REACT GROUP PLC

15 February 2019

Publication of 2018 Report & Accounts

The Board of REACT Group PLC has today published the Report & Accounts for the year ended 30 September 2018.

The accounts, which will be sent to shareholders who have elected to receive a hard copy, are otherwise available also from the Company Secretary at c/o International Registrars Limited, Finsgate, 5-7 Cranwood Street London EC1V 9EE and are also available on the Company's website: www.reactplc.co.uk. Extracts are set out below.

Notice of the Annual General Meeting, which will be held at 12 noon on Tuesday 12 March 2019, at The Holiday Inn Leicester, 129, Nicholas Circle, Leicester, LE1 5LX is also available on the Company's website.

For further information, please contact:

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REACT Group PLC

Executive Chairman's Statement
For the year ended 30 September 2018

The financial year has been one of significant change to address the challenges in the structure of the Company and opportunities in the business. The Company severed the final administrative ties with its previous owner, Autoclenz. This resulted in REACT Group establishing its own fit-for-purpose administration and office infrastructure in Swadlincote, Derbyshire.

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 organisations in both the private and public sector.

To support the evolution of the Company there have been several management changes, some of which have taken place post-period, all designed to establish a strong, well-motivated team aimed at building a growing and profitable specialist cleaning business.

Throughout the year management has put in place the infrastructure and financial controls to provide clarity on the business relationships with its Clients and the profitability of each of its service streams. This is helping the Company to focus on creating value for its Clients in key areas of demand and thereby differentiate its proposition to generate profit and recurring business for its unique brand of service.

Whilst re-engineering the business the Company has successfully taken on new Clients and continued to work for important existing ones too. The Company provides its services through both intermediaries such as Facility Management firms (FM) and direct to end-Clients, although we are beginning to see demand increasing for a direct relationship with end-Clients.

Financial Review

During the year ended 30 September 2018 turnover was £3.30m, an increase of 25% on the prior year (2017: £2.64m). The overall reported loss for the year was £1.93m, which includes a (non-cash) impairment charge of £1.11m against purchased goodwill of £1.28m in the balance sheet and an impairment charge of £76,000 against the Acquired Customer List (this relates to the value of consideration paid for REACT Group during the reverse takeover of 2015).

The operating loss for the Group from continuing operations (excluding the impairment charge) was £769,000 (2017: £393,000). Of this £155,000 relates to one-off charges due to redundancies and other one-off restructuring charges. Also, as a prudent measure, an increase to the bad debt provision is also included within the operating loss, it is £339,000 at the year end (2017: £40,000). Cash at the year-end was £423,000 (2017: £631,000). Within these figures the Company has re-engineered the business and established its own independent administration and office infrastructure. In addition, it has begun to eliminate poorly priced contracts and re-structure its fleet of vans (used to operate the business), which as a result will lead to a material reduction in operating costs going forward.

Strategy

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. Most of the new business during the year has come because of the Company's reputation, due to the excellent standard of work performed by our operators. We intend to leverage this further alongside sensible levels of investment in targeted sales and marketing resource, some of which has already been put in place post-period.

REACT Group PLC

Executive Chairman's Statement
For the year ended 30 September 2018 (continued)

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 left well alone by competitors, we have established a solid platform from which we can now grow and begin our return to profit.

As we complete the changes to the management team, the Board and its advisors, the Company has the strength in depth to execute on its strategy of growth in both the 24/7 emergency service and through taking on new long-term specialist contracts in our core areas of expertise.

Work on greater financial controls means that the Company is moving closer to establishing a sound financial outlook in the current year.

Gill Leates
Executive Chairman
14 February 2019

REACT Group PLC

Consolidated Statement of Comprehensive Income
For the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Continuing Operations			
Turnover		3,295	2,645
Cost of sales		(2,602)	(1,815)
Gross profit		693	830
Administrative expenses	**5**	(2,644)	(1,223)
Exceptional costs included in administrative expenses		(1,337)	-
Operating loss for the year before income tax		(1,951)	(393)
Income tax credit	**6**	21	-
Loss for the year from continuing operations		(1,930)	(393)
Loss for the year from discontinued operations	**22**	-	(45)
Loss for the year		**(1,930)**	**(438)**
Total comprehensive loss for the year attributable to the owners of the company		**(1,930)**	**(438)**
Basic and diluted loss per share - pence			
From continuing operations	**7**	0.67p	0.14p
From discontinuing operations	**7**	-	0.02p

REACT Group PLC

Consolidated Statement of Financial Position
As at 30 September 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Intangible assets	**9**	174	1,400
Plant & equipment	**10**	116	232
		290	1,632
Current assets			
Trade and other receivables	**12**	1,141	760
Cash at bank and in hand	**13**	423	631
		1,564	1,391
TOTAL ASSETS		1,854	3,023
EQUITY			
Shareholders' Equity			
Called up share capital	**14**	1,039	689
Share premium		4,926	4,889
Reverse acquisition reserve		(5,726)	(5,726)
Capital redemption reserve		3,337	3,337
Merger relief reserve		1,328	1,328
Share based payments		20	22
Accumulated deficit		(3,863)	(1,935)
Total Equity		1,061	2,604
LIABILITIES			
Current liabilities			
Trade and other payables	**15**	793	398
Non - current Liabilities			
Deferred tax liability	**16**	-	21
TOTAL LIABILITIES		793	419
TOTAL EQUITY AND LIABILITIES		1,854	3,023

These financial statements were approved by the Board of Directors on 14 February 2019 and were signed on its behalf by:

Gill Leates
Director

REACT Group PLC

Consolidated Statement of Changes in Equity
For the year ended 30 September 2018

	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 2016	689	4,889	1,328	3,337	(5,726)	22	(1,497)	3,042
Share issue								
Loss for the period	-	-	-	-	-	-	(438)	(438)
Balance at 30 September 2017	689	4,889	1,328	3,337	(5,726)	22	(1,935)	2,604
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	1,039	4,926	1,328	3,337	(5,726)	20	(3,863)	1,061

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.

REACT Group PLC

Consolidated Statement of Cash Flows
For the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash utilised in operations	**1**	(625)	(189)
Net cash outflow from operating activities		(625)	(189)
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		435	-
Cash flows from investing activities			
Disposal of fixed assets		20	-
Capital expenditure		(38)	(111)
Net cash outflow from investing activities		(18)	(111)
Decrease in cash and cash equivalents		(208)	(300)
Cash and cash equivalents at beginning of period		631	931
Cash and cash equivalents at end of period	**2**	423	631

REACT Group PLC

Notes to the Consolidated Statement of Cash Flows
For the period ended 30 September 2018

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

	2018 £'000	2017 £'000
Loss before taxation	(1,951)	(438)
(Increase)/decrease in trade and other receivables	(649)	28
Increase in trade and other payables	615	51
Depreciation and amortisation charges	1,350	156
Loss on disposal of fixed assets	10	14
Net cash outflow from operations	(625)	(189)

2. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	423	631

REACT Group PLC

Company Statement of Financial Position
As at 30 September 2018

	Notes	As at 30 September 2018 £'000	As at 30 September 2017 £'000
ASSETS			
Non-current assets			
Investments	**11**	174	1,560
Fixed assets	**10**	17	1
		191	1,561
CURRENT ASSETS			
Trade and other receivables	**12**	42	860
Cash at bank and in hand	**13**	248	529
		290	1,389
TOTAL ASSETS		481	2,950
EQUITY			
Shareholders' Equity			
Called up share capital	**14**	1,039	689
Share premium		4,926	4,889
Merger relief reserve		1,328	1,328
Capital redemption reserve		3,337	3,337
Share based payments		20	22
Accumulated deficit		(10,280)	(7,471)
Total Equity		370	2,794
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**15**	111	156
TOTAL LIABILITITES		111	156
TOTAL EQUITY AND LIABILITIES		481	2,950

These financial statements were approved and authorised for issue by the Board of Directors on 14 February 2019 and were signed on its behalf by:

G M Leates
Director

Company Registration no. 05454010

The notes on pages 29 to 46 form part of these financial statements

REACT Group PLC

Company Statement of Changes in Equity
For the year ended 30 September 2018

	Called up Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital redemption reserve £'000	Share based payments £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 October 2016	689	4,889	1,328	3,337	22	(7,264)	3,001
Loss for the year	-	-	-	-	-	(207)	(207)
Balance at 30 September 2017	689	4,889	1,328	3,337	22	(7,471)	2,794
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	1,039	4,926	1,328	3,337	20	(10,280)	370

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.

REACT Group PLC

Company Statement of Cash Flows
For the year ended 30 September 2018

	Notes	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Cash flows from operating activities			
Cash utilised from operations	**1**	(647)	(376)
Net cash outflow from operating activities		(647)	(376)
Cash flows from investing activities			
Purchase of fixed assets		(21)	-
Net cash outflow from investing activities		(21)	-
Cash flows from financing activities			
Issue of shares		420	-
Expenses of share issue		(33)	-
Net cash inflow from investing activities		387	-
Decrease in cash and equivalents		(281)	(376)
Cash and cash equivalents at beginning of period		529	905
Cash and cash equivalents at end of period	**2**	248	529

REACT Group PLC

Notes to the Company Statement of Cash Flows

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

	2018 £'000	2017 £'000
Operating loss	(2,811)	(207)
Increase in trade and other receivables	(401)	(232)
Decrease/(increase) in trade and other payables	(45)	63
Provision against intercompany balances	1,219	-
Impairment of Investment value	1,386	
Depreciation	5	-
Net cash outflow from operations	(647)	(376)

2. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	248	529

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, the board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

New and amended standards adopted by the Group
There are no IFRSs or IFRIC interpretations that are effective for the first time in this financial period that have had a material impact on the Group.

2. Accounting Policies (continued)

New Standards, amendments and interpretations issued but not effective

Reference	Title	Summary	Application date of standard	Application date for Group
IFRS 2	Share Based Payments	Amendments to clarify the classification and measurement of share based transactions	1 January 2018	1 October 2018
IFRS 3	Business Combinations	Amendments resulting from the annual review cycle.	1 February 2019	1 October 2019
IFRS 4	Insurance Contracts	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018	1 October 2018
IFRS 9	Financial Instruments	Amendments regarding the interaction of IFRS 4 and IFRS9	1 January 2018	1 October 2018
IFRS 9	Financial Instruments	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 February 2019	1 October 2019
IFRS11	Joint Arrangements	Amendments resulting from the annual review cycle.	1 February 2019	1 October 2019
IFRS 15	Revenue from contracts with customers	Original issue with amendments specifying how and when to recognize revenue from contracts as well as requiring more information and relevant disclosures.	1 January 2018	1 October 2018
IFRS 16	Leases	Introduces a single accounting model for leases with no distinction between operating and finance leases.	1 February 2019	1 October 2019
IAS 40	Investment Property	Amendments to clarify transfers or property to or from investment property	1 January 2018	1 October 2018
IFRS 1, IFRS 2, IAS 28	Annual improvements 2014-2016 cycle	Amendments resulting	1 January 2018	1 October 2018
IFRIC 22	Foreign Currency transactions and advance consideration	Amendments to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1 February 2019	1 October 2019
IFRIC 23	Uncertainty over income tax treatment	Address how to reflect uncertainty in accounting for income tax	1 February 2019	1 October 2019

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

2. Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rendering of services

The Group provides extreme cleaning services. For rendering of services, revenue is recognised in the accounting period in which the 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.

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 differenced, 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 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.

Investments

Investments in subsidiaries are held at cost less any impairment.

2. Accounting Policies (continued)

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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.

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.

Fair values
The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the company at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments

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.

2. Accounting Policies (continued)

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 2018.

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.

2. Accounting Policies (continued)

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:

Computer hardware	20%
Computer software	33%
Motor vehicles	25%
Plant, machinery & equipment	20%

Useful lives and depreciation method 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.

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 benefit contribution pension scheme for eligible employees. Contributions payable are charged to the income statement in the period to which they relate.

2. Accounting Policies (continued)

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.

- **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.

- **Amortisation**
  Management have estimated that the useful life of the fair value of the customer lists acquired on the acquisition to be 5 years. Although customers generally are on rolling annual contracts or projects management believe that a useful life of 5 years is a fairer representation based on the historical trading of the REACT division with its customers. The estimate will be reviewed annually and revised if the useful life is deemed to be lower or higher than 5 years based on the customer trading of existing clients of REACT division

- **Customer list valuation**
  Management undertake an impairment review annually of all intangible assets held. Management review goodwill by assigning it to a cash generating unit (CGU) and calculate a discounted cash flow forecast based on the assumptions outlined in Note 9. These assumptions are reviewed annually as the business changes. Customer lists are reviewed for impairment annually also using similar assumptions.

- **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. The Group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is the UK. All costs are derived from the single segment.

4. Employees and directors

	2018 £'000	2017 £'000
Wages and salaries	1,659	1,028
Directors fees	31	89
Social security costs	166	100
Pension contributions	11	5
	1,867	1,222

The average monthly number of employees :

	No.	No.
Directors	3	4
Operators and administration staff	58	33
	61	37

Details of emoluments received by Directors of the Group for the year ended 30 September 2018 were as follows:

	Salaries £'000	Fees £'000	Car benefit	2018 £'000	2017 £'000
G Leates	48	-	-	48	30
L Innes	32	-	-	32	-
C Barnes	13	31	-	44	-
C Vermaak	35	-	5	40	-
S Woolley	10	-	-	10	7
G Rummery	-	-	-	-	43
S Metcalfe	-	-	-	-	14
M Collingbourne	-	-	-	-	25
Total	138	31	5	174	119

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5. Administrative expenses

	2018 £'000	2017 £'000
Auditor remuneration		
– audit fees (Company £4,000; 2017 : £4,000)	25	33
– other services	8	1
Staff costs (note 4)	1,867	1,222
Less staff costs included in cost of sales	(1,224)	(633)
Recruitment	44	-
Legal and professional fees (incl AIM related costs)	99	136
Property costs	40	-
Travel expenses	7	96
Insurance	52	92
Advertising	12	25
Provision against bad debts and accrued income	279	40
Other expenses	169	113
Depreciation	124	112
Less depreciation included in cost of sales	(84)	(58)
Amortisation	1,226	44
	2,644	1,223

The non-recurring exceptional costs of £1,337,000 included in administrative expenses above include mainly relate to impairment charges totalling £1,182,000 relating to the Acquired Customer list, which has been fully impaired (£76,000) and Purchased Goodwill which has been assessed and partly impaired (£1,106,000). The balance of the exceptional costs mainly relates to recruitment fees and other employee related costs associated with the changes in the management of the business during the period under review.

6. Income Tax

	2018 £'000	2017 £'000
Current tax charge	-	-
Deferred tax credit	(21)	-
	(21)	-

Analysis of tax expense:

	2018 £'000	2017 £'000
Loss on ordinary activities before income tax	(1,951)	(438)
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2017: 19%)	(371)	(83)
Effects of:		
Amortisation and depreciation not deductible for tax	32	26
Impairment charges	225	-
Other timing differences	-	-
Increase in net losses carried forward	93	57
Corporation tax (credit)/charge	(21)	-

The Group has estimated excess management expenses carried forward of £1.4m (2017: £1.1m) and trading losses of £0.7m (2017: £0.3m) available to use against future profits. The tax losses have resulted in a deferred tax asset of approximately £0.4m (2017: £0.3m) 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 287,298,164 (2017: 275,407,753)

	Loss £'000	Weighted average Number of shares	Loss per share
Loss attributable to ordinary shareholders:			
Continuing operations	1,930	287,298,164	0.67p

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 2018 there were 2,380,000 (2017: 2,380,000) outstanding share warrants and 2,754,077 (2017: 16,524,464) 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 loss of £2,811,000 (2017: loss of £207,000).

9. Intangible assets

Group	Purchased Goodwill £'000	Customer List Acquired £'000	Total £'000
Cost			
At 1 October 2017	1,280	220	1,500
Amortisation and impairment			
As at 1 October 2017	-	100	100
Amortisation charge for the year		44	44
Impairment charge for the year	1,106	76	1,182
As at 30 September 2018	1,106	220	1,326
Carrying amount			
As at 30 September 2018	174	-	174
As at 30 September 2017	1,280	120	1,400

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, it would be prudent to fully impair the value of the Acquired Customer List and partially 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)	9
Terminal value growth rate	0
Discount rate	15

REACT Group PLC

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10. Plant and equipment

Group	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 October 2017	-	335	110	445
Additions	21	-	17	38
Disposals	-	(110)	(43)	(153)
At 30 September 2018	21	225	84	330
Depreciation				
At 1 October 2017	-	161	52	213
Depreciation charge for the year	4	77	43	124
Disposals	-	(79)	(44)	(123)
At 30 September 2018	4	159	51	214
Net book value				
At 30 September 2018	17	66	33	116
At 30 September 2017	-	174	58	232

Company	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 October 2017	-	-	3	3
Additions	21	-	-	21
Disposals	-	-	(3)	(3)
At 30 September 2018	21	-	-	21
Depreciation				
At 1 October 2017	-	-	2	2
Depreciation charge for the year	4	-	1	5
Disposals	-	-	(3)	(3)
At 30 September 2018	4	-	-	4
Net book value				
At 30 September 2018	17	-	-	17
At 30 September 2017	-	-	1	1

11. Investment in subsidiary undertakings

Company

	£'000
Cost	
At 1 October 2017 and 30 September 2018	1,560
Impairment	
At 1 October 2017	-
Impairment	1,386
At 30 September 2018	1.386
Carrying amount	
At 30 September 2018	174
At 30 September 2017	1,560

As at 30 September 2018, 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 to the public sector	United Kingdom	100%
REACT Occupational Health Services Limited*	Dormant	United Kingdom	100%
REACT Environmental Services Limited*	Dormant	United Kingdom	100%

***Audit exemption is taken for these companies as they are small and dormant from June 2018.

12. Trade and other receivables

Current

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade receivables	990	672	-	-
Amounts owed by Group undertakings	-	-	19	834
Other receivables	-	-	-	15
Prepayments and accrued income	151	88	23	11
	1,141	760	42	860

13. Cash and cash equivalents

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash and bank balances	423	631	248	529

14. Called Up Share Capital

	2018 £'000	2017 £'000
Issued share capital comprises:		
415,407,753 (2017 : 275,407,753) Ordinary shares of 0.25p each	1,039	689

On 31 August 2018 the Company issued 140,000,000 ordinary shares of 0.25p at a price of 0.3p each in cash. The ordinary shares are non-redeemable and provide holders with one vote per share on a vote at a Company meeting. They also provide one equal right per share in any ordinary dividend declared and one equal right per share in the distribution of any surplus due to the ordinary shareholders on a winding up.

15. Trade and other payables

Current:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade payables	221	215	43	32
Accrued expenses	288	161	7	124
Social security and other taxes	284	22	61	-
	793	398	111	156

16 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	**2018** **£'000**	**2017** **£'000**
At 1 October 2017	21	21
Income credit	(21)	-
At 30 September 2018	-	21

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.

17. Related Party Disclosures

Group and company

During the year ended 30 September 2018 the Group was charged £30,900 (2017: £nil) by Secure and Profitable Growth Limited for consultancy services provided by C Barnes. In the prior year the Group was charged £25,000 by Morrison Kingsley Consultants Limited for director services provided by M Collingbourne, £42,500 by Autoclenz Limited for director services provided by G Rummery, £7,292 by RSW Advisory Services LLP for director services provided by S Woolley and £13,556 by Metcalfe Consultancy for director services provided by S Metcalfe. There were no amounts outstanding in respect of any these services at 30 September 2018 or 2017.

18. Ultimate Controlling Party

No one shareholder has control of the company.

19. Warrants

On 17 August 2015 the company issued warrants to GM Leates to subscribe for 2,380,000 new ordinary shares in the company exercisable at a price of 1.68p per 0.25p ordinary share, exercisable after 12 months. The warrants have a 10 year exercise period ending on 17 August 2025, and lapse in the event that GM Leates ceases to be Chairman of the company. No warrants were exercised in the current or prior year.

The fair value of the share warrants issued on 17 August 2015 with an exercise price of 1.68p is £0.00 and was derived using the Black Scholes model. The following assumptions were used in the calculations:

Share price at grant date	1.68p
Risk-free rate	1.00%
Volatility	50%
Expected life	3.5 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.

£Nil (2017: £Nil) has been recognised during the period for the share based payments over the vesting period.

20. 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**	
	2018	**2017**	**2018**	**2017**
	No.	No.	£	£
Outstanding at the beginning of the period	16,524,464	16,524,464	0.0168	-
Lapsed during the year	(13,770,387)	-	-	0.0168
Outstanding at the end of the period	2,754,077	16,524,464	0.0168	0.0168

The Options shall vest in full and be capable of exercise upon the average mid-market closing price per ordinary share of 0.25p each in the capital of the Company (as derived from the AIM Appendix of the Daily Official List and as certified in writing by the Company's stockbrokers) exceeding 2.5p for 30 consecutive business days. £nil (2017: £Nil) has been recognised during the period for the share based payments over the vesting period.

21. 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 limited 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, 17% of debtors included in trade receivables are past their due dates. Included in trade receivables are provisions of £339,000.

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.

22. Discontinued operations

On 12 September 2017 EPUK Limited was put into voluntary liquidation and a Liquidator appointed. Although the company had met all its debts as they fell due since acquisition there remained some uncertainty about the quantum of liabilities that may have arisen under its previous ownership. Consequently, having taken advice, the directors believed that this was the most appropriate course of action to take in order to protect the interests of shareholders.

The trading results of the discontinued operations were as follows:

	2018 £'000	2017 £'000
Turnover	-	9
Expenses	-	(54)
Loss before and after tax of discontinued operations	-	(45)
Operating cashflow	-	(5)

23. Lease commitments

At 30 September 2018 the Company had outstanding commitments for future minimum lease payments under a non-cancellable operating lease for its office premisees, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	19	-
Within to two to five years	57	-
At 30 September 2018	76	-