

**Report of the Directors and
Financial Statements for the year ended 30 September 2019**

For

REACT Group PLC

Company Number: 05454010

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REACT Group PLC

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REACT Group PLC

Company Information

Directors: Gill Leates
Robert Gilbert
Michael Joyce (appointed 8 March 2019)

Company Secretary: Gill Leates

Registered number: 05454010 (England & Wales)

Registered office: 115 Hearthcote Road
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Auditors: Jeffreys Henry LLP
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EC1V 9EE

Nominated adviser: SPARK Advisory Partners Limited
5 St John's Lane
London
EC1M 4AP

Brokers: Peterhouse Corporate Finance Limited
3rd Floor
New Liverpool House
15 Eldon Street
London
EC2M 7LD

Website Address: www.reactplc.co.uk

REACT Group PLC

Executive Chairman's Statement For the year ended 30 September 2019

The financial year of 2019 has been one of continued efforts to maximise cost efficiencies, where appropriate, refocusing the business on higher margin work in sectors where our services are valued the most and are most profitable. This has led to a slight fall in turnover, whilst gross margins and operating profits have materially improved.

Turnover for the year ended 30 September 2019 was £3.10m (2018: £3.30m) as unprofitable work has been discontinued. Gross margins however were 750-basis points higher at 28.5% (2018: 21.0%) and operating performance has materially improved to a loss of £183,000 (2018: loss of £1,951,000). Excluding exceptional items, the operating losses were £178,000 in 2019 (2018: £614,000).

The Company has retained its most significant clients, and whilst the public sector remains an important focus for the Company it has also expanded its reach in the private sector. A new framework agreement has been signed with an additional NHS Trust and REACT has been added to a number of approved-supplier lists for Tier-1 clients. This has led to the Company working for a broader client base from which it has the potential to grow organically. In addition, we have augmented the Company's own operator network by establishing agreements with several small high-quality subcontractors, which has allowed the Company to increase capacity and geographical reach using a flexible and more efficient cost base.

New business activity has resulted in the Company taking on larger pieces of bespoke work. Examples include the cleaning of a large food production factory and specialist lift cleaning. As a newly appointed supplier, the company has successfully been engaged to carry out an ongoing clean on behalf of a large facilities management company. Furthermore, in addition to the large London hospital where our teams have been working for over two years, we now are working with another two hospitals, one in the private sector and one in the public sector.

The most recent and significant new business has been the award of a half a million pound contract to provide specialist deep cleaning services to one of the Company's Tier-1 clients in the rail sector. Announced on 23 January 2020, this contract demonstrates that the quality and capability of our specialist cleaning teams is recognised as amongst the very best in the industry.

I am also delighted to report on the strong performance of the new management team, comprising Shaun Doak BA(Hons) and Andrea Pankhurst BSc(Hons) FCA; Shaun joined as Managing Director of the trading subsidiary, REACT Specialist Cleaning Limited (RSC), in March 2019 and rapidly settled into his role. With significant experience in building successful Customer-centric service businesses, he has led from the front to execute the Company's strategy to grow business in specialist markets that attract higher margins. Alongside Shaun's efforts to develop stronger relationships with existing Customers and developing new ones, he continues to strengthen the management team to improve the quality of performance and operational efficiency. As a result, we enter 2020 with a greater degree of confidence that we have the foundations on which we can invest in sales growth and build scale.

Equally, the appointment of Andrea as Financial Director of RSC, in January 2019 has been very important to the continued improvement of the Group's financial results. Andrea has worked with Shaun to analyse the true margins of our work, continued to identify cost efficiencies, and with her team focused on recovery of the very old debt and work in progress that the Company had made provision for last year.

I am therefore very pleased to report to shareholders that the financial control and reporting function, is now consistently operating to a high standard.

Financial Review

During the year ended 30 September 2019 turnover was £3.10m, a small decrease of 6% on the prior year (2018: £3.30m). The business has continued to eliminate lower margin customer contracts and focus on more profitable

work. The operating loss for the Group from continuing operations (after exceptional items) was £183,000 (2018: £1,951,000), which includes a bad debt provision of £83,000 (2018: £339,000). Of the £339,000 provision as at 30 September 2018, £189,000 has been collected, £131,000 was found to be uncollectable and in addition to the remaining £20,000, a further £63,000 has been provided as at 30 September 2019, mainly against a currently disputed debt. This provision is deemed to be prudent given the level and ageing profile of debtors outstanding at the year end. Many of the problem debts at the previous year end have now either been resolved or written off as required from the balances previously provided for. Cash at the year-end was £440,000 (2018: £423,000). Within these figures the Company has continued to improve both the operational and administrative functions of the business.

Strategy

Last year the Company simplified its business model from three operating businesses to just one, focusing all its resource on the REACT Specialist Cleaning business, where the Company provides a strong competitive proposition and enjoys good customer advocacy within a broad mix of often high-profile Tier-1 organisations in both the private and public sector.

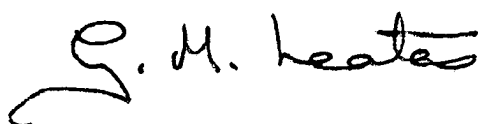
REACT Group has core skills and experience in specialist cleaning beyond many of our competitors, allowing us to be a reliable solution to the challenging circumstances that arise across the Company's client base. REACT Group is an extreme cleaning Company that tackles cleaning problems that non-specialists cannot or do not wish to cope with. Our highly trained operators deal with many difficult, yet essential cleaning tasks, across a broad range of circumstances, including on the UK's transport system, in prisons and custody cells, at crime scenes, clearing drug dens and property damaged by tenants and squatters, specialist vehicle cleans, clearing anti-social waste and damage in public spaces and both routine and specialist cleaning in hospitals and the health service. Approximately half the business turnover comes from 24/7 emergency specialist cleaning and the other half arises from several long-term specialist contracts for various public and private clients.

The Board's commitment, made in last year's report, to invest in targeted sales and marketing resource has begun with the recruitment of Shaun, with his sales and general management expertise. The business has started to benefit from this realigned strategic approach. A more focused sales activity is being developed, which will lead to a pipeline of opportunities, Tier-1 clients and new supplier chains and networks.

The Board's strategy remains to grow both parts of the business organically and where appropriate, by acquisition.

Outlook

With a rationalised infrastructure, a fit-for-purpose and well-motivated management team and a competitive service proposition in an area of the market often ignored by competitors, we have established a solid platform from which we can now grow and move into profitability.



Gill Leates

Executive Chairman

29 January 2020

REACT Group PLC

Strategic Report

For the year ended 30 September 2019

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Dependence on key customers

REACT generates a significant proportion of its revenues from a limited number of customers. It may prove difficult to gain new business and to achieve turnover growth from such customers. The Group is aiming to mitigate this risk by building relationships with large FM companies and targeting larger corporate customers from the private sector.

Attraction and retention of key management and employees

The successful operation of the Group will depend partly upon the performance and expertise of its management and employees. Staff training has been provided as required during the year and a system to monitor future training requirements has been established, so that any personnel requiring additional training will be put on relevant courses as appropriate. All services offered within the business continue to be assessed and relevant Key Performance Indicators have been put in place so that performance can be monitored at all levels of the Company.

Impact of Brexit

The Group has a significant number of employees who come from the EU. Most of them have been in the UK for over five years and will be able to apply for 'settled status', and those who have been in the UK for less than five years will be able to apply for 'pre-settled status'. As the Group expands it will continue to adopt a policy of diversity amongst its employees and welcome future staff from both the EU and the UK.

Future funding requirements

The Group made a trading loss in the year ended 30 September 2019. Based on the trading outlook for the next 12 months, it is anticipated that no further funding will be required. However, the board regularly monitors the Group's performance and its overall cash position.

Health and safety

Given the nature of the business our operators are often working in challenging conditions. As a consequence, the Group takes its responsibilities with regard to the health and safety of its employees very seriously. Working practices are continually under review to ensure that they remain appropriate for our business and that the high standards expected are maintained throughout the Group.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The directors constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure of credit risk and liquidity risk. They are confident that suitable policies are in place and that all material financial risks have been considered. The financial risk management objectives and policies can be found within note 22 of the financial statements.

REACT Group PLC

Strategic Report

For the year ended 30 September 2019 (*continued*)

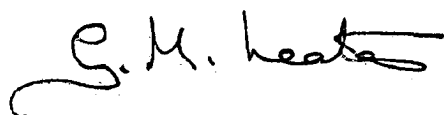
KEY PERFORMANCE INDICATORS (KPIs)

Financial: The key financial indicators are as follows:

	2019	2018
Revenue	£3.10m	£3.30m
Gross margin	28.5%	21.0%
Loss from continuing operations before exceptional items	(£178,000)	(£614,000)
Exceptional items	(£5,000)	(£1,337,000)
Loss from continuing operations after exceptional items	(£183,000)	(£1,930,000)
Cash	<u>£440,000</u>	<u>£423,000</u>

The board recognises the importance of KPI's in driving appropriate behaviours and enabling the monitoring of Group performance. The main challenge now is to increase revenue at more attractive margins.

Non-financial: The board continues to monitor and improve customer relationships, the motivation and retention of employees as well as service quality and brand awareness.



Gill Leates

Executive Chairman

29 January 2020

REACT Group PLC

Corporate Governance Statement

The Board believes strongly in the value and importance of good corporate governance and its accountability to all of REACT's stakeholders, including shareholders, staff, customers and suppliers. In the statement below, we explain our approach to governance, and how the Board operates.

REACT has chosen to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet the new requirements of AIM Rule 26.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

Board Composition and Compliance

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent. During the year ended 30 September 2019, Lesley Innes resigned as non-executive director on 18 January 2019 and Robert Gilbert and Michael Joyce were appointed to the board as non-executive directors on 1 November 2018 and 8 March 2019 respectively. The Board also includes Gill Leates, Executive Chairman.

The day to day operations of the main trading subsidiary REACT Specialist Cleaning Limited (RSC) were managed on an interim basis by Melvin Teale until 30 November 2018. A new permanent Managing Director of RSC, Shaun Doak, was recruited and joined the business on 4 March 2019. Andrea Pankhurst joined the business as Financial Controller on 14 January 2019 and was promoted to Financial Director of RSC on 1 January 2020.

Board Evaluation

Performance of the directors is reviewed informally by the Chairman on an ongoing basis and action taken to address any issues arising as appropriate.

Shareholder Engagement

Shareholders are encouraged to attend General Meetings and are provided with the Chairman's contact details on all Company announcements made via RNS. The Board also has ultimate responsibility for reviewing and approving the Annual Report and Accounts and confirms that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The following paragraphs set out REACT's compliance with the 10 principles of the QCA Code.

Principle 1: "Establish a strategy and business model which promotes long-term value for shareholders".

REACT is a specialist cleaner capable of dealing with diverse and extreme cleaning problems whose common factor is typically that they are beyond the "usual" cleaning tasks of facilities managers and other sub-contractors or in-house service providers. REACT's service offering typically supplements these cleaners for those tasks which require specialist capital equipment or clothing, are hard to reach, in hazardous or difficult locations or require operatives to have specialist health and safety training or specialist accreditations. The Company has two main parts to its business: the provision of 24/7 emergency services primarily to cover the police, prison and railway customer base; and the provision of contract cleaning services to several hospitals, a Highways company, and a range of work under Framework Agreements in a variety of other industries.

REACT Group PLC

Corporate Governance Statement (continued)

The Board's strategy going forward is to grow both parts of the business organically and, where appropriate, by acquisition. There have been a number of changes in the management of the business which have resulted in improved infrastructure and financial controls. As planned, the Board has increased its investment in sales and marketing to identify opportunities for growth and to focus its efforts on bidding for new contracts and framework agreements in its core areas of expertise.

Principle 2: "Seek to understand and meet shareholder needs and expectations."

The Board believes it is important to provide shareholders with clear and transparent information on the Group's activities, strategy and financial position. Responsibility for investor relations rests with the Chairman whose contact details are provided on the website and on all announcements released via RNS; shareholders are also encouraged to attend General Meetings during which time is set aside specifically to allow questions from attending members to be addressed by the Board. A range of corporate information (including all REACT Group announcements) is also available to shareholders, investors and the public on our website.

At the AGM, separate resolutions are proposed on each substantial issue. For each proposed resolution, proxy forms are issued which provide voting shareholders with an opportunity to vote in advance of the AGM if they are unable to vote in person. Our registrars count the proxy votes which are properly recorded, and the results of the AGM are announced through an RNS.

Following the Placing in August 2018 the Company has authority to issue up to 38% of issued share capital. At the 2019 AGM the Board sought authority from shareholders to allot up to 20% of the Company's issued share capital on a non-pre-emptive basis. The Directors are aware that this is not in line with the 5% recommended by the Pre-Emption Group's Statement of Principles as updated in 2015. However, the Directors note that limits of this level are not unusual for AIM quoted companies of the size of REACT, and the Directors believe that this level of authority has been and remains appropriate in order to allow the Company flexibility to move quickly in order to finance business opportunities which may arise.

The Board is keen to ensure that the voting decisions of Shareholders are reviewed and monitored and that approvals sought at the Company's AGM are as much as possible within the recommended guidelines of the QCA Code.

Principle 3: "Take into account wider stakeholder and social responsibilities and their implications for long term-success"

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards its employees, customers and suppliers and to take into account, where practicable, the social, environmental and economic impact of its activities on its stakeholders.

Accordingly, we have a detailed Corporate Social Responsibility Policy in place which outlines our commitment to our social responsibilities. We also undertake regular business risk assessments in accordance with the ISO9001:2015 and ISO14001:2015, to assess and manage the risks associated with the operational aspects of the business including the environmental impact. Under the ISO 2015 Standards we also have to identify other 'Interested Parties' who may be affected by daily operation of the organisation, and document and regularly review how we manage those relationships.

The Board also takes its responsibilities with regard to health and safety and working practices very seriously and ensures that the Company complies with all the necessary legislation, and that employees are given appropriate training for the work that they have to undertake.

REACT Group PLC

Corporate Governance Statement (continued)

Principle 4: “Embed effective risk management, considering both opportunities and threats, throughout the organisation.”

Responsibility for the management of risk in the business rests with the Board. The Company’s business is subject to a number of risks and uncertainties and the Board continually considers how to identify and mitigate the key business risks that could impact upon performance. The principal risks and uncertainties facing the Group and how they being addressed are as follows:

Dependence on key customers

As detailed in the Strategic Report, a significant proportion of the Group’s sales are derived from a small number of customers. In order to reduce the risk of dependence on this limited pool of customers, the Group is investing in its sales and marketing effort, and building relationships with a wider variety of potential customers and business sectors.

Attraction and retention of key management and employees

Also as stated in the Strategic Report, the skills and performance of the Group’s management and staff are key to its future success. Improvements in staff communication and a more structured approach to staff training needs have already been implemented during the year and these steps will continue in the next year. Appropriate KPIs have been established for the benefit of both customer service and staff performance.

Future funding requirements

The Group made a trading loss during the year ended 30 September 2019. If the Group’s return to profitability is slower than expected the Company may need to seek additional funding to meet its working capital requirements. However the Board regularly reviews the Group’s performance and its overall cash position and based on the trading outlook for the next 12 months, it is anticipated that no further funding will be required.

The directors also constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure of credit risk and liquidity risk. They are confident that suitable policies are in place and that all material financial risks have been considered. The Group’s financial instruments comprise cash balances and receivables and payables that arise directly from its operations. The main risks the Group faces are liquidity risk, capital risk and foreign currency risk. The board regularly reviews and agrees policies for managing each of these risks. The Group’s policies for managing these risks are summarised below.

Interest risk

The Group is not exposed to significant interest rate risk as it currently has no interest bearing liabilities.

Credit risk

The Group is exposed to credit risk as services are invoiced as soon as practicable after completion. This risk is mitigated as most large customers have been customers for several years and have good credit ratings. The board has also put procedures in place to ensure all services are invoiced promptly and payments received in a timely manner. The majority of the old debts provided for at the year ended 30 September 2018 have now been resolved either by cash remittances or being written off against the provision.

Liquidity risk

Liquidity risk is the risk that Group will encounter difficulty in meeting the obligations associated with financial liabilities. The responsibility for liquidity risks management rest with the Board of Directors, which has established appropriate liquidity risk management framework for the management of the Group’s short term and long-term funding risks management requirements.

Capital risk

The Group’s objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

REACT Group PLC

Corporate Governance Statement (continued)

Health and safety

Given the nature of the business our operators are often working in challenging conditions. As a consequence the Group takes its responsibilities with regard to the health and safety of its employees very seriously and has implemented a number of policies to ensure the well-being of its staff.

Principle 5: “Maintain the board as a well-functioning, balanced team led by the chair.”

The members of the board have a collective responsibility and legal obligation to promote the interests of the Group, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

As highlighted above the Board did not fully comply with Principle 5 of the Code during the year ended 30 September 2018 as it comprised a part-time Executive Chairman and one independent non-executive Director. However, each Director currently devotes as much time as is required in order to fulfil their functional, operational and governance responsibilities. During the year ended 30 September 2019, the Board has been strengthened by the appointment of two additional independent non-executive Directors; one with appropriate sales and marketing experience, Rob Gilbert and another Michael Joyce with senior financial expertise. It is also the Board’s intention to appoint additional executive Directors when the Company’s financial position improves, and the size of the Company justifies it.

Details of the individual Directors and their biographies are set out on this website www.reactplc.co.uk. The Directors evaluate the balance of skills, knowledge and experience on the Board when defining the role and capabilities required for new appointments.

The Board is responsible for management of the business, setting the strategic direction and policies. The Board meets regularly to attend to any issues which require the attention of the Board and oversees the financial position of the Company monitoring the business and affairs on behalf of the Shareholders, to whom the Directors are accountable. The Board also addresses issues relating to internal control and the Company’s approach to risk management.

During the year ended 30 September 2018, the day-to-day management of the Group’s business was delegated to the Interim Head of Operations who reported to the Executive Chairman. A new permanent Managing Director, Shaun Doak, joined the business on 4 March 2019.

During the year ended 30 September 2019 the Board held 6 scheduled meetings. The primary duty of the Board is to act in the best interests of REACT Group PLC at all times.

Audit Committee

The Audit Committee meets at least twice a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of REACT Group PLC. This committee consists of Michael Joyce non-executive Director (who chairs the committee) and Gill Leates.

Remuneration Committee

The Remuneration Committee meets not less than once each year. The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of REACT Group PLC. This committee consists of non-executive Director, Michael Joyce (who chairs the committee) and Gill Leates.

REACT Group PLC

Corporate Governance Statement (continued)

Nominations Committee

The Nominations Committee assists the Board in meeting its responsibilities for ensuring that the Board retains an appropriate balance of skills to support the strategic objectives of the Group, has a formal, rigorous and transparent approach to the appointment of Directors and maintains an effective framework for succession planning. This committee consists of non-executive Director, Michael Joyce (who chairs the committee) and Gill Leates.

Principle 6: “Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.”

The Board currently comprises a part time Executive Chairman and two independent non-executive Directors. The skills and experience of the Board are set out on the company website.

The Board is kept abreast of developments of governance and AIM regulations. The Company’s lawyers provide updates on governance issues and the Company’s NOMAD provides annual Board AIM Rules refresher training as well as the initial training as part of a new Director’s on-boarding.

The Directors have access to the Company’s NOMAD, registrars, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

The Company is mindful of the issue of gender balance although Board appointments are made with the primary aim of ensuring that the candidate offers the required skills, knowledge and experience.

Principle 7: “Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.”

Performance of the Directors is reviewed informally by the Chair on an ongoing basis and action taken to address any issues arising as appropriate.

The Board meets formally approximately 6 times a year with ad hoc Board meetings as the business demands. There is a strong flow of communication between the Directors. The Agenda is set with the consultation of all Directors, with consideration being given to both standing Agenda items and the strategic and operational needs of the business. Papers are circulated in advance of the meetings, giving Directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up.

The composition of the Board continues to be monitored, in particular the balance of executive and non-executive Directors.

Whilst the Board has not undertaken any formal training this is something that will be considered as the business grows and the Board establishes further. The Directors have a wide knowledge of the business and requirements of Directors’ fiduciary duties. The Directors have access to the Company’s NOMAD and auditors as and when required. They are also able, at the Company’s expense, to obtain advice from external bodies if required. The Board as a whole is mindful of the need for considering succession planning.

Principle 8: “Promote a corporate culture that is based on ethical values and behaviours.”

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise Shareholder value. The Company maintains and regularly reviews a staff handbook that includes clear guidance on what is expected of every employee of the company. As noted above the Company also has detailed Corporate Social Responsibility Policy in place which outlines our commitment to our social responsibilities and provides guidance for employees.

The Board also takes its responsibilities with regard to health and safety and working practices very seriously and ensures that the Company complies with all the necessary legislation, and that employees are given appropriate training for the work that they have to undertake.

REACT Group PLC

Corporate Governance Statement (continued)

Issues of bribery and corruption are taken seriously, the Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Company, its employees and those third parties to which the business engages with. The policy is provided to staff upon joining the business and training is currently being provided to ensure that all employees within the business are aware of the importance of preventing bribery and corruption. There are strong financial controls across the business to ensure on going monitoring and early detection.

A whistleblowing policy is in place, which enables staff to raise any concerns in confidence.

Principle 9: "Maintain governance structures and processes that are fit for purpose and support good decision making by the board."

The Board provides strategic leadership for the Group and is developing its corporate governance framework. Its purpose is to ensure the delivery of long-term Shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans. The Executive Chairman has overall responsibility for corporate governance and in promoting high standards throughout the business as well as the management of the day to day operations. It is the role of the independent non-executive Directors to contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinising the performance of management, providing constructive challenge to the Executive management and ensuring that the Group is operating within the governance and risk framework approved by the Board. They also review and challenge the financial information produced by the executive management.

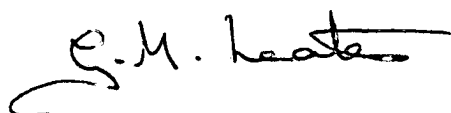
The matters reserved for the board are:

- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the Group;
- Approving half year and full year results and reports;
- Approving major investments and contracts;
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor compliance against this Code on an annual basis and revise its governance framework as appropriate as the Group evolves. Details of the Audit Committee and the Remuneration Committee are detailed in relation to Principle 5 above.

Principle 10: "Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders"

See investor relations activities described above in relation to Principle 2.



Gill Leates

Executive Chairman
29 January 2020

REACT Group PLC

Directors' Report For the year ended 30 September 2019

The Directors present their report and the audited financial statements of the Group for the year to 30 September 2019.

PRINCIPAL ACTIVITY

The principal activity of the Group continued to be that of a specialist cleaning and decontamination service to both the public and private sectors.

BUSINESS REVIEW AND RESULTS FOR THE YEAR

In accordance with section 414C(11) of the Companies Act 2006 the Group chooses to report the review of the business, the future outlook and the risks and uncertainties faced by the Group in the Executive Chairman's Statement (pages 2 and 3) and the Strategic Report (pages 4 and 5). No dividend is payable in respect of the year (2018: £Nil).

DIRECTORS

The Directors who served the company during the period and up to the date of this report were as follows:

G M Leates
R J Gilbert
L B Innes (resigned 18 January 2019)
M R S Joyce (appointed 8 March 2019)

Details of Directors' remuneration is set out in Note 4 to the accounts.

The Directors of the Group held the following beneficial interests in the shares, share options and share warrants of REACT Group PLC at 30 September 2019. There have been no changes in the Directors' shareholdings since the date of this report.

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of 0.25p each	Percentage Held	Ordinary shares of 0.25p each	Warrant exercise price	Ordinary shares of 0.25p each	Options Exercise price
G M Leates	585,238	0.14%	-	-	19,939,537	£0.0030
R J Gilbert	-	-	-	-	830,814	£0.0030
M R S Joyce	5,000,000	1.20%	-	-	830,814	£0.0030

As at 17 May 2019, the existing share warrants held by G M Leates were surrendered.

INDEMNITY OF OFFICERS

The Group purchases Directors' and Officers' insurance against their costs in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings.

REACT Group PLC

Directors' Report

For the year ended 30 September 2019 (continued)

SUBSTANTIAL SHAREHOLDINGS

Substantial shareholdings as at 30 September 2019 and 21 January 2020 were as follows:

	30 September 2019	21 January 2020
Helium Rising Stars Fund	23.74%	23.74%
Octopus Investments Nominees Limited	18.52%	18.52%
HSBC Global Custody Nominee (UK) Limited	8.35%	8.35%
Barclays Direct Investing Nominees Limited	6.89%	5.92%
Mr G Stavrinidis	6.15%	6.15%
Platform Securities	5.85%	0.68%
Interactive Investor Services Nominees Limited	3.69%	3.68%
HSDL Nominees Limited	3.31%	6.70%
Jonathan Whitmore	3.00%	6.34%

FINANCIAL INSTRUMENTS

The Group's exposure to financial risk is set out in note 22 to the accounts.

PUBLICATION OF ACCOUNTS ON GROUP WEBSITE

Financial statements are published on the Group's website. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibilities also extend to the financial statements contained therein.

EVENTS AFTER THE REPORTING PERIOD

As detailed in the Chairman's Statement, on 23 January 2020, the Group won a new contract worth £498,000 with a major customer in the rail sector.

GOING CONCERN

The financial statements have been prepared on the assumption that the Group is a going concern. When assessing the foreseeable future, the Directors have looked at the budget for the next 12 months from the date of this report, the cash at bank available as at the date of approval of this report and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have, as required by the AIM Rules for Companies of the London Stock Exchange, elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in 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:

REACT Group PLC

Directors' Report

For the year ended 30 September 2019 (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the company financial statements have been prepared in accordance with IFRS 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 confirm that the financial statements comply with the above requirements.

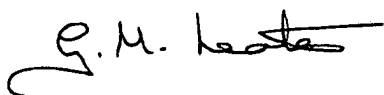
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of the information.

AUDITOR

Jeffreys Henry LLP will be proposed for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.



On behalf of the Board

Gill Leates

29 January 2020

Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2019

Opinion

We have audited the financial statements of REACT Group Plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, notes to the consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows, notes to the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as applied in accordance with the provision of the Companies House Act 2006.

In our opinion:

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

Basis for opinion

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 Auditor's 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 UK, including the FRC's Ethical Standard as applied to listed entities, 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 opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Independent Auditor's Report to The Members of
REACT Group PLC
For the year ended 30 September 2019 (continued)**

Our audit approach

Overview

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

- Possible impairment of investments and goodwill
- Presentation of financial statements on a going concern basis
- Recoverability of trade receivables

These are explained in more detail below

Audit scope

- We conducted audits of the complete financial information of REACT Group plc, REACT Specialist Cleaning Limited and REACT SC Holdings Limited.
- We performed specified procedures over certain account balances and transaction classes at other Group companies.
- Taken together, the Group companies over which we performed our audit procedures accounted for 100% of the absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 100% of revenue.

**Independent Auditor's Report to The Members of
REACT Group PLC
For the year ended 30 September 2019 (continued)**

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Possible impairment of investments and goodwill Given the Group is loss making, an impairment review of both investments and goodwill is a key risk. Directors believe that while the Group is loss making currently, it will break even in 2020. In 2018 the Directors considered the value of goodwill and found it prudent to write down purchased goodwill to £174,000. In 2019, the Directors considered there was no need for a further impairment of the goodwill value.	We carried out a review of the investments held in the subsidiaries and the goodwill carried. We reviewed management's impairment workings provided and audited the assumptions used. We reviewed management's basis for impairment across the Company and agree with their approach.
Presentation of financial statements on a going concern basis Given the Group is loss making £183,000 (2018: £1,930,000), a going concern review is required to ensure that management have adequate cash reserves to continue as a going concern. The Directors have stated that they project the Group will break even in the next twelve months. The Directors believe they have adequate cash reserves to continue as a going concern in 2019 with cash balance of £440,356 (2018: £423,000)	We have reviewed management's going concern review and feel that their review has been robust. Having reviewed the cash reserves, we believe that the Group will have enough cash to continue as a going concern for the next twelve months. Post year end, a financing facility has been obtained and together with the new Tier-1 contract win has strengthened the going concern basis.
Recoverability of trade receivables At year end the Group had trade receivables outstanding of £613,000 (2018: £990,000). Management have taken the view that a bad debt provision of £83,000 (2018: £339,000), will be adequate.	We have reviewed old bad debts and discussed with management as to why they remain uncollected. We have vouched a sample of post year end receipts to ascertain how much has been recovered.

Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2019 (continued)

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£62,000 (30 September 2018: £75,000).	£14,000 (30 September 2018: £74,000).
How we determined it	Based on 2% of revenue	Based on 3% of gross assets
Rationale for benchmark applied	We believe that revenue is the primary measure used by shareholders in assessing the performance of the Group.	We believe that gross asset value is the primary measure used by shareholders in assessing the performance of the Company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £14,000 and £61,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5,150 (Group audit) (30 September 2018: £3,750) and £700 (Company audit) (30 September 2018: £4,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 3 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of REACT Group plc, REACT Specialist Cleaning Limited, and REACT SC Holdings Limited reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and investments, as well as certain account balances and transaction classes that we regarded as material to the Group at the 3 reporting units, with all three based in the United Kingdom.

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 auditor's report thereon. Our

Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2019 (continued)

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. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 13-14, 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 Directors determine 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 Group's and parent 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 intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 auditor's report.

**Independent Auditor's Report to The Members of
REACT Group PLC
For the year ended 30 September 2019 (continued)**

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Use of this report

This report is made solely to the company's members, as a body, 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 as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Rawal (Senior Statutory Auditor)

For and on behalf of Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
29 January 2020

REACT Group PLC

Consolidated Statement of Comprehensive Income **For the year ended 30 September 2019**

	Notes	2019 £'000	2018 £'000
Continuing Operations			
Revenue from contracts with customers		3,103	3,295
Cost of sales		(2,218)	(2,602)
Gross profit		<u>885</u>	<u>693</u>
Administrative expenses	5	(1,068)	(2,644)
<i>Exceptional costs included in administrative expenses</i>	5	(5)	(1,337)
Operating loss for the year before income tax		<u>(183)</u>	<u>(1,951)</u>
Income tax credit	6	-	21
Loss for the year from continuing operations		<u>(183)</u>	<u>(1,930)</u>
Loss for the year		<u><u>(183)</u></u>	<u><u>(1,930)</u></u>
Total comprehensive loss for the year attributable to the owners of the company		<u><u>(183)</u></u>	<u><u>(1,930)</u></u>
Basic and diluted loss per share - pence			
From continuing operations	7	0.04p	0.67p

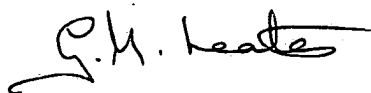
The notes on pages 30 to 48 form part of these financial statements

REACT Group PLC

Consolidated Statement of Financial Position As at 30 September 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Intangible assets	9	174	174
Property, plant & equipment	10	81	116
		<u>255</u>	<u>290</u>
Current assets			
Trade and other receivables	12	718	1,141
Cash at bank and in hand	14	440	423
		<u>1,158</u>	<u>1,564</u>
TOTAL ASSETS		<u>1,413</u>	<u>1,854</u>
EQUITY			
Shareholders' Equity			
Called up share capital	15	1,039	1,039
Share premium		4,926	4,926
Reverse acquisition reserve		(5,726)	(5,726)
Capital redemption reserve		3,337	3,337
Merger relief reserve		1,328	1,328
Share based payments		12	20
Accumulated deficit		(4,038)	(3,863)
Total Equity		<u>878</u>	<u>1,061</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	535	793
Non - current Liabilities			
Deferred tax liability	17	-	-
TOTAL LIABILITIES		<u>535</u>	<u>793</u>
TOTAL EQUITY AND LIABILITIES		<u>1,413</u>	<u>1,854</u>

These financial statements were approved by the Board of Directors on 29 January 2020 and were signed on its behalf by:



Gill Leates
Director

Company Registration no. 05454010

The notes on pages 30 to 48 form part of these financial statements.

REACT Group PLC

Consolidated Statement of Changes in Equity For the year ended 30 September 2019

	Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital Redemption Reserve £'000	Reverse Acquisition Reserve £'000	Share based payments £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 October 2017	689	4,889	1,328	3,337	(5,726)	22	(1,935)	2,604
Issue of shares	350	70	-	-	-	-	-	420
Share issue expenses	-	(33)	-	-	-	-	-	(33)
Loss for the year	-	-	-	-	-	-	(1,930)	(1,930)
On lapse of options	-	-	-	-	-	(2)	2	-
Balance at 30 September 2018	<u>1,039</u>	<u>4,926</u>	<u>1,328</u>	<u>3,337</u>	<u>(5,726)</u>	<u>20</u>	<u>(3,863)</u>	<u>1,061</u>
Balance at 1 October 2018	1,039	4,926	1,328	3,337	(5,726)	20	(3,863)	1,061
Issue of options	-	-	-	-	-	2	(2)	-
On surrender of warrants	-	-	-	-	-	(10)	10	-
Loss for the period	-	-	-	-	-	-	(183)	(183)
Balance at 30 September 2019	<u>1,039</u>	<u>4,926</u>	<u>1,328</u>	<u>3,337</u>	<u>(5,726)</u>	<u>12</u>	<u>(4,038)</u>	<u>878</u>

Share capital is the amount subscribed for shares at nominal value. Share premium represents amounts subscribed for share capital in excess of nominal value.

Merger relief reserve arises from the 100% acquisition of REACT SC Holdings Limited and REACT Specialist Cleaning Limited in August 2015 whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve in accordance with section 612 of the Companies Act 2006.

Accumulated deficit represents the cumulative losses of the Group attributable to the owners of the company.

Reverse acquisition reserve is the effect on equity of the reverse acquisition of REACT Specialist Cleaning Limited.

The capital redemption reserve represents the value of deferred shares cancelled as a result of a share buyback.

The notes on pages 30 to 48 form part of these financial statements

REACT Group PLC

Consolidated Statement of Cash Flows **For the year ended 30 September 2019**

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated/(utilised) by operations	1	34	(625)
Net cash inflow/(outflow) from operating activities		<u>34</u>	<u>(625)</u>
Cash flows from financing activities			
Proceeds of share issue		-	420
Expenses of share issue		-	(33)
Other loans		-	69
Other loan repayments		-	(21)
Net cash inflow from financing activities		<u>-</u>	<u>435</u>
Cash flows from investing activities			
Disposal of fixed assets		8	20
Capital expenditure		(25)	(38)
Net cash outflow from investing activities		<u>(17)</u>	<u>(18)</u>
Increase/(Decrease) in cash and cash equivalents		17	(208)
Cash and cash equivalents at beginning of year		423	631
Cash and cash equivalents at end of year	2	<u>440</u>	<u>423</u>

REACT Group PLC

Notes to the Consolidated Statement of Cash Flows For the year ended 30 September 2019

1. Reconciliation of loss before income tax to cash outflow from operations

	2019 £'000	2018 £'000
Loss before taxation	(183)	(1,951)
Decrease/(Increase) in trade and other receivables	441	(649)
(Decrease)/Increase in trade and other payables	(275)	615
Depreciation and amortisation charges	52	1,350
(Profit)/Loss on disposal of fixed assets	(3)	10
Share based payment	2	-
Net cash inflow/(outflow) from operations	<u>34</u>	<u>(625)</u>

2. Cash and cash equivalents

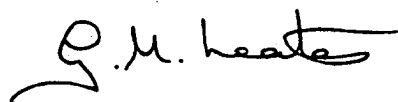
	2019 £'000	2018 £'000
Cash at bank and in hand	<u>440</u>	<u>423</u>

REACT Group PLC

Company Statement of Financial Position As at 30 September 2019

	Notes	As at 30 September 2019 £'000	As at 30 September 2018 £'000
ASSETS			
Non-current assets			
Investments	11	174	174
Property, plant and equipment	10	13	17
		<u>187</u>	<u>191</u>
CURRENT ASSETS			
Trade and other receivables	12	38	42
Cash at bank and in hand	14	256	248
		<u>294</u>	<u>290</u>
TOTAL ASSETS		<u>481</u>	<u>481</u>
EQUITY			
Shareholders' Equity			
Called up share capital	15	1,039	1,039
Share premium		4,926	4,926
Merger relief reserve		1,328	1,328
Capital redemption reserve		3,337	3,337
Share based payments		12	20
Accumulated deficit		(10,198)	(10,280)
Total Equity		<u>444</u>	<u>370</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	37	111
TOTAL LIABILITIES		<u>37</u>	<u>111</u>
TOTAL EQUITY AND LIABILITIES		<u>481</u>	<u>481</u>

These financial statements were approved and authorised for issue by the Board of Directors on 29 January 2020 and were signed on its behalf by:



Gill Leates
Director

Company Registration no. 05454010

The notes on pages 30 to 48 form part of these financial statements

REACT Group PLC

Company Statement of Changes in Equity For the year ended 30 September 2019

	Called up Share capital	Share Premium	Merger Relief Reserve	Capital redemption reserve	Share based payments	Accumulated deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2017	689	4,889	1,328	3,337	22	(7,471)	2,794
Issue of shares	350	70	-	-	-	-	420
Expenses of share issue	-	(33)	-	-	-	-	(33)
On lapse of options	-	-	-	-	(2)	2	-
Loss for the year	-	-	-	-	-	(2,811)	(2,811)
Balance at 30 September 2018	<u>1,039</u>	<u>4,926</u>	<u>1,328</u>	<u>3,337</u>	<u>20</u>	<u>(10,280)</u>	<u>370</u>
Balance at 1 October 2018	1,039	4,926	1,328	3,337	20	(10,280)	370
On surrender of warrants	-	-	-	-	(10)	10	-
Issue of options	-	-	-	-	2	(2)	-
Profit for the year	-	-	-	-	-	74	74
Balance at 30 September 2019	<u>1,039</u>	<u>4,926</u>	<u>1,328</u>	<u>3,337</u>	<u>12</u>	<u>(10,198)</u>	<u>444</u>

Share capital is the amount subscribed for shares at nominal value. Share premium represents amounts subscribed for share capital in excess of nominal value.

Merger relief reserve arises from the 100% acquisition of REACT SC Holdings Limited and REACT Specialist Cleaning Limited in August 2015 whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve in accordance with section 612 of the Companies Act 2006.

Accumulated deficit represents the cumulative losses of the company attributable to the owners of the company.

The capital redemption reserve represents the value of deferred shares cancelled as a result of a share buyback.

The notes on pages 30 to 48 form part of these financial statements

REACT Group PLC

Company Statement of Cash Flows **For the year ended 30 September 2019**

	Notes	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flows from operating activities			
Cash generated/(utilised) by operations	1	8	(647)
Net cash inflow/(outflow) from operating activities		<u>8</u>	<u>(647)</u>
Cash flows from investing activities			
Purchase of fixed assets		-	(21)
Net cash outflow from investing activities		<u>-</u>	<u>(21)</u>
Cash flows from financing activities			
Issue of shares		-	420
Expenses of share issue		-	(33)
Net cash inflow from financing activities		<u>-</u>	<u>387</u>
Increase/(decrease) in cash and equivalents		8	(281)
Cash and cash equivalents at beginning of year		248	529
Cash and cash equivalents at end of year	2	<u><u>256</u></u>	<u><u>248</u></u>

REACT Group PLC

Notes to the Company Statement of Cash Flows

1. Reconciliation of profit/(loss) before income tax to cash generated from operations

	2019	2018
	£'000	£'000
Operating profit/(loss)	74	(2,811)
Increase in trade and other receivables	(4)	(401)
Decrease in trade and other payables	(75)	(45)
Provision against amounts owed by group companies	7	1,219
Impairment of Investment value	-	1,386
Share based payment	2	-
Depreciation	4	5
Net cash inflow/(outflow) from operations	<u>8</u>	<u>(647)</u>

2. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	<u>256</u>	<u>248</u>

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

1. General Information

Basis of preparation and consolidation

The Company is based in the United Kingdom and has been incorporated in England and Wales. Details of the registered office, the officers and advisors to the Company are presented on the Company Information page at the start of this report.

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. Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to 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.

The equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, REACT Group PLC, including the equity instruments issued in order to effect reverse acquisition accounting. The merger relief reserve represents a premium on the issue of the ordinary shares for the acquisition of subsidiary undertakings. The relief is only available to the issuing company securing at least a 90% equity holding in the acquired undertaking in pursuance of an arrangement providing for the allotment of equity shares in the issuing company on terms that the consideration for the shares allotted is to be provided by the issue of equity shares in the other company.

2. Accounting Policies

Statement of compliance

The consolidated financial statements of REACT Group PLC have been prepared in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively 'IFRSs') as adopted for use in the European Union and as issued by the International Accounting Standards Board and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The principal accounting policies are summarised below. They have all been applied consistently throughout the period under review.

Going concern

Following its review of the Group's financial plans and forecast growth and the new management team in place, the Board has a good expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The new significant contract win announced on 23 January 2020 and access to a new financing facility obtained since the year end also support this opinion. Therefore, the financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting Policies (continued)

New, amended standards, interpretations not adopted by the Group

The following Adopted IFRSs have been issued but have not been applied by the Group in these Financial Statements. The full impact of their adoption has not yet been fully assessed; however, management do not expect the changes to have a material effect on the Financial Statements unless otherwise indicated:

- Annual Improvements to IFRSs – 2015-2017 Cycle (1 January 2019)
- Amendments to IAS 1 and IAS 8 – on definition of materiality (1 January 2019)
- Amendments to IAS 19 – employees benefits plan amendments, curtailments or settlements
- Amendments to IAS 28 on long term interests in associates and joint ventures
- Amendments to IFRS 3 “Business combinations” on definition of a business
- Amendments to IFRS 9, financial instruments on prepayment features with negative compensation
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed)
- Amendments to IAS 40 Investment Property (effective date to be confirmed)
- IFRIC 23 Uncertainty over Income Tax Treatments (1 January 2019)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective date to be confirmed)
- IFRS 16 Leases (1 January 2019)
- IFRS 17 Insurance contracts (1 January 2021)

Impact of IFRS 16 - Leases

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Management have assessed the impact of the adoption of IFRS 16 in detail and conclude that as the only operating lease in place at the year end is not material, there is no impact on the Group’s consolidated Financial Statements for either the year ended 30 September 2019 or on the prior year comparatives.

Changes in Accounting Policies and Disclosures

New and amended standards adopted by the Group

The Group has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2018. However, none of them has a material impact on the Group’s Consolidated Financial Statements.

Impact of IFRS 15 – Revenue from contracts with customers

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management have assessed the impact of the adoption of IFRS 15 in detail and conclude that there is no material impact on the Group’s consolidated Financial Statements. Further there was no impact on prior year revenue. The approach was to undertake a detailed assessment of the core principles of IFRS 15 and test these against the existing revenue recognition policy for each type of revenue.

Impact of IFRS 9 – Financial Instruments

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Management have assessed the credit loss model looking 12 months ahead with the trade receivable balances. The IFRS 9 impairment model requires impairment allowances for all exposures from the time a debt originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly, IFRS 9 requires allowances based on 12 months expected losses.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting Policies (continued)

Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue in the accounting period in which its services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenues exclude intra-group sales and value added taxes and represent net invoice value less estimated rebates, returns and settlement discounts. The net invoice value is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules using tax rates enacted or substantially enacted by the statement of financial position date. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

(ii) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carrying forward or unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements
For the year ended 30 September 2019

2. Accounting Policies (continued)

Investments

Investments in subsidiaries are held at cost less any impairment.

Financial assets and liabilities

The Group classifies its financial assets at inception into three measurement categories; 'amortised cost', 'fair value through other comprehensive income' ('FVOCI') and 'fair value through profit and loss' ('FVTPL'). The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction cost that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all of the risks and rewards of ownership. In transaction in which the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The group derecognises a financial liability when its contractual obligation are discharge, cancelled or expire.

Impairment

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective experience (such as significant financial difficulty of obligor, breach of contract, or it becomes probable that debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of loss is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Operating leases

Rent payable under operating leases is not recognised in the Group's Statement of Financial Position; such costs are expensed on a straight line basis over the term of the lease.

**Notes to the Financial Statements
For the year ended 30 September 2019**

2. Accounting Policies (continued)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to the initial recognition, trade and receivables are measured at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts. Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated in amortised cost, except where the payables are interest free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

Impairment of non-financial assets

At each statement of financial position date, the Group reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Capital management

Capital is made up of stated capital, premium and retained earnings. The objective of the Group's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the year ended 30 September 2019.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

2. Accounting Policies (continued)

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off their cost over their estimated useful lives at the following annual rates:

Leasehold property	20%
Vehicles	25%
Fixtures, fittings & equipment	20% / 33%

Useful lives and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period. During the year ended 30 September 2018 the depreciation rates used were reviewed and, based on this review, the estimated useful lives of motor vehicles and plant, machinery and equipment were extended to 4 years and 5 years respectively.

**Notes to the Financial Statements
For the year ended 30 September 2019**

2. Accounting Policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss in the period in which the asset is derecognised.

Intangibles

Purchased goodwill represents the excess of the cost of acquisition over the company's interest in the fair value of the identifiable assets and liabilities of a business acquired at the date of acquisition.

Purchased goodwill is recognized as an asset, reviewed for impairment at least annually and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Purchased goodwill is deemed to have an indefinite useful life due to the expectation of the acquired business to operate in perpetuity, so is not amortised.

Customer list represents the value placed on the retained customer list at the acquisition date. The value recognises that customers, although contracted to the company are not under an obligation to use the company services.

The customer list will be amortised over a period of 5 years. An impairment review will be conducted each year and will look at significant changes in the turnover received from major customers.

Employee benefit costs

The group operates a defined contribution pension scheme for eligible employees. Contributions payable are charged to the income statement in the period to which they relate.

Exceptional items

Exceptional items are material items of income or expenses which have arisen in the normal course of business but are not expected to re-occur on a regular basis.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

The resulting accounting estimates will, by definition, differ from the related actual results.

- **Estimated impairment of goodwill**

The Directors have carried out a detailed impairment review in respect of goodwill. The Group assesses at each reporting date whether there is an indication that an asset maybe impaired, by considering the net present value of discounted cashflow forecasts which have been discounted at 15%. The cashflow projections are based on the assumption that the Group can realise projected sales.

Notes to the Financial Statements
For the year ended 30 September 2019

2. Accounting Policies (continued)

- **Share based payments**

The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

- **Goodwill and Customer list valuation**

Management originally estimated that the useful life of the fair value of the customer lists acquired on the acquisition to be 5 years. As part of the annual impairment review at 30 September 2018, based on the medium term trading outlook, the decision was taken to write down the purchased goodwill and acquired customer list to £174,000. As at 30 September 2019 a further review was undertaken and management judged that no additional impairment was required.

- **Bad debt provision**

We perform ongoing credit evaluations of our customers and grant credit based on past payment history and industry conditions. Customer payments are closely monitored and a provision for doubtful debts is established based on management's assessment of the expected collectability of all accounts receivable.

3. Segmental Reporting

In the opinion of the Directors, the Group has one class of business, being that of specialist cleaning and decontamination services. Although the Group operates in only one geographic segment, which is the UK, it has also analysed the sources of its business into the segments of either public or private sector customers.

	2019			2018		
	Public sector	Private sector	Total	Public sector	Private sector	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	1,628	1,475	3,103	1,944	1,351	3,295
Cost of Sales	(1,237)	(981)	(2,218)	(1,535)	(1,067)	(2,602)
Gross Profit	391	494	885	409	284	693
Administrative Expenses	(472)	(596)	(1,068)	(1,560)	(1,084)	(2,644)
Operating Loss for the year	(81)	(102)	(183)	(1,151)	(800)	(1,951)
Total Assets	624	789	1,413	1,094	760	1,854
Total Liabilities	(236)	(299)	(535)	(468)	(325)	(793)

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

4. Employees and Directors

	2019	2018
	£'000	£'000
Wages and salaries	1,932	1,659
Directors fees	-	31
Social security costs	174	166
Pension contributions	28	11
	2,134	1,867

The average monthly number of employees :

	No.	No.
Directors	3	3
Operators and administration staff	79	58
	82	61

Details of emoluments received by Directors of the Group for the year ended 30 September 2019 were as follows:

	Salaries	Fees	Car benefit	2019	2018
	£'000	£'000	£'000	£'000	£'000
G Leates	58	-	-	58	48
R Gilbert	22	-	-	22	-
M Joyce	17	-	-	17	-
L Innes	17	-	-	17	32
C Barnes	-	-	-	-	44
C Vermaak	-	-	-	-	40
S Woolley	-	-	-	-	10
Total	114	-	-	114	174

These amounts include the share based payments referred to in Note 2.

REACT Group PLC

Notes to the Financial Statements **For the year ended 30 September 2019**

5. Administrative expenses

	2019 £'000	2018 £'000
Auditor remuneration		
– audit fees (Company £4,000; 2018 : £4,000)	25	25
– other services	3	8
Staff costs (note 4)	2,134	1,867
Less staff costs included in cost of sales	(1,623)	(1,224)
Recruitment	38	44
Legal and professional fees (incl AIM related costs)	155	99
Property costs	53	40
Travel expenses	42	7
Insurance	54	52
Advertising	61	12
Provision against bad debts and accrued income	(70)	279
Other expenses	180	169
Depreciation	52	124
Less depreciation included in cost of sales	(36)	(84)
Impairment charge	-	1,226
	<u>1,068</u>	<u>2,644</u>

The non-recurring exceptional costs of £5,000 (2018: £1,337,000) included in administrative expenses comprise the following:

	2019 £'000	2018 £'000
Recruitment fees & other employee related costs associated with the changes in the management of the business during the period under review	(61)	(155)
Legal fees relating to resolution of an historic debt	(10)	-
Impairment of purchased goodwill	-	(1,106)
Impairment of acquired customer list	-	(76)
Release of historic VAT provision	66	-
	<u>(5)</u>	<u>(1,337)</u>

6. Income Tax

	2019 £'000	2018 £'000
Current tax charge	-	-
Deferred tax credit	-	(21)
	<u>-</u>	<u>(21)</u>

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

Analysis of tax expense:

	2019 £'000	2018 £'000
Loss on ordinary activities before income tax	(183)	(1,951)
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2018: 19%)	(35)	(371)
Effects of:		
Amortisation and depreciation not deductible for tax	10	32
Impairment charges	-	225
Increase in net losses carried forward	25	93
Corporation tax charge/(credit)	-	(21)

The Group has estimated excess management expenses carried forward of £1.3m (2018: £1.4m) and trading losses of £1m (2018: £0.7m) available to use against future profits. The tax losses have resulted in a deferred tax asset of approximately £0.4m (2018: £0.4m) which has not been recognised as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

7. Loss per Share

Basic loss per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the year being 415,407,753 (2018: 415,407,753).

	Loss £'000	Weighted average Number of shares	Loss per share
Loss attributable to ordinary shareholders:			
Continuing operations	183	415,407,753	0.04p

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 September 2019 there were 19,939,537 (2018: 2,380,000) outstanding share warrants and 65,065,130 (2018: 2,754,077) options which are potentially dilutive.

8. Company's result for the period

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement account. The result for the parent company for the period was a profit of £74,000 (2018: loss of £2,811,000).

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

9. Intangible assets

Group	Purchased Goodwill £'000	Customer List Acquired £'000	Total £'000
Cost			
At 1 October 2018	1,280	220	1,500
Amortisation and impairment			
As at 1 October 2018	1,106	220	1,326
Amortisation charge for the year	-	-	-
Impairment charge for the year	-	-	-
As at 30 September 2019	1,106	220	1,326
Carrying amount			
As at 30 September 2019	174	-	174
As at 30 September 2018	174	-	174

The purchased goodwill relates to intangible assets that do not qualify for separate recognition on the acquisition of the REACT specialist cleaning services business, an unincorporated division of Autoclenz Limited.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flow forecasts. Purchased goodwill has been allocated for impairment testing purposes to the individual businesses acquired which are also the cash-generating units ("CGU") identified. The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors. The projections are based on the assumption that the company can realise projected sales. A prudent approach has been applied with no residual value being factored into these calculations. If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. A pre-tax discount rate of 15% per annum has been applied to the cashflow projections, taking into consideration the expected rate of return and various risks relating to the CGU.

As a result of this annual review, it was decided that given the current trading performance of the business and the short/medium term outlook, there was no need to further impair the carrying value of the Purchased Goodwill.

The key assumptions used in the estimation of the revised value of Purchased Goodwill are set out below. The values assigned to the key assumptions represent management's assessment of future revenues and cash flows of the CGU. The most recent financial results and forecast approved by management for the next five years were used and a terminal growth rate thereafter. The projected results were discounted at a rate which is a prudent evaluation of the time value of money and the risks specific to the CGU.

Key assumptions used:

	%
Average revenue growth rate (of next five years)	10
Terminal value growth rate	0
Discount rate	15

REACT Group PLC

Notes to the Financial Statements **For the year ended 30 September 2019**

10. Property, Plant and equipment

Group	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 October 2018	21	225	84	330
Additions	-	-	25	25
Disposals	-	(44)	-	(44)
At 30 September 2019	<u>21</u>	<u>181</u>	<u>109</u>	<u>311</u>
Depreciation				
At 1 October 2018	4	159	51	214
Depreciation charge for the year	4	30	18	52
Disposals	-	(36)	-	(36)
At 30 September 2019	<u>8</u>	<u>153</u>	<u>69</u>	<u>230</u>
Net book value				
At 30 September 2019	<u>13</u>	<u>28</u>	<u>40</u>	<u>81</u>
At 30 September 2018	<u>17</u>	<u>66</u>	<u>33</u>	<u>116</u>

Company	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 October 2018	21	-	-	21
Additions	-	-	-	-
Disposals	-	-	-	-
At 30 September 2019	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
Depreciation				
At 1 October 2018	4	-	-	4
Depreciation charge for the year	4	-	-	4
Disposals	-	-	-	-
At 30 September 2019	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
Net book value				
At 30 September 2019	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
At 30 September 2018	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

11. Investment in subsidiary undertakings

Company	£'000
Cost	
At 1 October 2018 and 30 September 2019	1,560
Impairment	
At 1 October 2018	1,386
Impairment charge for the year	-
At 30 September 2019	1,386
Carrying amount	
At 30 September 2019	174
At 30 September 2018	174

As at 30 September 2019, the company held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest of ordinary shares
REACT SC Holdings Limited	Holding company	United Kingdom	100%
REACT Specialist Cleaning Limited (held indirectly by REACT SC Holdings Limited)	Specialist cleaning & decontamination services	United Kingdom	100%
REACT Environmental Services Limited*	Dormant	United Kingdom	100%

*Audit exemption is taken for this company as it has been dormant since June 2018.

Both the subsidiary companies, REACT Occupational Hygiene Services Limited (ROHS) and REACT Environmental Services Limited (RES) have been dormant since June 2018 and as it was not anticipated that these companies would trade again, ROHS was struck off the register at Companies House on 3 September 2019 and an application to strike off RES is in progress.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

12. Trade and other receivables

Current	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables		696	1,329	-	-
Provision for impairment	13	(83)	(339)	-	-
Net trade receivables		613	990	-	-
Amounts owed by Group undertakings		-	-	1,242	1,238
Provision against amounts owed by Group undertakings		-	-	(1,226)	(1,219)
Prepayments and accrued income		105	151	22	23
		<u>718</u>	<u>1,141</u>	<u>38</u>	<u>42</u>

Trade receivables are amounts due from customers for services performed in the ordinary course of business. The Group's impairment and other accounting policies for trade and other receivables are outlined in note 2.

13. Provision for impairment of receivables

A provision is established for irrecoverable amounts where there is an indication that amounts due under the original payment terms will not be collected.

Provision for impairment of receivables	Group	Group
Relating to debt over 3 months past due	2019 £'000	2018 £'000
Opening provision	339	40
Impairments in the year	64	299
Amounts released in the year	(189)	-
Amounts utilised in the year	(131)	-
Closing provision	<u>83</u>	<u>339</u>

There are no receivables in the Company, as all are held by the trading subsidiary, RSC.

As at 30 September 2019, excluding balances provided for by the impairment provision, £157,000 (2018: £153,000) of trade receivables were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	2019 £'000	2018 £'000
Up to 3 months past due	119	153
3 to 6 months past due	37	-
Over 6 months past due	1	-
	<u>157</u>	<u>153</u>

Trade receivables that are neither past due nor impaired are considered to be fully recoverable.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

14. Cash and cash equivalents

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash and bank balances	<u>440</u>	<u>423</u>	<u>256</u>	<u>248</u>

15. Called Up Share Capital

	2019 £'000	2018 £'000
Issued share capital comprises:		
415,407,753 (2018 : 415,407,753) Ordinary shares of 0.25p each	<u>1,039</u>	<u>1,039</u>

16. Trade and other payables

Current:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade payables	232	221	39	43
Accrued expenses	128	288	-	7
Social security and other taxes	175	284	(2)	61
	<u>535</u>	<u>793</u>	<u>37</u>	<u>111</u>

17. Deferred Tax

Deferred tax is provided, using the liability method, on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%, the movement on the deferred tax liability is as shown below:

Group	2019 £'000	2018 £'000
At 1 October 2018	-	21
Income credit	-	(21)
At 30 September 2019	<u>-</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets as the Directors believe it is uncertain that these assets will be recovered.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

18. Related Party Disclosures

Group and company

During the year ended 30 September 2019, there were no related party transactions. In the prior year the Group was charged £30,900 by Secure and Profitable Growth Limited for consultancy services provided by C Barnes. There were no amounts outstanding in respect of any these services at 30 September 2019.

19. Ultimate Controlling Party

No one shareholder has control of the company.

20. Warrants

The warrants held by G M Leates were surrendered on 17 May 2019.

On 17 May 2019 the company issued warrants to Wydelta Limited, a consulting and advisory firm led by Mark Braund, an operational strategic adviser to the Company, to subscribe for 19,939,537 new ordinary shares in the company exercisable at a price of 0.30p per 0.25p ordinary share, exercisable after 24 months. The warrants have a 5 year exercise period ending on 17 May 2024.

No warrants were exercised in the current or prior year.

Movements in the number of share warrants outstanding and their related weighted average exercise prices are as follows:

	Number of warrants		Average exercise price	
	2019 No.	2018 No.	2019 £	2018 £
Outstanding at the beginning of the period	2,380,000	2,380,000	0.0168	0.0168
Granted during the year	19,939,537	-	0.0030	-
Lapsed during the year	(2,380,000)	-	(0.0168)	-
Outstanding at the end of the period	<u>19,939,537</u>	<u>2,380,000</u>	<u>0.0030</u>	<u>0.0168</u>

The fair value of the share warrants issued on 17 May 2019 with an exercise price of 0.30p is £5,834 and was derived using the Black Scholes model. The following assumptions were used in the calculations:

Share price at grant date	0.30p
Risk-free rate	0.58%
Volatility	25%
Expected life	5 years

Expected volatility is based on a conservative estimate for the company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

£389 (2018: £Nil) has been recognised during the period for the share warrants over the vesting period.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

21. Share options

The company had introduced a share option programme to grant share options as an incentive for employees. Each share option converts into one ordinary share of the company on exercise. No amounts are paid or payable by the recipient on receipt of the option and the company has no legal obligation to repurchase or settle the options in cash. The options carry neither rights to dividends nor voting rights prior to the date on which the options are exercised. Options may be exercised at any time from the date of vesting to the date of expiry.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of options		Average exercise price	
	2019 No.	2018 No.	2019 £	2018 £
Outstanding at the beginning of the period	2,754,077	16,524,464	0.0168	0.0168
Granted during the year	62,311,053	-	0.0030	-
Lapsed during the year	-	(13,770,387)	-	(0.0168)
Outstanding at the end of the period	<u>65,065,130</u>	<u>2,754,077</u>	<u>0.0036</u>	<u>0.0168</u>

The Options shall vest and become capable of exercise in specified quantities if the mid-market price (as derived from the AIM Appendix of the Daily Official List and as certified in writing by the Company's stockbrokers) equals or exceeds a series of defined Share Hurdle Prices between £0.004 and £0.0280 for 5 consecutive business days at any time or times during the vesting period. £1,215 (2018: £Nil) has been recognised during the period for the share based payments over the vesting period.

22. Financial risk management, objectives and policies

The Group's financial instruments comprise cash balances and receivables and payables that arise directly from its operations. The main risks the Group faces are liquidity risk, capital risk and foreign currency risk.

The board regularly reviews and agrees policies for managing each of these risks. The Group's policies for managing these risks are summarised below and have been applied throughout the period. The numerical disclosures exclude short-term debtors and their carrying amount is considered to be a reasonable approximation of their fair value.

Interest risk

The Group is not exposed to significant interest rate risk as it has no interest bearing liabilities at the period end.

Credit risk

The Group is exposed to credit risk as services are invoiced on completion. This risk is mitigated as most large customers have been customers for several years and have exemplary credit ratings. The board also ensure robust procedures are in place to ensure all services are invoiced promptly and all payments received in a timely manner.

As at the year end, 27% of debtors included in trade receivables are past their due dates. Included in trade receivables are provisions of £83,000.

REACT Group PLC

Notes to the Financial Statements For the year ended 30 September 2019

Liquidity risk

Liquidity risk is the risk that Group will encounter difficulty in meeting the obligations associated with financial liabilities.

The responsibility for liquidity risks management rest with the Board of Directors, which has established appropriate liquidity risk management framework for the management of the Group's short term and long-term funding risks management requirements.

During the period under review, the Group has not utilised any borrowing facilities. The Group manages liquidity risks by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

23. Lease commitments

At 30 September 2019 the Company had outstanding commitments for future minimum lease payments under a non-cancellable operating lease for its office premises, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	19	19
Within to two to five years	38	57
At 30 September 2019	<u>57</u>	<u>76</u>