Management Resource Solutions PLC

Annual Report

Year Ended

30 June 2019

Company number: 08046513

Management Resource Solutions PLC

Annual Report
For the year ended 30 June 2019

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Officers and advisers

The Company is a public company incorporated in England and Wales

Directors
Paul Brenton
Tim Jones

Company secretary
Tim Jones

Registered number
08046513

Registered office
Reading Bridge House,
George Street, Reading, Berkshire, RG1 8LS,
United Kingdom

Auditors
James Cowper Kreston:
Reading Bridge House,
George Street, Reading, Berkshire, RG1 8LS,
United Kingdom

Solicitors as to English Law
Memery Crystal LLP:
44 Southampton Buildings, London, WC2A 1AP,
United Kingdom

Solicitors as to Australian Law
McCullough Robertson:
66 Eagle Street, Brisbane, QLD 4000,
Australia

Share registry
Equiniti:
Aspect House
Spencer Road, Lancing, West Sussex, BN99 6DA,
United Kingdom

Websites
www.mrsplc.info
www.mrsplc.net

Background

For the year to 30 June 2019, the MRS group had continued to trade profitably following its return to profitability in the previous financial year. Your directors expected that this report would be presented to shareholders towards the end of 2019 together with consolidated financial statements that reported satisfactory results.

However, on 4 September 2019 we received notification, by e-mail, that a secured lender had appointed the firm of Jirsch Sutherland as administrators to Bachmann Plant Hire Pty Limited ("Bachmann"), MRS Services Group Pty Limited ("MRSSG"), MRS Property number 1 Pty Limited, Holdings (MRS) Pty Limited, and Management Resource Solutions Pty Limited (the "Subsidiaries"). We were not given prior notice of any act of default by any of the Subsidiaries nor any other reason for the appointments.

With the help of our advisers, we endeavored to implement a plan whereby we would regain control of the Subsidiaries by means of a Deed of Company Arrangement ("DOCA") backed by refinancing proposals from Remagen Capital Management Pty Limited ("Remagen") that would have delivered repayment of the secured borrowing and provided working capital for the Company's operations going forward. In our announcement of 8 November 2019, we reported that Jirsch Sutherland had issued a report to creditors setting out the various options for the future of the Subsidiaries, one of which was the DOCA, but that it was their recommendation that the Subsidiaries be placed into liquidation. Then on 12 November 2019 we announced that, sadly, the joint proposals of the Company and Remagen had been unsuccessful. At that stage we put forward a revised proposal to Jirsch Sutherland based on our purchasing certain of the assets of MRSSG, which would have secured the future of most of MRSSG's operation and saved approximately 190 of the 240 jobs. That initiative too was rejected by Jirsch Sutherland and we announced that we were unable to take negotiations further and regretted that a deal could not be reached. We further stated that The Board would explore other options for a solvent future for the Company in order to avoid liquidation. Finally, at a creditors meeting on 19 December 2019, it was resolved that the subsidiaries be wound up and that Jirsch Sutherland be appointed as Liquidators.

The Company now has no operating businesses and so, if it is to have a future, it must acquire one. This would likely be by means of a reverse takeover, whereby the company would acquire an existing trading operation, using its shares to satisfy the purchase price. Certain measures need to be put in place before the Company would be capable of carrying out such an exercise.

Current status

Having lost control of the Subsidiaries, the Company has become a shell. The amounts owed by the Subsidiaries to the Company ($11.4 million at 30 June 2019) have been subject to a 100% bad debt provision, as, on the basis of the latest reports from Jirsch Sutherland, it is unlikely that there will be a significant amount repaid following liquidation; the only former subsidiary that appears to be capable of making a payment to unsecured creditors is Bachmann and that cannot be relied upon until the liquidation is finalised and Jirsch Sutherland's charges have been taken into account. The Company's balance sheet at 30 June 2019 shows the position as it was then, after making the above bad debt provisions, and at the date of this report, the Company has cash of Approximately $40,000 and creditors of approximately $580,000.

Proposed Company Voluntary Arrangement ("CVA")

In order to maintain the possibility of a solvent future for the Company, the directors have first to deal with its current creditors. Following negotiations, known major creditors other than directors have agreed in principle to accept 7.5 per cent of the sums currently due to them in full settlement. The Company proposes to implement a CVA with a view to formalising that arrangement with creditors, and to protect the Company from any potential claims against it. A CVA is a process governed by the Insolvency Act 1986 by which obligations to unsecured creditors can be altered if specified percentages of creditors support the CVA proposals put forward by the company and overseen by an independent insolvency practitioner. A CVA proposal will be implemented if it is approved by at least 75% (by value) of the company's creditors who respond in the decision procedure, unless those voting against it include more than 50% (by value) of all the unconnected creditors whose claims are admitted for voting. Implementation of a CVA will require a small fundraising to discharge the creditors and to pay the independent insolvency practitioner. The directors have been advised that such funds may be available to deal with the CVA and other immediate obligations and to provide working capital to enable the Company to continue its search for a suitable acquisition, though there can be no certainty that a successful fundraising will be achieved.

Alternative Investment Market ("AIM")

The appointment on 4 September 2019 of administrators to the Subsidiaries triggered AIM Rule 15 which applies where a company ceases to control all or substantially all of its existing trading businesses. Where Rule 15 applies, a company is regarded as a cash shell and is required (if its shares are to remain capable of being traded on AIM) to make a reverse takeover (or alternatively to become an investing company with resources of at least £6 million) within six months, failing which the shares are (or remain) suspended.

It was not possible to comply with the timescale prescribed by Rule 15. The Company's audited financial statements for the year ended 30 June 2019 were not yet available, and though the Company has had tentative preliminary enquiries regarding possible reverse takeovers, no appropriate transaction capable of being implemented immediately has been identified. Similarly, a significant fundraising would need to accompany any reverse takeover. Given these factors, the Board accepted that the AIM listing would be cancelled and this duly occurred on 5 March 2020.

Potential reverse takeover

The directors intend to continue their efforts to identify an appropriate reverse takeover opportunity. Certain very early stage tentative discussions have taken place and are continuing.

If an appropriate reverse takeover can be negotiated it will inevitably require to be accompanied by a fundraising and potentially a standard Stock Exchange listing. The Company's board of directors would be restructured in the event of a reverse takeover. No assurance can currently be given that a reverse takeover will be effected or that a standard Stock Exchange listing will ultimately be obtained.

Effects of the Corona Virus

We have to recognise that the difficulties and uncertainties that the pandemic has created could endanger the outcome of our plans. It will inevitably delay the identification of a suitable takeover target and the necessary work that would be entailed in preparing for a transaction, a fundraising and a possible Standard listing. Furthermore, with financial markets in turmoil, investors may be less likely to support projects perceived to be of higher risk.

Financial statements

The financial statements accompanying this report include the results and balances for the Company only; no consolidated accounts are presented. For the entire year ended 30 June 2019 there was, of course, a group in existence and in the normal course of events this report would have included consolidated financial statements reporting the results, balance sheet and cash flows of that group. However, the appointment of administrators to the Subsidiaries, although taking place subsequent to the year end, rendered such financial statements largely obsolete. Furthermore, the administrators took possession of everything that belonged to the Subsidiaries, including all the accounting records, without which it would not have been possible to prepare consolidated financial statements in a form suitable for audit.

For these reasons, Company accounts only are presented for the year to 30 June 2019 and, although not technically in compliance with the requirements, they better reflect the reality of the position of the Company as a single unit. Because this constitutes a breach of disclosure requirements, the auditors are obliged to include a qualification on this subject in their report.

Going concern

The financial statements have been prepared on the going concern basis, although it is relevant to note that the net liabilities of the Company at 30 June 2019 consist only of current assets (cash and receivables) and current liabilities (trade creditors and accruals) the amounts of which would not be materially different on a realisable value basis.

The going concern basis assumes that the Company will continue in operational existence for the foreseeable future. As has been set out above, the Company's objective is to execute a reverse takeover and, potentially, seek a Standard listing on the London Stock Exchange. For these aims to be achieved will require a fundraising, the identification of a suitable takeover target and successful execution of the steps needed to conclude a deal. There can be no certainty that those aims will be achieved.

Outlook

In successive announcements the directors have affirmed their commitment to seek a solvent future for MRS and that remains their intent. The strategy is to seek a suitable reverse takeover target, to raise the necessary funds and to consider seeking a Standard listing. There is no certainty that these objectives will prove to be realisable and the advent of the Corona pandemic has placed the proposals in some jeopardy bringing as it does inevitable delays and caution on the part of potential investors. The directors will continue to pursue their plan and will update shareholders when appropriate.

Paul Brenton
Director
26 May 2020

The Directors present their report and the audited financial statements for the year ended 30 June 2019.

Principal activities

The principal activities of the Group during the year were plant hire, equipment repair, refurbishment and fabrication, mine rehabilitation, earthmoving, road construction and other support services to a wide base of private and public-sector clients in Australia. On 3 September 2019, administrators were appointed to most of the Group's operating subsidiaries and accordingly the Company is now a shell.

Issue of Shares

Details of Ordinary Shares issued during the year are set out in note 14 of the Financial Statements.

Share based payments

Share based payments are detailed in note 17 of the Financial Statements.

Results and dividends

The results for the year are set out on page 17
The Directors do not recommend the payment of a dividend

Business and financial review

All references to dollars or $ relate to Australian dollars, the Group's presentational currency.

A review of the business and future developments is given in the Strategic Report on page 2.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

Further information on the going concern assumption is provided in The Strategic Report and note 1 to the financial statements.

Key performance indicators

The Group's current key performance indicators are securing and identifying a reverse takeover opportunity. Relevant information is contained in the Strategic Report.

Principal risks and uncertainties

There are risks associated with the Company's plans. The Board regularly reviews the risks to which the Company is exposed and has in place a strategy to mitigate these risks as far as possible. The following summary, which is not exhaustive, outlines some of the key risks and uncertainties facing the Company in its present circumstances:

1 **Fundraising**

The Company needs to raise funds in order to put in place a Company Voluntary Arrangement for settlement with creditors and to provide short term working capital, whilst the directors have received indications that such funds might be available, there can be no certainty that they will be obtained.

2 **Reverse takeover**

The strategy being pursued by the board is to identify a suitable reverse takeover report. Certain very early stage tentative discussions have taken place but there can be no assurance that these will lead to a transaction. In the event that a suitable deal can be negotiated, further funding would be required.

3 **Corona virus**

The current restrictions on movement and the general uncertainty in the world of commerce render the pursuit of the Company's objectives difficult and will cause potentially critical delays.

Directors

The Directors of the Company during the period were as follows:

Paul Brenton
Tim Jones
John Zorbas (resigned 31 August 2019)

Details of the Director's remuneration are given in note 8 to the financial statements.

Indemnity Provision for Directors

MRS has insurances to cover Directors' and Officers' liabilities for an amount of £10,000,000 which the Directors believe to be sufficient for the business.

Statement as to disclosure of information to auditors

All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

Auditors

James Cowper Kreston have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approved by the Board of Directors on XX April 2020 and signed on behalf of the Board by:

Tim Jones
Director

26 May 2020

Statement of Directors' Responsibilities for the year ended 30 June 2019

The Directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Adverse opinion on group financial statements

We have audited the financial statements of Management Resource Solutions PLC for the year ended 30 June 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies set out on pages 15 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, because of the significance of the matter described in the basis for adverse opinion section of our report, the financial statements:

- do not give a true and fair view of the state of the Group's affairs as at 30 June 2019 and of its results for the period then ended;
- have not been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have not been prepared in accordance with the requirements of the Companies Act 2006.

In our opinion, except for the effects of the matter described in the basis for adverse opinion section of our report, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2019 and of the parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for adverse opinion

As explained in note 1 to the financial statements the Company has not prepared group financial statements, which is contrary to the provisions of IFRS 10 Consolidated Financial Statements 'Requirement to present consolidated financial statements' and the Companies Act 2006. The effects on the financial statements of the failure to consolidate have not been determined. Our opinion on the parent company's financial statements is also qualified in respect of this matter as the failure to consolidate is a departure from the requirements of IFRSs and the Companies Act 2006. In addition, the directors' report and strategic report do not include relevant disclosures on a consolidated basis.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion on the group financial statements and our qualified opinion on the parent company financial statements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not qualified in relation to going concern, we have considered the adequacy of the disclosure in note 1 to the financial statements concerning the directors' use of the going concern basis of accounting in the preparation of the financial statements.

The Company currently has no source of revenue its liabilities exceed its assets. The financial statements have been prepared on a going concern basis, the validity of which depends upon the success of the directors in raising additional funds from investors as described in note 1, which is inherently uncertain. This indicates the existence of a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. The financial statements do not include adjustments that would be necessary if the Group was unable to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the based for adverse opinion on the group financial statements section of our report, the Company has not complied with the requirements to prepare consolidated financial statements. We have concluded that the other information is materially misstated because the other information is not presented on a consolidated basis.

Opinion on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for adverse opinion section of our report, in our opinion, based on the work undertaken in the course of the audit, the Strategic Report has not been prepared in accordance with applicable legal requirements.

Except for the effects of the matter described in the basis for adverse opinion section of our report, in our opinion based on the work undertaken in the course of our audit, the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements, and the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

As a result of the matters described in the basis for adverse opinion section of our report, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified material misstatements in the Strategic Report. We have not identified any material misstatements in the directors' report.

As described in the basis of adverse opinion section of our report, the effects on the financial statements of the failure to consolidate have not been determined. Accordingly, we have not received all the information and explanations we require for our audit. We have nothing to report in respect of the following other matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or

Responsibilities of directors

As explained more fully in the director's responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of our report

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

A Poole

Alan Poole BA (Hons) FCA (Senior Statutory Auditor)

for and on behalf of
James Cowper Kreston

Chartered Accountants and Statutory Auditor

Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

26 May 2020

Management Resource Solutions PLC

Statement of Profit and Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue		1,419	2,821
Administrative expenses		(1,546)	(1,065)
Share based payment charges		(492)	(369)
Operating (loss) / profit	4	**(619)**	**1,387**
Impairment charges	8	(13,785)	-
(Loss) / profit before tax		(14,404)	1,387
Taxation	9	-	-
(Loss) / profit for the year		(14,404)	1,387

Management Resource Solutions PLC

Balance Sheet
at 30 June 2019

	Notes	2019 $'000	2018 $'000
Fixed assets			
Investments in subsidiaries	10	-	-
Current assets			
Trade and other receivables	11	112	10,044
Cash		311	40
		423	10,084
Total assets		**423**	**10,084**
Current liabilities			
Amounts falling due within one year	12	(567)	(116)
Net liabilities		**(144)**	**9,968**
Capital and reserves			
Share capital	13	39,481	38,840
Share premium		20,601	17,442
Issue costs reserve		(193)	(193)
Reorganisation reserve		(35,341)	(35,341)
Retained earnings		(24,692)	(10,780)
Shareholders' funds		**(144)**	**9,968**

The financial statements were approved by the board of Directors and authorised for issue on 26 May 2020 and were signed on its behalf by:

Tim Jones
Director

Paul Brenton
Director

Company registration number 08046513

Management Resource Solutions PLC

Statement of Changes in Equity
for the year ended 30 June 2019

	Share Capital	Share Premium	Issue costs reserve	Reorganisation reserve	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2017	38,710	16,807	(193)	(35,341)	(12,536)	7,447
Profit for the Year	-	-	-	-	1,387	1,387
Total comprehensive income	-	-	-	-	1,387	1,387
Other Movements						
Issue of Shares	130	635	-	-	-	765
Share based payments charge	-	-	-	-	369	369
Total other movements	130	635	-	-	369	1,133
At 30 June 2018	38,840	17,442	(193)	(35,341)	(10,780)	9,968
Loss for the year	-	-	-	-	(14,404)	(14,404)
Total comprehensive income	-	-	-	-	(14,404)	(14,404)
Other movements						
Issue of shares	641	3,159	-	-	-	3,800
Share based payment charge	-	-	-	-	492	492
Total other movements	641	3,159	-	-	492	4,292
At 30 June 2019	39,481	20,601	(193)	(34,341)	(24,692)	(144)

Management Resource Solutions PLC

Statement of Cash Flows
for the year ended 30 June 2019

	2019 $'000	2018 $'000
Cash flow from operating activities		
(Loss / profit before taxation	(14,404)	1,387
Adjustment for:		
Share based payment charge	492	369
Impairment charges	13,785	-
	(127)	1,756
Changes in working capital		
Receivables	(112)	10
Payables	451	(154)
	212	1,612
Cash flows from investing activities		
Advances to subsidiaries	(1,567)	(2,752)
Cash flow from financing activities		
Proceeds from share placement	1,626	465
Increase / decrease in cash	271	(675)
Cash at 1 July 2018	40	715
Cash at 30 June 2019	311	40

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the periods presented, unless otherwise stated.

These financial statements have been prepared on the historical cost basis, on the basis of going concern and in line with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") adopted by the European Union and in accordance with applicable UK law.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. See note 2 for more details.

Going concern

The financial statements have been prepared on the going concern basis, although it is relevant to note that the net liabilities of the Company at 30 June 2019 consist only of current assets (cash and receivables) and current liabilities (trade creditors and accruals) the amounts of which would not be materially different on a realisable value basis.

The going concern basis assumes that the Company will continue in operational existence for the foreseeable future. As has been set out above, the Company's objective is to execute a reverse takeover and, potentially, seek a Standard listing on the London Stock Exchange. For these aims to be achieved will require a fundraising, the identification of a suitable takeover target and successful execution of the steps needed to conclude a deal. There can be no certainty that those aims will be achieved.

Basis of consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over an investee, exposure to variable returns from the investee, and the ability of the investor to use its power of affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

For the reasons stated in the Strategic Report, in respect of the financial statements for the year ending 30 June 2019, the loss of control over the Subsidiaries that followed the appointment of administrators of 4 September 2019 has been reflected in the financial statements of the Company retrospectively and, as also explained in the Strategic Report, no consolidated financial statements have been prepared

1. Accounting policies *(continued)*

Tax

The tax charge for the year comprises current corporation tax and deferred tax as appropriate.

Current corporation tax charged to the profit or loss is the tax payable on taxable income.

Deferred tax is provided on timing differences except to the extent that they are not expected to reverse in the foreseeable future. Deferred tax assets are not recognised.

Operating segments

IFRS 8 "Operating Segments" requires the disclosure of segmental information for the Group on the basis of information reported internally to the chief operating decision-maker for decision-making purposes.

Management Resource Solutions plc is a holding company which bears central costs which it recharges to its subsidiaries by way of management charges. As this is its sole activity, segmental analysis is not relevant to these financial statements which are unconsolidated.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate potential impairment. The carrying value of goodwill is compared with the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense, separately disclosed in the intangible fixed asset note to the financial statements, and is not subsequently reversed.

Where the fair value of the identifiable net assets acquired exceeds the fair value of the consideration given, the excess is recognised as a gain in the Statement of Profit & Loss.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

1. Accounting policies *(continued)*

Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the Company entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the functional currency, and the presentational currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items are translated at the year – end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to note 2 for further discussion on the determination of impairment losses.

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period.

Borrowing Costs

Borrowing costs are recognised in the consolidated statement of profit and loss for the period in which they are incurred.

2. Accounting policies *(continued)*

Value Added Tax (VAT) and similar taxes

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable.

Rounding

Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

1 Accounting policies *(continued)*

Adoption of new or amended IFRSs

IFRS15 – Revenue from Contracts with Customers

IFRS15 Revenue from Contracts with Customers is a new accounting standard that is effective for the year ended 30 June 2019. *IFRS 15 replaces the provisions of IAS 18 that govern revenue recognition* criteria. As consolidated accounts have not been prepared, and the company's own revenue consists only of management charges, the adoption of this standard did not result in any changes to the reported financial performance. The Company has not elected to change the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS15.

New/amended standards in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective, and so have not been applied in the preparation of these financial statements:

Effective date – periods beginning on or after 1 January 2019

- IFRS 16 Leases
- IFRS 3 Business combinations – amendments resulting from Annual Improvements 2015-2017 Cycle
- IFRS 9 financial instruments – amendments regarding prepayment features with negative compensation and modifications of financial liabilities.
- IFRS11 Joint arrangements- Amendments resulting from Annual improvements 2015-2017 Cycle
- IAS 12 Income taxes - Amendments resulting from Annual improvements 2015-2017 Cycle
- IAS 19 Employee benefits – amendments regarding plan amendments, curtailments or settlements.
- AIP IAS 28 Investments in Associates and Joint Ventures – Amendments regarding long-term interests in associates and joint ventures
- IFRIC 23 Uncertainty over Income tax treatments - Judgement is required to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together, a decision based upon which approach provides better predictions of the resolution of the uncertainty.

Effective date – periods beginning on or after 1 January 2020

- IFRS3 – amendments to clarify the definition of a business
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – amendment regarding the definition of material
- IFRS 7 Financial instruments disclosures
- IFRS 9 Financial instruments– amendments regarding pre-replacement issues in the context of the IBOR reform

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

2. Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates and judgements

(I) *Impairment*
The company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the company that may be indicative of impairment triggers. The directors have assessed the impairment of the carrying value of investments in and amounts owing by subsidiaries in the light of the liquidation of those subsidiaries. The directors have concluded that the prospect of any recovery is far from certain and, accordingly, have provided for full impairment.

(II) *Going concern*
As explained in the accounting policy set out in note 1, the financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

3. Revenue

Revenue represents amounts invoiced to subsidiaries by way of management charges levied in order to recover the Company's central overheads.

4. Operating profit

	2019 $'000	2018 $'000
Operating profit is stated after charging		
Share based payment charges (see note)	492	369

5. Auditors' remuneration

	2019 $'000	2018 $'000
Fees payable to the Company's auditors		
Audit of the annual accounts	12	49
Fees payable to the Company's auditors for other services:		
Tax services	3	3
Total fees payable to the Company's auditors	**15**	**52**

6. Staff costs and directors' emoluments

	2019 $'000	2018 $'000
Staff costs		
Directors' remuneration	463	598
Social security costs	6	7
	469	605

Directors' remuneration and key management remuneration are one and the same but include only amounts payable in respect of services to the parent company. The remuneration of the chief executive was borne by the operating subsidiaries and is excluded from the figures above.

7. Staff Numbers

The average monthly number of employees of the Company (including directors) during the year was as follows:

	2019 Number	2018 Number
Company		
Administrative	3	3

8. Impairment Charges

As explained in the Strategic Report, the Company lost control of its subsidiaries when they were placed into administration and, subsequently, into liquidation. Although there is a possibility of a small return to the company from the liquidation process, the directors cannot be certain of this until the process is complete and the liquidators' costs have been paid. Accordingly, a full impairment provision has been made against the costs of investment in subsidiaries and full provision has been made against amounts owing by them.

9. Taxation

	2019 $'000	2018 $'000
Current tax	-	-

Reconciliation of total tax charge

	2019 $'000	2018 $'000
Accounting (loss) / profit before tax	(14,404)	1,387
Tax at standard rate of UK corporation Tax, 19% (2018 – 19%)	(2,737)	264
Effects of:		
Expenses disallowed	2,712	70
Tax losses carried forward / (utilised)	25	(334)
	-	-

9. Taxation (continued)

A deferred tax asset of approximately $275,000 (2018 $128,000) has not been recognised owing to the uncertainty over the future recoverability.

10. Subsidiaries

At 30th June 2019, the Company held the following subsidiary undertakings:

		Proportion of voting rights and of equity interest	
		2019	2018
Management Resource Solutions Pty Ltd	Australia	Nil	100%
Bachmann Plant Hire Pty Ltd	Australia	Nil	100%
MRS Services Group Pty Ltd	Australia	Nil	100%
Holdings (MRS) Pty Ltd	Australia	Nil	100%
MRS Property No1 Pty Ltd	Australia	Nil	Nil
Aerial Survey Solutions Pty Ltd			
Alerion Consulting Limited			

All subsidiaries were placed into liquidation after the balance sheet date except for Aerial Survey Solutions Pty Ltd ("Aerial") and its subsidiary Alerion Consulting Limited which are not in liquidation, but the shares in Aerial are held by Holdings (MRS) Pty Ltd which is in liquidation.

	2019 $'000	2018 $'000
Cost		
At 1 July 2018	-	-
Additions	2,174	-
Provision for impairment	(2,174)	-
At 30 June 2019	-	-

On 28 March 2019, the Company acquired, through its wholly-owned subsidiary Aerial, the entire issued share capital of Alerion Consulting Limited for a consideration of $2,174,000 satisfied by the issue of 26.4 million ordinary shares in the Company. Impairment is explained in note 8 above.

11. Trade and other receivables (current)

	2019 $'000	2018 $'000
Amounts owing by group undertakings	11,447	10,044
Provision for impairment	(11,447)	
	-	10,044
Other debtors	112	-
	112	10,044

11. Trade and other receivables (current)

	2019 $'000	2018 $'000
Amounts owing by group undertakings	11,447	10,044
Provision for impairment	(11,447)	
	-	10,044
Other debtors	112	-
	112	10,044

12. Trade and other payables (current)

	2018 $'000	2017 $'000
Trade creditors and accruals	567	116

13. Financial Instruments

The Group's financial instruments consist of deposits with banks, money market instruments, short-term investments, accounts receivable and payable, and borrowings. The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies to these financial statements, are as follows:

	2019 $'000	2018 $'000
Financial assets		
Cash and cash equivalents	311	40
Receivables	112	10,044
Total Financial Assets	423	10,084
Financial liabilities		
Trade and other payables	567	116
Total Financial Liabilities	567	116

In the opinion of the Directors, the fair value of the financial assets and financial liabilities is the same as the amount stated above.

14. Share Capital

Authorised, issued and fully paid	Ordinary Shares Number	$'000	Deferred Shares Number	$'000
At 1 July 2018	**182,946,002**	**2,620**	**30,400,015**	**36,220**
Earn-out payment to G Bachmann	14,000,000	222	-	-
Placing at 6.50				
Acquisition of Alerion Consulting Limited	26,400,000	419		
At 30 June 2019	**223,346,002**	**3,261**	**30,400,015**	**36,220**

Nominal value per share €0.01

15. Warrants

On 5 May 2017, the company issued 10,407,120 warrants to subscribe for new ordinary shares in the company, at 5p per share,

On 8 June 2017, the Company issued 8,700,000 warrants to subscribe for new Ordinary Shares in the Company, subject to certain performance conditions, at 5p per share

On 21 December 2017, the Company issued 3,000,000 warrants to subscribe for new ordinary shares in the Company, subject, to certain performance conditions, at 8p per share

On 3 April 2018, the Company issued 1,000,000 warrants to subscribe for new Ordinary Shares in the Company at 6.8p per share

On 23 May 2018, the Company issued 4,000,000 warrants to subscribe for new Ordinary Shares in the Company, subject to certain performance conditions, at 8p per share

Subject to the performance conditions attaching to certain warrants, all the above warrants are exercisable (in whole or in part) at any time up to the fifth anniversary of the date of issue, after which they will lapse.

No warrants were exercised during the year. At 30 June 2019 a total of 19,257,120 warrants, representing 8.6% of the issued share capital of the Company were outstanding. The weighted average exercise price of these warrants was 6.2p.

16. Share Options

Grant of options

On 11 December 2014, in connection with the admission to listing of the Company's Share Capital, a total of 3,264,417 options over ordinary shares of €0.01 in the capital of the Company ("Ordinary Shares") were granted to directors and employees of the company.

Of these options, 492,250 options, exercisable at 30p per share, were outstanding at 30 June 2019 and 30 June 2018. The other options lapsed following the resignation or termination of the employment of the option holders. The options are exercisable (in whole or in part) at any time up to the seventh anniversary of the date of the grant after which they will lapse.

On 12 March 2018, 6,900,000 options over Ordinary Shares were granted. On 23 May 2018, 1,000,000 options over Ordinary Shares were granted. The options are exercisable (in whole or in part), subject to certain performance conditions, at any time up to the seventh anniversary of the date of the grant after which they will lapse. The exercise prices of the options granted on 12 March and 23 May are 7p and 8p per share respectively.

Of these options, at 30 June 2018 and 2019, 2,000,000 options, representing 0.9% of the issued share capital of the Company were outstanding. All other options have lapsed.

17. Share based payment charges

The Group recognised a share based payment charge of $491,700 (2018: $369,664) in respect of the warrants and options reported in notes 15 and 16 (calculated using the black-Scholes model) The inputs to the model were as follows:

Share Price	6.8p – 8.1p
Exercise Price	6.8p – 8p
Expected Volatility	75%
Risk free rate of interest	0.5%
Life expectancy	5 – 7 years

18. Reserves

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of minimal value, net of allowable expenses.
Issue costs reserve	Costs associated with capital reorganisation.
Reorganisation reserve	Excess of the nominal value of shares issued in exchange for the shares in Management Resource Solutions Pty Ltd.
Retained earnings	Cumulative net gains and losses recognised in the statement of comprehensive income.

Details of movements in each reserve are set out in the Consolidated Statement of Changes in Equity.

19. Related party transactions

Disclosure regarding remuneration of the Directors is given in note 6. Details of the Group's subsidiaries, which are considered to be related parties, are given in note 10. Amounts owed by group undertakings and impairments thereof are stated in note 11. All revenue receivable by the Company in the year was in respect of management charges levied to subsidiaries.

20. Contingent liabilities

No contingent assets or liabilities have been recognised.

21. Subsequent Events

On 4 September 2019 the Company received notification by email that Voluntary Administrator had been appointed to five of the Company's operating subsidiaries. The consequences of this are described in the Strategic Report and have been taken into account in the preparation of the financial statements.

At the Company's Annual General Meeting on 3 April 2020, amongst other business, resolutions were passed to consolidate each 100 existing ordinary shares of €0.01 into one new ordinary share at €1.00 and then to divide each new share into a deferred share of €0.999 and an ordinary share of €0.001