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REACT GROUP PLC

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REACT Group plc
("REACT", the "Group" or the "Company")

Final results for the year ended 30 September 2024

REACT (AIM: REAT), the leading specialist support services provider to the facility management (FM) sector, is pleased to announce its audited final results for the year ended 30 September 2024.

Financial highlights

- Revenue increased by 6% to £20.7m (2023: £19.6m)
 - 87% recurring revenue (2023: 87%)
 - Fifth successive year of organic growth against strong prior year
- Gross profit strengthened 9% to £5.7m (2023: £5.2m)
- Gross profit margin enhanced by 80 basis points to 27.6% (2023: 26.8%)
- Adjusted EBITDA¹ up 6% to £2.4m (2023: £2.3m)
- Free cash flow of £2.3m (2023: £2.1m)
- Cash of £1.8m (2023: £2.1m)

Operational highlights

- Achieved sustained organic growth in both revenue and profits by retaining customers, successfully leveraging cross-selling and upselling opportunities and driving operational efficiencies, alongside a steady stream of new customer wins
- Secured multiple contract awards with the majority being small and medium sized engagements
- Enhanced its range of services with the late October 2024 acquisition of 24hr Aquaflow strengthening regional coverage of specialist FM support services alongside its nationwide specialist cleaning and window cleaning operations

Current trading and outlook

- Transformative acquisition of 24hr Aquaflow which is being successfully incorporated into the Group, showing strong business performance and is expected to make a material contribution to Group profits from this year onwards
- Despite the macroeconomic headwinds, commenced the current year with good momentum, delivering trading performance in line with management expectations
- Well-positioned to capitalise on considerable opportunities including development of cross selling and upselling initiatives, driving of cost efficiencies and with a robust pipeline of early-stage opportunities, with emphasis on earnings enhancing, accretive and cash generative prospects

Commenting on the results Shaun Doak, Chief Executive Officer of REACT, said:

"I am pleased to share the strong performance of the REACT, reflecting a period of significant achievement driven by robust organic growth and enhanced profitability.

"The first few months of FY25 have delivered results that align with our expectations for the Group. While we remain mindful of the ongoing macroeconomic uncertainty in our markets, demand for our essential reactive and planned services remains strong. To address subdued demand in specific end markets and rising operating costs, including increases in National Insurance contributions and the National Living Wage, the Group is taking proactive steps to mitigate these challenges.

"Our reactive services have proven to be resilient, and our market-leading businesses, supported by an experienced management team, have a strong track record of navigating challenging times. Looking ahead, we see significant opportunities as we focus on integrating the Group, enhancing cross-selling and upselling efforts, and driving cost efficiencies to strengthen our position further."

¹Adjusted EBITDA represents earnings before separately disclosed acquisition costs, impairment of intangibles, share-based payments & and other restructuring costs (as well as before interest, tax, depreciation and amortisation)

The Report and Accounts for the year ended 30 September 2024 will be posted to shareholders and will be available on the Group's website www.reactsc.co.uk on 29 January 2025.

For more information:

REACT Group

Shaun Doak, Chief Executive Officer
Spencer Dredge, Chief Financial Officer
Mark Braund, Chairman

Tel: +44 (0) 1283 550 503

Singer Capital Markets - Nominated Adviser & Joint Broker

Philip Davies / Alex Bond / Oliver Platts

Tel: +44 (0) 207 496 3000

Dowgate Capital - Joint Broker

Nicholas Chambers

Tel: +44 (0) 20 3903 7715

IFC Advisory - Financial PR & IR

Graham Herring / Zach Cohen

Tel: +44 (0) 20 3934 6630

About Us:

REACT Group plc, the UK's leading support services provider to the facility management (FM) sector, operates with four divisions: LaddersFree, one of the largest commercial window cleaning businesses in the UK; Fidelis Contract Services ("Fidelis"), a contract cleaning and soft facilities maintenance business; REACT business, which primarily provides a solution to emergency and specialist cleaning situations, both through long-term framework agreements and on an ad-hoc basis and recently acquired 24hr Aquaflo Services Ltd, a commercial drainage and plumbing services business which delivers services to clients in the south east of England.

Executive Chairman's Statement

For the year ended 30 September 2024

The Board is pleased to report that REACT has delivered growth in the year under review and continued to deliver material improvements in operational efficiencies and performance, profit contribution, as well as cash conversion. The Group's performance is outlined in the reports below by the Chief Executive and the Chief Financial Officer.

For the year ended 30 September 2024, sales revenue was £20,749,000, up 6.0% on the strong prior year (2023: £19,582,000). The underlying revenue growth is 11.0% when normalised against the core contract base, removing one anomaly that manifested during COVID-19 and continued until the middle of 2024.

Adjusted EBITDA¹ was £2,410,000, up 6.1% on the comparatively strong prior year, (2023: £2,272,000), and sales revenue was £20,749,000, up 6.0% on the strong prior year (2023: £19,582,000).

Despite strong macroeconomic headwinds the Group performance represents like-for-like organic growth of 6.0%, the fifth successive year the Group has reported solid organic growth. Additionally, the Group has continued to focus on quality of earnings; 87.0% of revenue is contracted and recurring, with gross margins improving a further 80-basis points to 27.6% (2023: 26.8%).

The business has consistently demonstrated its resilience and ability to create value through several years of challenging markets. These include the impact of COVID-19, the wars in Europe and the Middle East, the 'cost of living crises' and more recently the uncertainty brought about by the change of government and the Autumn Budget - all of which have impacted the sectors within which we operate. Despite these challenges, the Group continues to achieve growth in market share, drive earnings through operational efficiencies and cash conversion at scale.

The Group began a period of investment during the year to combine the portfolio of growing businesses into one unified business, streamlining key systems and processes thereby promoting its scale as an important consolidator of specialist and valued support services to the facilities management sector.

A key part of this was a programme to invest in people, processes and systems; much of the plans involved the development of talent already inside the business. Talented managers have been promoted to lead on both a divisional and a functional basis, and the Group has successfully recruited experience into senior roles in Finance, including the appointment of Spencer Dredge as Chief Financial Officer.

Amongst these investments was Project 'Sparkle' the development of a unified digital platform to automate, support and scale the nationwide commercial window cleaning business and in doing so, enhance the ability to cross-sell other relevant services bought by the same customers, and potentially delivered by the same membership resource. At the very least, the Group will improve operational efficiency and scale with robust systems. Better still, the Group will establish a platform on which its commercial IP can return significant value to shareholders. Project Sparkle is in the final stages of testing before going live. The implementation will be phased to ensure success, with full roll out expected by March 2025.

To support the operational effectiveness of the business and its growth ambitions, the Group has successfully moved its banking facilities to one consolidated relationship with HSBC.

Investment will continue over the course of this current financial year and into the next, and whilst the Board anticipates that the benefits will be most evident in future years, it does expect to see some positive effect in the nearer term.

The Group will continue to drive organic growth and, where relevant, augment this with selective accretive and/or strategic M&A activity.

The post-period acquisition of 24hr Aquaflow, announced on 28 October 2024, is an important example of an earnings enhancing and highly accretive acquisition aimed at providing high-value services complementary to the facilities management sector, especially valued at times of crises. Since acquisition, integration into the Group has progressed well, and the business has been strong and it is expected to make a material contribution to Group profits going forward.

With markets challenged, there is an opportunity to be a leading consolidator, providing a great home for quality 'bolt-on' businesses that share the Group's core values. The Group has a healthy pipeline of early-stage opportunities to evaluate, alongside the Group's strict criteria with an emphasis on being earnings enhancing, accretive and cash generative.

The strategy for growth remains clear; the Group will continue to build a leading position across its business through organic growth, margin enhancement, improvements in operational efficiency and, if quality opportunities present themselves, through strategic M&A.

¹Adjusted EBITDA represents earnings before separately disclosed acquisition, impairment of intangibles, share-based payments and other restructuring costs (as well as before interest, tax, depreciation and amortisation). This is a non-IFRS measure.

Mark Braund
Chair
29 January 2025

Chief Executive Officer's Report and Strategic Review

REACT has delivered a strong performance for the year ended 30 September 2024.

For the year ended 30 September 2024, Adjusted EBITDA¹ was £2,410,000, up 6.1% on the comparatively strong prior year, (2023: £2,272,000), and sales revenue was £20,749,000, up 6.0% on the strong prior year (2023: £19,582,000).

The Group achieved 6.0% organic sales revenue growth and 6.1% Adjusted EBITDA growth despite the well documented macroeconomic headwinds and a sector challenged by supply chain disruptions, inflation, and increases to both the Minimum, and National Living Wage.

The underlying organic sales growth in our core business was more impressive at 11.0%. This figure excludes a specific contract in the rail sector secured during the COVID-19 period, which has since been modified and downgraded, no longer requiring the Group's specialist capabilities.

The business faced further challenges from some customers struggling in their end-markets and seeking cost reductions. We supported these customers by temporarily agreeing to reduce cleaning frequencies of some less critical cleaning services which impacted revenue and gross margin contribution.

Despite these headwinds, the Group continued to prosper achieving organic growth across each of its key performance indicators including revenue, gross margins, adjusted EBITDA and cash conversion. Consequently, REACT continued to gain market share during the year.

All three of the Group's divisions performed well, collectively achieving organic growth and improving the overall margin by 80-basis points to 27.6% (2023: 26.8%), reflecting the value of our proposition and improved business mix.

Growth is driven by strong customer relationships underpinned by an exceptional customer experience. This has enabled the Group to retain customers and grow through effective cross-selling and upselling alongside a steady stream of new customer wins. Evidence of this is underpinned by multiple contract awards, many of which are small and medium sized, however material contract wins announced during the year include:

- Renewal and expansion of contracted maintenance, cleaning and hygiene services within the education sector for a major university, valued at approximately £3.8m over three years. This represents a near doubling in value of the original contract awarded three years ago.
- Renewal and expansion of a facilities management ('FM') soft services agreement with an NHS trust in the Midlands. This agreement has a minimum three-year term with an option to extend to five years and is valued at approximately £0.79m, over three years.
- Extension for a further two years of the Core Vendor agreement. This agreement was established three years ago with the UK operation of one of the world's largest FM companies.
- Upsell into an incremental new contract with a large FM customer, where the Group provides emergency specialist services to a large public sector ministry spending approximately £0.5m per year.

These contract wins demonstrate REACT's continued success in securing new business and expanding its service offerings.

¹ Adjusted EBITDA represents earnings before separately disclosed acquisition, impairment of intangibles, share-based payments and other restructuring costs (as well as before interest, tax, depreciation and amortisation). This is a non-IFRS measure.

Strategy

REACT has enhanced its range of services with the post-period acquisition of 24hr Aquaflow strengthening regional coverage of soft FM services and nationwide specialist cleaning & window cleaning. The Group is positioning itself strongly as both a consolidator and the go-to provider of specialist support services to the facilities management sector.

These services are in high demand where confidence in the quality, frequency and speed of response is often critical to customers. It builds upon the Group's focus on high-value, high-margin services and continues the focus on strong predictable revenues that come from contracted and recurring income streams.

The Group remains committed to being a 'customer experience driven-growth business', by retaining and growing customers as it delivers services that meet and exceed expectations.

As highlighted in the Chairman's statement, the Board sees significant opportunity for the recently developed digital platform to enable the Group to scale its nationwide commercial window cleaning business. This platform will also permit the business to sell other relevant services to the same customers, improve operational efficiency, and create a scalable model that enhances enterprise value.

Simultaneously, the Company will continue to invest further in sales and marketing to unlock the huge potential of its target market. By leveraging the right tools and strategies, it will increase the opportunity to engage with prospective clients and drive market expansion.

Key Performance Indicators (KPIs)

The Group prioritises key performance indicators (KPIs) to ensure value creation and ensure comprehensive visibility into operational performance at all levels. These well-defined KPIs align employee behaviour with strategic objectives and facilitate effective performance monitoring.

The Group's core service offerings encompass three key areas:

1. **Planned Services:** delivering scheduled cleaning and maintenance services across diverse sectors, including healthcare, education, retail, industrial, and some public transport.
2. **Emergency Response:** providing 24/7/365 on-call services to address urgent client needs through formal contracts and framework agreements.
3. **Project Services:** addressing one-off situations outside of standard contracts.

On behalf of the Board, I extend a sincere 'thank you' to our customers and stakeholders for their valuable contributions throughout the year. Your open communication and collaborative spirit have been instrumental in enabling us to effectively address our customers' challenges and deliver compelling solutions.

I also express my deepest appreciation to our dedicated colleagues across the Group. Their unwavering commitment, tireless efforts, and resilience are the foundation of our success. I am confident that by continuing to work together, we will achieve even greater heights in the years to come.

Outlook

Despite the anticipated slow down across the festive period, the first few months of FY25 have delivered trading performance which is in-line with management expectations for the Group.

The Board is mindful of the macroeconomic uncertainty in the markets in which the Group operates. It anticipates continued strong demand for the Group's essential reactive and planned services, but the Board retain a more cautious view on the prospects for project and other discretionary work. The Group is focused on taking appropriate actions to mitigate subdued demand in certain end markets and increased operating costs due to the increase in National Insurance contributions and the National Living Wage.

The Group's reactive services are naturally resilient, whilst its market-leading businesses and experienced management team have successfully navigated previous periods of challenge. There remains considerable opportunity ahead, as management integrate the Group, develop cross selling and upselling initiatives and drive cost efficiencies.

Shaun D Doak

Chief Executive Officer

29 January 2025

Chief Financial Officer's Report

Revenue and profitability

It is pleasing to report another set of solid results for REACT, in a year where we have reported record first half year performance, and a second half of the year where we have had a change of UK government and a resulting Budget, both of which has undoubtedly contributed to a slowing down of UK economic activity and output.

Revenue for the year ended 30 September 2024 was £20,749,000, up 6.0% on the prior year (2023: £19,582,000). Revenue performance was negatively impacted with the loss of a material client commitment in the second half of the year for a client in the rail sector. Revenue generated from this contract during the year was £1,224,158 (2023: £2,022,867).

This revenue performance generated a gross profit contribution of £5,725,000, up 9.0% on the prior year (2023: £5,239,000) with a gross margin of 27.6% (2023: 26.7%).

Group overheads of £5,438,000 (2023: £4,988,000) increased 9.0% during the year. The increase in overheads during the year of £450,000 was primarily due to additional employee expenses of £310,000, resulting from investments made in management, sales and operational employee hires of £250,000 and more generally higher employment costs, resulting from cost of living inflationary pressures of £60,000. The remaining cost increases are largely attributed to restructuring the Groups banking arrangements, the share consolidation and capital restructure and costs associated with finalising prior year acquisition arrangements.

The solid trading performance has resulted in an Adjusted EBITDA of £2,410,000, up 6.0% on the prior year (2023: £2,272,000). Adjusted EBITDA is a non-IFRS measure, calculated by taking operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs along with share-based payments. The directors believe that Adjusted EBITDA and adjusted measures of earnings per share provide shareholders with a meaningful representation of the underlying earnings arising from the Group's core business.

Reconciliation of Profit before Interest and Tax to Adjusted EBITDA

	2024	2023
	£'000	£'000
Profit before Interest and Tax	287	251
Depreciation & Amortisation	1,781	1,809
EBITDA	<u>2,138</u>	<u>2,060</u>
Acquisition costs/restructuring costs	253	131
Share based payments	89	81
	<u>342</u>	<u>212</u>
Adjusted EBITDA	<u>2,410</u>	<u>2,272</u>
Adjusted EBITDA	2,410	2,272
Weighted average shares in issue	23,593,858	23,267,417
Adjusted EBITDA earnings per share	<u>11.18p</u>	<u>10.75p</u>

Earnings per share

The basic profit per share from continuing operations was 0.08p (2023:0.24p).

The adjusted EBITDA per share which excludes interest, tax, depreciation and amortisation along with exceptional items and share-based payments was 11.18p (2023:10.75p).

Intangible assets and goodwill

The Group has intangible assets of £7,840,000 (2023: £9,483,000) comprising of Goodwill £5,446,000 (2023: £5,446,000) and intangible assets £2,394,000 (2023: £4,037,000). Goodwill has been tested for impairment and management believe the current carrying value of goodwill is supported by the current financial projections, there was no impairment charge in the prior year. An amortisation charge of £1,643,000 (2023: £1,643,000) was recorded against intangible assets; these intangible assets acquired through business combinations are amortised over four years, the balance as at 30 September 2024 will be fully amortised in less than 18 months.

Cash flow

Cash and cash equivalents as at 30 September 2024 were £1,778,000 (2023: £1,640,000) and increased in the year by £138,000 (2023: £661,000) as a result of cash generated from operating activities in the year, offset by outflows from financing activities and investment activities. Cash and cash equivalents at 30 September 2024 were fully held at bank whereas the prior year £2,120,000 was held at bank with drawings from the invoice discount facility of £480,000.

Operating cash inflows in the year of £2,788,000 (2023: £2,444,000) resulted from trading, favourable movement in working capital of £640,000 (2023: £527,000) off-set by depreciation and amortisation charges £1,781,000 (2023: £1,809,000) and after paying corporate taxes of £9,000 (2023: £226,000).

The net cash outflow from financing activities of £233,000 (2023: £360,000) resulted from the repayment of the term loan of £138,000 (2023: £181,000) and interest payments of £113,000 (2023: £203,000) offset by cash generated from a new share issue of £60,000 following an exercise of employee share warrants (2023: £24,000).

Cash outflows from investing activities of £2,417,000 (2023: £1,423,000) mainly resulted from deferred consideration payments made in the year of £2,007,000 (2023: £1,309,000) and investments made in fixed assets during the year of £410,000 (2023: £119,000). Deferred consideration payments made during the year were against acquisitions made in previous years, Fidelis of £175,000 and LaddersFree for £1,832,000.

Based on current financial projections, the Group has sufficient available cash resources to support its current plans.

Taxation

The Group has reported a small profit in the year which is after a recording a tax charge of £138,000 (2023: credit of £2,000). At the balance sheet date, the Group has a deferred tax asset of £58,000 (2023: £123,000), and deferred tax liability of £576,000 (2023: £908,000) mainly as a result of tax associated with the intangible asset recognised on acquisitions of £562,000 (2023: £908,000). Available historical losses and management fees available to the Group for tax purposes, that can be off-set against future taxable profits are approximately £200,000 (2023: £500,000).

Statement of financial position

The Group's balance sheet has strengthened with net assets at the year-end of £8,662,000 (2023: £8,495,000).

The loan was drawn down in May 2022, therefore the loan has 2.75 years of the five-year term to run under the current loan arrangements.

Share consolidation & capital reduction

The share consolidation and capital reduction were approved by shareholders at the annual general meeting of the Company held on 28 March 2024.

The 50:1 share consolidation became effective in the second half of the year on the 2 April 2024, effecting both the capital structure and all employee share options. For the purposes of calculating the earnings per share, these accounts and the comparative period have been prepared on the basis that the share consolidation was effective for all reporting periods.

Following the Court hearing on 30 April 2024, the Company has effected a capital reduction by effectively cancelling both the Share Premium account of £10,909,617 and Capital Redemption Reserve account of £3,336,916 and creating a distributable reserve equal to the balance of both.

Post balance sheet events

Following the year end, the Group has acquired 100% of the issued share capital of 24hr Aquaflow Services Limited, a successful commercial drainage and plumbing business headquartered in Essex providing services to customers based in London and the South East of England. The acquisition is expected to be immediately earnings enhancing, and along with broadening the Group's service offering as well as enlarging the Groups client base, we anticipate the combination will further enable cross selling of wider group services.

The acquisition brings with it an impressive management capability, the directors of 24hr Aquaflow joining the senior management team for the REACT and committing to continue in their existing roles for the coming years. The most recent set of accounts to 30 April 2024 for 24hr Aquaflow reported revenues of £6,086,000, gross profit of £3,380,000 representing a gross margin of 56% delivering an adjusted EBITDA of £1,169,000. The business has experienced impressive growth with annual revenue growth of 29.0% and we look forward to continuing this growth story within the REACT group of businesses.

24hr Aquaflow was acquired for an initial consideration of £4,977,667, payable as £4,000,000 cash and £500,000 through the issue of new ordinary shares and equity consideration and deferred consideration of £476,667. A further £2,383,333 of contingent consideration is payable subject to 24hr Aquaflow meeting certain performance conditions over a two year earn out period. The acquisition has a total capped consideration of £7,360,000 should the performance conditions be fully met.

To fund the business combination, the Group has entered into a new loan arrangement with HSBC, which has a coupon of 3.0% above the bank of England base rate, repayable over a four-year period. As a result of this new loan arrangement the Group now has two separate term loans from HSBC. The new loan arrangement is subject to three banking covenants as follows; debt service, net debt to EBITDA and EBITDA interest cover.

Spencer Dredge
Chief Financial Officer
29 January 2025

Consolidated Statement of Comprehensive Income For the year ended 30 September 2024

	Note	2024 £'000	2023 £'000
Continuing Operations			
Revenue	2	20,749	19,582
Cost of sales		(15,024)	(14,343)
Gross profit		<u>5,725</u>	<u>5,239</u>

Administrative expenses		(5,438)	(4,988)
<i>Adjusted EBITDA*</i>		2,410	2,272
<i>Depreciation</i>		(138)	(166)
<i>Amortisation</i>		(1,643)	(1,643)
<i>Exceptional items</i>		(253)	(131)
<i>Share-based payments</i>		(89)	(81)
Operating profit		<u>287</u>	<u>251</u>
Finance charge		(131)	(203)
Taxation	3	(138)	2
Profit for the year		<u>18</u>	<u>50</u>
Other comprehensive Income		-	-
Total comprehensive profit for the year attributable to the equity holders of the company		<u><u>18</u></u>	<u><u>50</u></u>
Basic and diluted earnings per share - pence	4		
Basic profit per share		<u>0.08p</u>	<u>0.24p</u>
Diluted profit per share		<u>0.08p</u>	<u>0.21p</u>

**Consolidated Statement of Financial Position
As at 30 September 2024**

	2024	2023
	£'000	£'000
ASSETS		
Non-current assets		
Intangible assets - Goodwill	5,446	5,446
Intangible assets - Other	2,394	4,037
Property, plant & equipment	427	172
Right-of-use assets	95	78
Deferred tax asset	58	123

	8,420	9,856
Current assets		
Stock	3	7
Trade and other receivables	3,720	4,425
Cash and cash equivalents	1,778	2,120
	<u>5,501</u>	<u>6,552</u>
TOTAL ASSETS	<u>13,921</u>	<u>16,408</u>
EQUITY		
Shareholders' Equity		
Called-up equity share capital	2,694	2,644
Share premium account	10	10,910
Reverse acquisition reserve	(5,726)	(5,726)
Capital redemption reserve	-	3,337
Merger relief reserve	1,328	1,328
Share-based payments	214	125
Accumulated surplus/(deficit)	10,142	(4,123)
Total Equity	<u>8,662</u>	<u>8,495</u>
LIABILITIES		
Current liabilities		
Trade and other payables	3,240	3,601
Loans and other borrowings	235	641
Lease liabilities within one year	48	40
Deferred consideration	-	1,758
Corporation tax	659	262
	<u>4,182</u>	<u>6,302</u>
Non-current liabilities		
Loans and other borrowings	452	665
Lease liabilities after one year	49	38
Deferred tax liability	576	908
	<u>1,077</u>	<u>1,611</u>
TOTAL LIABILITIES	<u>5,259</u>	<u>7,913</u>
TOTAL EQUITY AND LIABILITIES	<u>13,921</u>	<u>16,408</u>

Consolidated Statement of Changes in Equity
For the year ended 30 September 2024

Share capital	Share Premium	Merger Relief Reserve	Capital Redemption Reserve	Reverse Acquisition Reserve	Share-Based Payments	Accumulated Surplus / (deficit)	Total Equity
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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2022	2,624	10,905	1,328	3,337	(5,726)	44	(4,173)	8,339
Issue of shares	20	5	-	-	-	-	-	25
Share-based payments	-	-	-	-	-	81	-	81
Profit for the year	-	-	-	-	-	-	50	50
At 30 September 2023	<u>2,644</u>	<u>10,910</u>	<u>1,328</u>	<u>3,337</u>	<u>(5,726)</u>	<u>125</u>	<u>(4,123)</u>	<u>8,495</u>
Issue of shares	50	10	-	-	-	-	-	60
Share-based payments	-	-	-	-	-	89	-	89
Capital reduction	-	(10,910)	-	(3,337)	-	-	14,247	-
Profit for the year	-	-	-	-	-	-	18	18
At 30 September 2024	<u>2,694</u>	<u>10</u>	<u>1,328</u>	<u>-</u>	<u>(5,726)</u>	<u>214</u>	<u>10,142</u>	<u>8,662</u>

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the amount subscribed for shares in excess of the nominal value, net of any directly attributable issue costs.

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 surplus/(deficit) represents the cumulative profits/(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 share-based payments reserve represents the cumulative expense in relation to the fair value of share options and warrants granted.

Following the Court hearing on the 30 April 2024, the Company effected a capital reduction by effectively cancelling both the share premium account of £10,909,617 and capital redemption reserve account of £3,336,916, enabling a distributable reserve equal to the balance of both.

**Consolidated Statement of Cash Flows
For the year ended 30 September 2024**

2024

2023

	£'000	£'000
Cash flows from operating activities		
Cash generated by operations	2,788	2,444
Net cash inflow from operating activities	<u>2,788</u>	<u>2,444</u>
Cash flows from financing activities		
Proceeds of share issue	60	24
Lease liability payments	(42)	-
Bank loans	(138)	(181)
Interest paid	(113)	(203)
Net cash outflow from financing activities	<u>(233)</u>	<u>(360)</u>
Cash flows from investing activities		
Disposal of fixed assets	-	5
Capital expenditure	(410)	(119)
Acquisition of subsidiary	(2,007)	(1,309)
Net cash outflow from investing activities	<u>(2,417)</u>	<u>(1,423)</u>
Increase in cash, cash equivalents and overdrafts	138	661
Cash, cash equivalents and overdrafts at beginning of year	1,640	979
Cash, cash equivalents and overdrafts at end of year	<u>1,778</u>	<u>1,640</u>

**Notes to the Consolidated Statement of Cash Flows
For the year ended 30 September 2024**

Reconciliation of profit for the year to cash inflow from operations

2024	2023
£'000	£'000

Profit after taxation	18	50
Decrease in stocks	4	4
Decrease/(Increase) in trade and other receivables	741	(50)
(Decrease)/Increase in trade and other payables	(105)	573
Depreciation and amortisation charges	1,781	1,809
Finance cost	131	203
Tax charge/(credit)	138	(2)
Loss/(profit) on disposal of fixed assets	-	2
Share based payment	89	81
Tax paid	(9)	(226)
Net cash inflow from operations	<u>2,788</u>	<u>2,444</u>

Cash and cash equivalents and overdrafts

	2024	2023
	£'000	£'000
Cash at bank and in hand	1,778	2,120
Invoice Discounting	-	(480)
	<u>1,778</u>	<u>1,640</u>

1. General Information

Basis of preparation of financial statements

While the financial information included in this annual financial results announcement has been prepared in accordance with the recognition and measurement principles of International Accounting Standards in conformity of the requirements of the Companies Act 2008, this announcement does not contain sufficient information to comply therewith.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2024 or 2023 but is derived from those accounts. Statutory accounts for the year ended 30 September 2023 have been delivered to the Registrar of Companies and those for the year ended 30 September 2024 will be delivered following the Company's annual general meeting.

The auditors have reported on those accounts; their reports were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports.

Their reports for the year end 30 September 2024 and 30 September 2023 did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements are drawn up in sterling. The functional currency of REACT Group plc.

The level of rounding for the financial statements is the nearest thousand pounds.

2. Segmental Reporting

In the opinion of the Directors, the Group has one class of business, with the following specialisms, in specialist cleaning, decontamination and hygiene sector, contracted commercial cleaning, commercial window cleaning and specialist emergency decontamination work. 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 Contract Maintenance, Contract Reactive or Ad Hoc work.

	2024				
	Contract Maintenance	Contract Reactive	Ad Hoc	Plc/Holdings Ltd	Total
	£000	£000	£000	£000	£000
Revenue	15,450	2,629	2,670	-	20,749
Cost of sales	(10,297)	(1,899)	(1,818)	-	(14,014)
Direct costs	(699)	(156)	(155)	-	(1,010)
Gross profit	4,454	574	697	-	5,725
Administrative Expenses	(1,994)	(330)	(409)	(2,705)	(5,438)
Operating Profit/(loss) for the year	2,460	244	288	(2,705)	287
Adjusted EBITDA	2,575	278	322	(765)	2,410
Total Assets	4,079	441	661	8,740	13,921
Total Liabilities	(3,061)	(286)	(450)	(1,462)	(5,259)
	2023				
	Contract Maintenance	Contract Reactive	Ad Hoc	Plc/Holdings Ltd	Total

	£000	£000	£000	£000	£000
Revenue	14,321	2,751	2,510	-	19,582
Cost of sales	(9,927)	(1,805)	(1,674)		(13,406)
Direct costs	(548)	(194)	(195)	-	(937)
Gross profit	3,846	752	641	-	5,239
Administrative Expenses	(1,655)	(464)	(453)	(2,417)	(4,988)
Operating Profit/(loss) for the year	2,191	288	188	(2,417)	251
Adjusted EBITDA	2,286	315	224	(553)	2,272
Total Assets	4,827	1,088	1,014	9,479	16,408
Total Liabilities	(2,764)	(685)	(609)	(3,855)	(7,913)

3. Taxation

	2024 £'000	2023 £'000
Current tax	(507)	(261)
Adjustment: prior periods	102	53
	(405)	(208)
Deferred tax	267	210
Tax (charge)/credit	(138)	2

Analysis of tax expense:

	2024 £'000	2023 £'000
Profit on ordinary activities before income tax	156	48

Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 25% (2023: 22.01%)	39	11
Effects of:		
Expenses not deductible for tax	130	62
Adjustments relating to previous periods	(28)	(53)
Other timing differences	(3)	(22)
Corporation tax charge/(credit)	<u>138</u>	<u>(2)</u>

The Group has estimated excess management expenses carried forward of approximately £200,000 (2023: £500,000). The tax losses have resulted in a deferred tax asset of approximately £58,000 (2023: £123,000) which has been recognised this year as the positive trading outlook for the Group means that there is likely to be sufficient future taxable profits to utilise the remaining losses.

4. Earnings per Share (basic and adjusted)

The calculations of earnings per share (basic and adjusted) are based on the net profit and adjusted EBITDA per share (before; interest, tax, depreciation, amortisation of acquired intangible assets, exceptional items and share-based payments). Earnings per share calculation is based on the new capital structure resulting from the 50:1 share consolidation which is effect from 30 April 2024. The comparative periods earnings per share have been calculated on the same basis.

For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares.

	2024	2023
	£'000	£'000
Profit/Loss for the financial period	18	50
Finance cost	131	203
Taxation	138	(2)
Operating profit	<u>287</u>	<u>251</u>
Adjustments:		
Depreciation	138	166
Amortisation	1,643	1,643

Exceptional items	253	131
Share based payments	89	81
Adjusted EBITDA	2,410	2,272
	Number	Number
Weighted average shares in issue for basic earnings per share	21,551,761	21,130,245
Weighted average dilutive share options and warrants	2,042,097	2,137,172
Average number of shares used for dilutive earnings per share	23,593,858	23,267,417
	pence	pence
Basic profit/(loss) per share	0.08p	0.24p
Diluted profit/(loss) per share	0.08p	0.21p
Adjusted EBITDA earnings per share	11.18p	10.75p
Adjusted diluted EBITDA earnings per share	10.22p	9.76p

5. Post Balance sheet event

On 25 October 2024, the Group acquired 100% of the issued share capital and voting rights of 24hr AquafLOW Services Limited, a commercial drainage and plumbing business headquartered in Essex providing services to customers based in London and the South East of England.

AquafLOW was acquired for an initial consideration of £4,976,667, payable as £4,000,000 cash and £500,000 through the issue of new ordinary shares and equity consideration and deferred consideration of £476,667. A further £2,383,333 of contingent consideration is payable subject to AquafLOW meeting certain performance conditions over a two year earn out period. The acquisition has a total capped consideration of £7,360,000 should the performance conditions be fully met.

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