

STOCK EXCHANGE AIM DISCIPLINARY NOTICE

AD 16

5 October 2017

PUBLIC CENSURE AND FINE – MANAGEMENT RESOURCE SOLUTIONS PLC

1. London Stock Exchange plc (the “**Exchange**”) announces that the AIM Disciplinary Committee (“**ADC**”) has approved a Consent Order between the Exchange and Management Resource Solutions plc (the “**Company**”) for a public censure and fine of £125,000, for breaches by the Company of the AIM Rules, discounted to £85,000 for early settlement of the proceedings.
2. The Exchange is publishing details of this disciplinary action for the purpose of educating the market on the expected standards of conduct for AIM companies under the AIM Rules.

SUMMARY OF EVENTS

3. The Company was admitted to AIM on 11 December 2014. The Company is involved in supplying support services predominantly for the mining, civil engineering, construction and infrastructure industries. The Company’s current market capitalisation is £9 million.
4. On 5 March 2015, the Company notified a proposed acquisition of the D&M Group for AUD 6.7 million, which constituted a reverse takeover, and simultaneously published an admission document. The Company’s notification disclosed that the Company had entered into a debt facility with a finance provider for circa AUD 17 million to fund the acquisition, with funding anticipated to be provided following a General Meeting scheduled for 23 March 2015.
5. As at 19 March 2015, certain of the directors had received further information which gave rise to real concerns that the monies might not be forthcoming from the finance provider, and were unable to get in contact with the provider to draw down the funding. The Company’s Finance Director was not informed of the difficulties in contacting the finance provider nor this further information. Whilst the Company informed the nominated adviser of a possible delay due to the release of existing security (over assets of the enlarged group), the directors who were in receipt of the relevant information did not inform the nominated adviser of the difficulties it was having in the draw down of the funding. However, these directors did discuss these concerns with some of its other advisers in Australia, such as its lawyers, auditors and accountants.
6. On 27 March 2015, the Company notified that the final condition for completion of the Acquisition would soon be met – being the release of security over the assets of the enlarged group. The Company notified that completion of the Acquisition was therefore expected on or around 10 April 2015. The Company failed to caveat the information in its notification with details of the risk to completion created by the uncertainty in respect of the financing.
7. The Exchange considers that it was misleading to issue such a definitive notification on 27 March 2015 (implying that completion of the Acquisition was solely contingent on the release of security by an existing lender) at a time when the Company knew that funding was

uncertain because the finance provider was not responding and could not be located. The Exchange also considers it unacceptable for the nominated adviser to not have been provided with information regarding this matter, or for the Company not to have sought its advice on the AIM Rule implications.

8. When the Finance Director became aware of the issues, he informed the nominated adviser immediately and, as a result, trading in the Company's AIM securities was suspended on 8 April 2015 pending clarification of the funding position. Ultimately, the funding was never provided and the proposed acquisition did not proceed. When trading was restored on 15 June 2015, the Company's share price fell over 26%.
9. The Exchange observes that since the events that are the subject of this censure:
 - Save for the Finance Director, the Company has a new board;
 - When the matter was brought to the attention of the Finance Director, the nominated adviser was immediately made aware of the issues and action taken as referred to above;
 - None of the current members of the board bear any responsibility for these breaches;
 - The nominated adviser has confirmed to the Exchange that it is satisfied that changes have been made since the events to address the concerns raised by the censure.
10. However, the Exchange also notes that, notwithstanding the above, the Company bears corporate responsibility for its actions and must ensure that its directors are individually and collectively responsible for compliance with the AIM Rules.

BREACHES OF THE AIM RULES

11. It has been determined that the Company breached:
 - AIM Rule 10 by failing to include in its notifications the fact that it was aware of difficulties in obtaining funds from the entity that was financing the acquisition;
 - AIM Rule 31 by failing to keep its nominated adviser informed of the difficulties it was having in obtaining these funds and failing to seek the nominated adviser's advice on the AIM Rules; and
 - AIM Rule 22 as the board (as comprised at the time of the events and not the current board) did not fully co-operate with the Exchange during its investigation into these breaches.
12. An AIM company has a primary obligation to ensure that the information it notifies complies with AIM Rule 10. Accordingly, a company must ensure that notifications provide a clear understanding of the matters being disclosed and are properly caveated where necessary. Compliance with the AIM disclosure obligations is essential for market confidence and failure to comply is unacceptable. Where there is actionable evidence, the Exchange will bring to account companies that fail to meet the standards of disclosure required on AIM.
13. The censure also demonstrates the importance of keeping the nominated adviser informed of developments and to seek advice. In this case, the failure to inform the nominated adviser without delay of the true position regarding the funding resulted in the nominated adviser not being in a position to be able to advise and guide the Company on its notification obligations to ensure such relevant information was properly disclosed.

14. The Exchange also notes that discussing matters with other advisers is not a substitute for an AIM company's obligations to seek advice from its nominated adviser and to keep its nominated adviser informed. The nominated adviser is authorised by the Exchange to advise and guide AIM companies on their responsibilities under the AIM Rules and accordingly its role is different to that of other advisers.
15. The Exchange would also remind AIM companies that if they are under investigation by AIM Regulation, they are required to use due skill and care to ensure that information provided to the Exchange is correct, complete and not misleading. Failure to do so is considered to be a serious matter as it has the potential to interfere with the Exchange's work in bringing action where appropriate.
16. In light of the seriousness of the breaches the Exchange considers that a public censure and a fine is the appropriate sanction. However when determining the appropriate level of fine the Exchange has taken into account all the circumstances, including the new board's recognition of the materiality of the breaches.

Any queries relating to this AIM Notice should be addressed to: aimregulation@lseg.com

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Notes:

AIM Rules for Companies

Pursuant to AIM Rule 42 if the Exchange considers that an AIM company has contravened the AIM Rules, it may take one or more of the following measures:

- issue a warning notice;
- fine it;
- censure it; or
- cancel the admission of its AIM securities; and
- publish the fact that it has been fined or censured and the reasons for that action.

Pursuant to AIM Rule 44, where the Exchange proposes to take any of the steps described in Rule 42, the Exchange will follow the procedures set out in the Disciplinary Procedures and Appeals Handbook.