year | **72,801** | **-** | 28,157 | - |
| In the fourth year | **36,733** | **-** | 30,043 | - |
| After five years | **306,612** | **-** | 320,877 | - |
| | **1,049,736** | **-** | 1,671,391 | - |

The carrying amounts of the group's borrowings are denominated in the following currencies:

| | **2011** | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **In Euro GBP** | **In GBP GBP** | **Total GBP** | In Euro GBP | In GBP GBP | Total GBP |
| Bank overdrafts | **447,110** | **-** | **447,110** | 790,481 | 109,512 | 899,994 |
| Bank loans | **602,626** | **-** | **602,626** | 771,398 | - | 771,397 |
| | **1,049,736** | **-** | **1,049,736** | 1,561,879 | 109,512 | 1,671,391 |

The bank overdrafts denominated in Euro bear interest at 3.5% per annum (2010 – between 3.5% and 3.875% per annum) over the bank's base rate.

In the prior year, the overdraft denominated in GBP consisted of an invoice discounting facility which provided up to a funding limit of 85% of eligible debts and bore a discounting charge of 2.25% above the sterling base rate per annum quoted by the Royal Bank of Scotland p.l.c. together with a service charge of 0.225% of the Notified Value of each debt. This facility was secured by way of a fixed and floating charge over trade debtors and all other assets of 6pm Management Consultancy (UK) Limited and personally guaranteed by two of the company's directors. The said facility was terminated during 2011.

Interest on bank loans is charged at 2% per annum (2010 – 3% to 4% per annum) over the bank's base rate.

The bank overdrafts and loans denominated in Euro are secured by a special hypothec over the immoveable property and by general hypothecs over the assets of 6pm Limited, a general hypothec over the assets of the company and by a fixed deposit of *Euro500,000* (*GBP417,650*).

### 23. Share capital

| | 2011 Authorised GBP | 2011 Issued and called up GBP |
|---|---|---|
| 25,000,000 ordinary shares of GBP0.20 each (18,288,000 of which have been issued and called up) | **5,000,000** | **3,657,600** |
| Transaction costs | - | **(45,777)** |
| | **5,000,000** | **3,611,823** |

| | 2010 Authorised GBP | 2010 Issued and called up GBP |
|---|---|---|
| 7,500,000 ordinary shares of GBP0.20 each (all of which have been issued and called up) | 1,500,000 | 1,500,000 |

Ordinary shares carry one vote per share and carry a right to dividends.

On 28 March 2011, the company proposed a rights issue of 1.4384 new ordinary shares for each share held as at that date for a total of 10,788,000 new ordinary shares of a nominal value of GBP0.20 each at a share issue price of GBP0.25 per share (total premium of *GBP539,400*). The rights issue was fully subscribed on 29 April 2011.

Transaction costs amounting to *GBP45,777* incurred in connection with the said right issue have been accounted for as a deduction from equity.

### 24. Cash and cash equivalents and other cash at bank

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

| | **Group 2011 GBP** | **Holding company 2011 GBP** | Group 2010 GBP | Holding company 2010 GBP |
|---|---|---|---|---|
| Cash at bank and on hand | **216,236** | **10,299** | 215,424 | 2,057 |
| Bank overdrafts | **(447,110)** | **-** | (899,994) | - |
| Cash and cash equivalents in the statement of cashflows | **(230,874)** | **10,299** | (684,570) | 2,057 |

Other cash at bank amounting to *GBP417,650* (2010 – *nil*) consists of a fixed deposit earning interest at 1.82% per annum which is pledged as collateral against the group's bank borrowings.

### 25. Related party disclosures

The holding company is the parent company of the undertakings described in note 16.

During the year under review, in addition to transactions with key management personnel and guarantees provided for bank facilities undertaken by its subsidiary as disclosed in notes 11 and 22 to the financial statements, the group entered into transactions with related parties as set out below.

During the current and prior years the company did not enter into related party transactions.

During the year the group entered into the following related party transactions:

| | **2011** | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Related party activity GBP** | **Total activity GBP** | **%** | Related party activity GBP | Total activity GBP | % |
| **Sales:** | | | | | | |
| *Related party transactions with:* | | | | | | |
| Associates | **108,045** | **5,321,108** | **2** | - | 3,067,602 | - |
| **Cost of sales:** | | | | | | |
| *Related party transactions with:* | | | | | | |
| Associates | **14,105** | **3,497,040** | **0.4** | - | 1,825,953 | - |

The amounts due to/from related parties at year end are disclosed in notes 19, 20 and 21 to these financial statements. The terms and conditions do not specify the nature of the consideration to be provided in settlement. No other guarantees have been given or received, except as disclosed in note 22.

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties.

49.9% of the shares acquired in Compunet Operations Limited and Compunet Agencies Limited (note 28) were ultimately owned by one of the company's directors.

On 3 June 2011 6pm Holdings p.l.c. subscribed to 25% of the issued share capital of emCare360 (note 28). The other 75% was subscribed to by CareMalta Group Limited which is ultimately controlled by one of the company's directors.

All related party transactions were made on terms equivalent to those prevailing in arm's length transactions.

### 26. Fair values of financial assets and financial liabilities

At 31 December 2011 and 31 December 2010 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial liabilities are not materially different from their carrying amounts.

### 27. Financial risk management

The exposures to risk and the way risks arise, together with the group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where possible, the group aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements. The financial risk management strategy has remained unchanged from the prior year.

*Credit risk*

Financial assets which potentially subject the group to concentrations of credit risk consist principally of receivables and cash at bank.

Receivables are presented net of an allowance for estimated irrecoverable amounts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to credit control procedures and the credit quality of customers comprising the group's debtor base. Cash at bank is placed with reliable financial institutions.

The maximum exposure to credit risk for trade receivables at the reporting date, net of impairment losses, by type of customer is as follows:

| | **2011 GBP** | 2010 GBP |
|---|---|---|
| *Trade receivables by class:* | | |
| Public interest entities | **734,929** | 340,029 |
| Other entities | **464,506** | 224,379 |
| | **1,199,435** | 564,408 |

As at 31 December 2011, 34% ( 2010 - 78%) of the carrying amounts of trade receivables were due from two major customers (2010 – five major customers) which individually owed amounts higher than 10% of total trade receivables. There are no other concentrations of credit risk.

### 27. Financial risk management (continued)

*Credit risk (continued)*

The group assesses the credit quality of its customers by taking into account their financial standing, past experience and other factors. Management considers the credit quality of its financial assets as being acceptable.

Included in the group's trade receivables balance are the following debtors which are past due at the end of the reporting period for which the group has not provided as the amounts are still considered recoverable.

| | **2011 GBP** | 2010 GBP |
|---|---|---|
| 31 - 60 days | **576,603** | 210,287 |
| 61 - 90 days | **66,139** | 69,555 |
| 91 - 180 days | **33,834** | 40,122 |
| 181 - 365 days | **28,109** | - |
| Over 365 days | **39,375** | 12,651 |
| | **744,060** | 332,615 |

*Interest rate risk*

The group has taken out bank facilities to finance its operations as disclosed in note 22. The interest rates thereon and the terms of such borrowings are disclosed accordingly in the note. The group is exposed to cash flow interest rate risk on bank borrowings carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure.

The carrying amounts of the group's financial instruments carrying a rate of interest at the reporting date are disclosed in the notes to the financial statements. The directors are of the view that any variation in interest rates will not significantly impact the group's results.

*Liquidity risk*

The group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows, and by monitoring the availabilty of raising funds to meet commitments associated with its financial liabilities by means of cash flow forecasts on the basis of expected cash flows over a twelve month period which is then monitored on a monthly basis.

The group is exposed to liquidity risk in relation to meeting the future obligations associated with its financial liabilities, which comprise principally interest bearing bank borrowings (note 22). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availablity of an adequate amount of funding to meet the group's obligations.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cashflows on the basis of the earliest date on which the group can be required to pay. The analysis includes both interest and principal cashflows.

### 27. Financial risk management (continued)

*Liquidity risk (continued)*

| | On demand or within one year GBP | In the second year GBP | In the third year GBP | In the fourth year GBP | After five years GBP | Total GBP |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Non-interest bearing | 1,460,452 | - | - | - | - | 1,460,452 |
| Variable rate instruments | 565,504 | 118,493 | 86,853 | 51,583 | 366,462 | 1,188,995 |
| | 2,025,956 | 118,493 | 86,853 | 51,583 | 366,462 | 2,649,447 |
| **2010** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Non-interest bearing | 944,576 | - | - | - | - | 944,576 |
| Variable rate instruments | 1,170,201 | 77,596 | 77,596 | 77,596 | 436,936 | 1,839,925 |
| | 2,114,777 | 77,596 | 77,596 | 77,596 | 436,936 | 2,784,501 |

*Capital risk management*

The group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2010.

The capital structure of the company and group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and other cash at bank as disclosed in note 24 and items presented within equity in the statement of financial position.

The company's directors manage the company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the company may balance its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The group is not subject to any externally imposed capital requirements.

*Currency risk*

Foreign currency transactions arise when the group enters into transactions denominated in a foreign currency or when the group incurs or settles liabilities in a foreign currency. Foreign currency transactions comprise mainly transactions denominated in Euro and Macedonian Dollar. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

### 28. Acquisition of subsidiaries and associates

*Acquisition of subsidiaries*

On 29 April 2011 6pm Holdings p.l.c. acquired 100% shareholding in Compunet Operations Limited and Compunet Agencies Limited for a purchase consideration of *Euro613,000* (*GBP538,685*) and *Euro383,000* (*GBP334,387*) respectively. The effecive date of the transaction was 1 April 2011. The total consideration of *Euro1,000,000* (*GBP837,072*) was settled as follows:

- *Euro597,888* (*GBP 522,000*) in exchange for 2,088,000 shares in 6pm Holdings plc at GBP 0.25c per share as part of the rights issue (notes 23 and 29).
- *Euro402,112* (*GBP 351,072*) in cash.

The fair value of identifiable assets acquired and liabilities assumed at the effective date of acquisition may be analysed as follows:

| | Compunet Operations Limited GBP | Compunet Agencies Limited GBP |
|---|---|---|
| Assets | 442,079 | 334,387 |
| Liabilities | (234,270) | - |
| | 207,809 | 334,387 |
| Consideration | 538,685 | 334,387 |
| Goodwill | 330,876 | - |

On 23 June 2011 6pm Holdings plc subscribed to 100% of the issued share capital of 6pm Nearshore DOOEL at par.

*Acquisition of associates*

On 3 June 2011 6pm Holdings p.l.c. subscribed to 25% of the issued share capital of emCare360 Limited at par and 20% called up. On 9 November 2011 the company advanced a further *GBP21,414*. These advances are repayable at the option of emCare360 Limited and have been recognised as part of the company's net investment in the associate.

On 12 September 2011 6pm Holdings plc subscribed to 33.33% of the share capital of DSG Consulting Limited at par and 20% called up.

### 29. Significant non-cash transactions

As disclosed in note 28, 2,088,000 of the shares issued as part of the rights issue disclosed in note 23 with a total issue value of *GBP522,000*, were used as settlement for the acquisition of Compunet Operations Limited and Compunet Agencies Limited.

### 30. Post balance sheet events

In April 2012, the directors have recommended that a bonus issue of 1 share for every 25 shares held as at 1 May 2012 equivalent to *GBP146,304* is allocated from the share premium account.

# Independent auditor's report

to the members of

# 6pm Holdings p.l.c.

We have audited the accompanying consolidated financial statements, which comprise the statements of financial position of the group and the company as at 31 December 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the group and the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

The director is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent auditor's report (continued)

to the members of

## 6pm Holdings p.l.c.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2011 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act, 1995.

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**Mr Manuel Castagna**
For and on behalf of
**Nexia BT**
**Certified Public Accountants**

**Suite 2, Tower Business Centre**
**Tower Street**
**Swatar BKR4013**
**Malta**

**Date: 16 April 2012**

## PURSUANT TO LISTING RULE 5.62

Upon due consideration of the Company's profitability, balance sheet, capital adequacy and solvency, the directors are satisfied that at the time of approval of the financial statements, the Company has adequate resources to continue to operate as a going concern for the foreseeable future.

## PURSUANT TO LISTING RULE 5.64

**5.64.1 THE STRUCTURE OF THEIR CAPITAL, INCLUDING SECURITIES WHICH ARE NOT ADMITTED TO TRADING ON A REGULATED MARKET IN A MEMBER STATE, WHERE APPROPRIATE WITH AN INDICATION OF THE DIFFERENT CLASSES OF SHARES AND, FOR EACH CLASS OF SHARES, THE RIGHTS AND OBLIGATIONS ATTACHING TO IT AND THE PERCENTAGE OF TOTAL SHARE CAPITAL THAT IT REPRESENTS;**

The authorised share capital of the Company is of five million pounds sterling (GBP5,000,000). The issued share capital of the Company is of three million six hundred and fifty seven thousand six hundred pounds sterling (GBP3,657,600) divided into eighteen million two hundred and eighty eight thousand Shares (18,288,000) of twenty pence (GBP0.20) each.

All the share capital is admitted to trading on the Regulated Market and there are no different Classes of Shares.

All the shares in the Company have the same rights and entitlement and rank pari passu between themselves. The following are highlights of the rights attaching to the Shares:

| | |
|---|---|
| Dividends: | The shares carry equal right to participate in any distribution of dividend declared by the company; |
| Voting Rights: | Each share shall be entitled to one vote at the meetings of the shareholders; |
| Pre-emption Rights: | Subject to the limitations contained in the Memorandum and Articles of Association, shareholders are entitled to be offered any new shares to be issued by the Company, in proportion to their current shareholding, before such shares are offered to the public or to any person not being a shareholder; |
| Capital Distributions: | The shares carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise; |
| Transferability: | The shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange applicable from time to time; |
| Other | The shares are not redeemable. |

**5.64.2 ANY RESTRICTIONS ON THE TRANSFER OF SECURITIES, SUCH AS LIMITATIONS ON THE HOLDING OF SECURITIES OR THE NEED TO OBTAIN THE APPROVAL OF THE COMPANY OR OTHER HOLDERS OF SECURITIES;**

In accordance with the provision of Article 5 of the Articles of Association of the Company, unless otherwise provided in the terms and conditions of issue thereof, all listed Equity Securities of the Company shall be freely transferable and shall be subject to the rules and regulations of the Malta Stock Exchange.

Persons discharging managerial responsibilities are, in accordance with the provisions of the Listing Rules and the Company's Internal Share Dealing Code, subject to certain restrictions and requirements.

**5.64.3 ANY DIRECT AND INDIRECT SHAREHOLDINGS, INCLUDING INDIRECT SHAREHOLDINGS THROUGH PYRAMID STRUCTURES AND CROSS-SHAREHOLDINGS, IN EXCESS OF 5% OF THE SHARE CAPITAL;**

On the basis of the register of members as at 31 December 2011, the following shareholders held in excess of 5% of the share-capital of the Company.

| | | |
|---|---|---|
| Vassallo Builders Group Limited | 3,400,000 Shares | 18.591 % |
| Ivan Bartolo | 3,400,000 Shares | 18.591% |
| Alan Timothy West-Robinson | 1,080,295 Shares | 5.907 % |
| Stephen David Wightman | 1,080,295 Shares | 5.907 % |
| Brian Zarb Adami | 1,044,209 Shares | 5.709 % |

As far as the Company is aware, no other person holds an indirect shareholding in excess of 5% of its total issued share capital.

**5.64.4 THE HOLDERS OF ANY SECURITIES WITH SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THOSE RIGHTS;**

The Company endeavours to ensure equality of treatment for all holders of all holders of such Equity Shares who are in the same position. No holder of any securities has any special control rights.

**5.64.5 THE SYSTEM OF CONTROL OF ANY EMPLOYEE SHARE SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES;**

The Company's Share Option Scheme is administered by the Board of Directors. The decision of the Board on all disputes concerning the Share Option Scheme shall be final.

**5.64.6** **ANY RESTRICTION ON VOTING RIGHTS, SUCH AS LIMITATIONS OF THE VOTING RIGHTS OF HOLDERS OF A GIVEN PERCENTAGE OR NUMBER OF VOTES, DEADLINES FOR EXERCISING VOTING RIGHTS, OR SYSTEMS WHEREBY, WITH THE COMPANY'S COOPERATION, THE FINANCIAL RIGHTS ATTACHING TO SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES;**

There are no restrictions on voting rights. In accordance with the provisions of the Companies Act, a resolution is deemed to be adopted if it receives the assent of more than fifty percent of the members voting and present at the meeting.

Any two shareholders of the Company holding at least ten percent of the Shares conferring a right to attend and vote at the general meeting are empowered to convene an extraordinary general meeting.

Any shareholder or shareholders holding not less than 5% in nominal value of all the shares entitled to vote at the meeting may (a) request the Company to include items on the agenda of the general meeting, provided that each item is accompanied by a justification or a draft resolution to be adopted at the annual general meeting and (b) table draft resolutions for items included in the agenda of a general meeting.

A shareholder or a number of shareholders holding not less than 0.5 percent of the issued share capital of the Company having voting rights shall be entitled to nominate a fit and proper person for appointment of Director at the following annual general meeting.

**5.64.7** **ANY AGREEMENTS BETWEEN SHAREHOLDERS WHICH ARE KNOWN TO THE COMPANY AND MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SECURITIES AND/OR VOTING RIGHTS;**

As part of the terms of the rights issue, Ivan Bartolo and Vassallo builders Group Ltd have each undertaken that for a period of 24 months from the date that the Company's new Ordinary Shares are admitted to listing on the Official List of the MSE (the 'Lock-up Period'), each of Ivan Bartolo and Vassallo Builders Group Ltd shall not transfer, sell, assign or otherwise dispose of their shares in the Company.

The Company is not aware of any agreement which may result in restrictions on the transfer of securities and/or voting rights.

**5.64.8** **THE RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS AND THE AMENDMENT OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION;**

The Memorandum and Articles of the Company regulates the appointment of directors. Article 55.1 of the Articles of Association provides a member holding not less than 0.5 per cent of the issued share capital of the Company having voting rights or a number of Members who in the aggregate hold not less than 0.5 per cent of the issued share capital of the Company having voting rights shall be entitled to nominate a fit and proper person for appointment as a director of the Company. In addition, the directors themselves or a committee appointed for the purpose by the directors, may make recommendations and nominations to the shareholders for the appointment of directors at the next annual general meeting.

Furthermore, in accordance with the provisions of 55.3 of the Articles of Association of the Company, in the event that the Board is of the opinion that none of the Directors appointed or elected in accordance with the provisions of these Articles is a non-executive independent Director competent in accounting and/or auditing as required by the Listing Rules relating to the composition of the Audit Committee, the Board shall, during the first board meeting after the annual general meeting appoint a person, who is independent and competent in accounting and/or auditing as a non-executive Director and shall appoint such person to the Audit Committee.

Unless they resign or are removed, directors shall hold office for a period of one year. Directors whose term of office expires or who resign or are removed are eligible for re-appointment.

Any director may be removed at any time by the Company in a General Meeting, provided that the director who is to be removed shall be given the opportunity of making representations. A resolution for the appointment and/or removal of a director shall be considered to be adopted if it received the assent of more than fifty percent of the members present and voting at the general meeting.

In accordance with the provisions of the Companies Act states, an extra ordinary resolution must be filed in order to amend the Memorandum and Articles of Association of the Company.

Clause 53 of the Articles of Association of the Company and Article 135 of the Companies Act specify the requirements of an extraordinary resolution.

Without prejudice to the above, the Listing Rules require that prior written authorisation is obtained from the Listing Authority following which a Company Announcement and a Circular explaining the proposed changes to the Memorandum and Articles of Association of the Company must be made.

**5.64.9 THE POWERS OF THE BOARD MEMBERS, AND IN PARTICULAR THE POWER TO ISSUE OR BUY BACK SHARES;**

The board of directors shall be responsible for the business and affairs of the Company. Article 75 of the Articles of Association of the Company stipulates that the Board of Directors shall have power to transact all business of whatever nature not expressly reserved by the Memorandum and Articles of Association of the Company to be exercised by the Company in general meeting or by any provision contained in any law for the time being in force.

In accordance with the provisions of Article 7(d) of the Memorandum of the Company, any unissued shares in the capital of the Company shall be at the disposal of the Board of Directors who, subject to any provision in the Memorandum and Articles of Association, may allot, issue or otherwise deal with or dispose of the same to such persons on such terms and conditions and at such times as the Board of Directors shall think fit.

No issue of Shares can be made which would dilute a substantial interest without prior approval of the shareholders in general meeting.

Article 10 of the Articles of Association of the Company authorises the Board, subject to such restrictions, limitations and conditions contained in the Companies Act, to acquire its own Equity Securities.

**5.64.10** **ANY SIGNIFICANT AGREEMENT TO WHICH THE COMPANY IS A PARTY AND WHICH TAKE EFFECT, ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID, AND THE EFFECTS THEREOF, EXCEPT WHERE THEIR NATURE IS SUCH THAT THEIR DISCLOSURE WOULD BE SERIOUSLY PREJUDICIAL TO THE COMPANY AND THIS WITHOUT PREJUDICE TO DUTY OF THE COMPANY TO DISCLOSE SUCH INFORMATION ON THE BASIS OF OTHER LEGAL REQUIREMENTS;**

Most of 6pm Limited's significant fixed price contracts and framework agreements with one of its large prime contractor customers ('the Customer') include a competitor provision in respect of change of ownership. The provision grants the Customer a right of termination in the event that ownership of 6pm Limited is transferred and/or acquired by one of the Customer's competitors. The Customer must in all cases prove that any new owner is actually a competitor. An arbitration clause regulates any disputes that may arise.

**5.64.11** **ANY AGREEMENTS BETWEEN THE COMPANY AND ITS BOARD MEMBERS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THEY RESIGN OR ARE MADE REDUNDANT WITHOUT VALID REASON OR IF THEIR EMPLOYMENT CEASES BECAUSE OF A TAKEOVER BID.**

In the event that any Director is removed by the Company without just cause, the Company undertakes to pay such Director the amount which such Director would have earned during the remaining period of the contract.

The statutory notice period and the other conditions stipulated in the Employment and Industrial Relations Act apply to all employees.

In accordance with the provisions of the Transfer of Business (Protection of Employment) Regulations, the transfer of an undertaking, business or part of an undertaking or business shall not in itself constitute sufficient grounds for dismissal of employees by the transferor or the transferee. Provided that this provision shall not stand in the way of dismissals that may take place for economic, technical or organisational reasons entailing changes in the workforce.

Whenever a transfer which involves a substantial change in working conditions to the detriment of the employee results in the termination of the contract of employment, the employer shall be regarded as having been responsible for such a termination.

**5.70.1** **THE NATURE AND DETAILS OF ANY MATERIAL CONTRACT TOGETHER WITH THE NAMES OF THE PARTIES TO THE CONTRACT, IRRESPECTIVE OF WHETHER THE TRANSACTION IS A RELATED PARTY TRANSACTION OF NOT, SUBSISTING DURING THE PERIOD UNDER REVIEW, TO WHICH THE ISSUER, OR ONE OF ITS SUBSIDIARY UNDERTAKINGS, IS A PARTY AND IN WHICH A DIRECTOR OF THE ISSUER IS OR WAS DIRECTLY OR INDIRECTLY INTERESTED.**

Pursuant to the rights issue and as indicated in the Prospectus dated 28 March 2011, 6pm Holdings p.l.c. ('the Company') acquired all the issued share capital (save for one share) of Compunet Operations Limited and Compunet Agencies Limited ('the Compunet Group') for a total consideration of *Euro1,000,000* (*GBP837,072*). Ivan Bartolo is a major shareholder of the Company and a director in both the Company and in the Compunet Group. During the acquisition of the Compunet Group he was a major shareholder and a director of the afore mentioned companies.

6pm Holdings p.l.c. has subscribed to 25% of the issued share capital of emCare360 Limited ('emCare'), a Maltese company incorporated on the 3 June 2011. The other shares are held by Caremalta Group Limited a company fully owned by Vassallo Builders Group Limited ('Vassallo Builders'). Vassallo Builders is also a major shareholder of the Company and Nazzareno Vassallo and Ivan Bartolo hold the post of directors in the Company and emCare.

**5.70.2** **THE NAME OF THE COMPANY SECRETARY, THE REGISTERED ADDRESS AND ANY OTHER CONTACT DETAILS.**

| | |
|---|---|
| **Company Secretary:** | Dr. Ivan Gatt, |
| **Registered address:** | 6pm House,<br>188, 21st September Avenue,<br>Naxxar NXR 1012,<br>Malta. |
| **Telephone:** | (+356) 21489657 |
| **Email:** | info@6pmmalta.com |
| **Website:** | www.6pmmalta.com |

# 6pm Holdings p.l.c.

## Report and financial statements

31 December 2011

6pm Holdings p.l.c | 6pm House | 188, 21st September Avenue | Naxxar | NXR1012 | Malta | Co. Reg No.: C41492
Tel: +356 21 489 657 | Fax +356 21 489 653 | info@6pmmalta.com | www.6pmmalta.com | www.6pmuk.com