Report of the Directors and

Financial Statements for the year ended 30 September 2020

For

REACT Group PLC

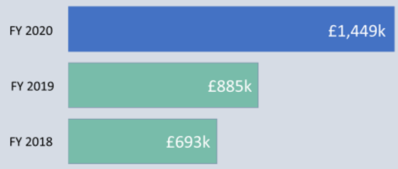
Company Number: 05454010

CONTENTS & FINANCIAL HIGHLIGHTS

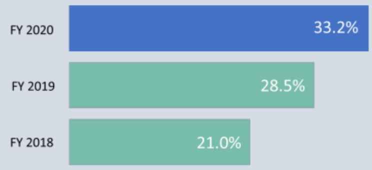
FINANCIAL HIGHLIGHTS

Revenue
£4,360k
+41%

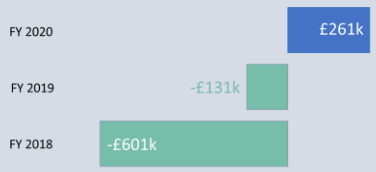
Gross Profit
£1,449k
+64%



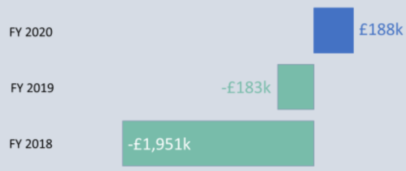
Gross Profit Margin
33.2%
+470 bps



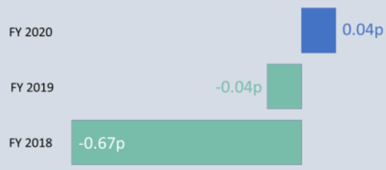
EBITDA[1]
£261k
+299%



PBT[2]
£188k
+203%



EPS
0.04p
+200%



[1] EBITDA represents the adjusted profit for the year (note 8)
[2] PBT is Profit Before Tax

Introduction

REACT is a leader in the specialist cleaning, decontamination, and hygiene sector. Our purpose is to rapidly return our customers' property to safe, clean, operational use and do this through regular specialist cleaning and/or emergency response to potentially harmful incidents.

Our core business includes regular deep cleaning regimes in the health service, on parts of the rail network and the highways; emergency call-out work to respond to trauma, anti-social behaviour, and other hazardous incidents across a range of sectors including working for some of the industry's largest facilities management ("FM") firms; through to specialist ad hoc work such as dealing with void clearances, fly tipping, pigeon guano clearance, and graffiti.

As a genuine specialist, REACT operates in a fragmented market where quality, geographical reach and range of service is a challenge. REACT is one of the very few specialists with full coverage of mainland Great Britain operating to a call-out time of less than 4 hours; essential for our larger customers that rely on a consistently high-quality standard and an urgent response to provide their own customers with minimum interruption of service.

The work our specialists undertake has tangible value; the cost of not being able to operate a train, open a hospital ward or occupy property is material, hence the work REACT does is valued and operates at higher margins than regular cleaning.

Customers value quality and speed of response; they recognise REACT as one of the very few specialists to deliver such strength and diverse capability across the whole of Great Britain.

Our strategy is to continuously improve the financial model, growing revenues whilst maintaining strong margins by delivering valued services at the same time as improving the long-term recurring nature of our income.

Executive Chairman's Statement
For the year ended 30 September 2020

I am delighted to report strong progress in the year to 30th September 2020, the second trading year reported by this management team and the first full year since the business restructured.

The Board of REACT Group is pleased to report that the Company has delivered significant organic growth in the period under review and continued to deliver material improvements in operational performance and profit contribution.

Details of business performance are set out in reviews by both the Chief Executive and the Chief Financial Officer.

In summary, the business performance resulted in the Company's maiden profit and an out-turn that was ahead of market expectations.

For the year ended 30 September 2020 (FY 20), EBITDA on a consistent accounting basis was £261,000, (2019: loss of £131,000), on sales revenue of £4.36 million, up +41% on the prior year (2019: £3.10m).

Profit before tax (PBT) was £188,000 (2019: loss before tax of £183,000), with basic earnings per share of 0.04 pence, (2019: loss of 0.04 pence).

Gross profit margins continue to improve due to more disciplined sales engagement alongside better operational processes to closely monitor costs at a job and task level.

COVID-19 impacted the business from March 2020, roughly 6-months into the financial year, providing both opportunities and challenges for the management team. The Company delivered a high quality, rapid response to customer demands, whilst at the same time redeployed resources from sectors where work temporarily declined due to the government restrictions put in place.

COVID-19-specific business generated c.£444,000 of revenue in the period and replaced some of the revenue and gross profit contribution lost to the temporary decline in some of our customers' requirements.

The circumstances surrounding COVID-19 and REACT's response to it, has helped accelerate the sales engagement process with new customer prospects, and enhanced the Company's reputation with many in the existing customer base. This resulted in incremental new business opportunities for other of REACT's services, some of which were delivered during the period with others flowing into the new financial year.

A key focus has been to maintain the resilience of the Company's service and to keep our workforce safe. We rapidly moved operational and support staff to working from home and deployed equipment, improved methods, and reinforced training for all our specialist operators. Despite coming into close contact with contaminated property, I am pleased to report that at the time of writing we have not had any of our specialist operators or operational and support colleagues at REACT test positive for COVID-19.

Our strategy for growth is clear; we will continue to build a leading position across our business through fast-paced organic growth and if the right opportunities present themselves, via strategic acquisitions, to support our goal of becoming the country's most trusted name in the provision of specialist cleaning, decontamination, and hygiene services.

Mark Braund
Chairman
26 January 2021

Chief Executive Officer's Report and Strategic Review

I am pleased to report excellent progress in FY20, the second year of turnaround for the business and the year during which I was appointed CEO, (February 2020).

REACT Group delivered significant organic growth and continued to deliver material improvements in operational performance, profit contribution and cash generation.

At the beginning of the period, we set long-term priorities for the business to focus on improving performance, customer satisfaction, innovation, culture, and trust. COVID-19 could easily have distracted our mission, instead we urgently focused to galvanise the team into the appropriate action.

COVID-19 brought both opportunities and challenges. REACT was well placed to advise and respond to customer requirements to decontaminate their property from SARS-CoV-2, the virus that causes COVID-19. We developed an unrivalled ability to deliver these services across mainland Great Britain within less than 4-hours of a call for help and focused on our most important customers and key prospects to ensure they could rely on and be confident in the efficacy of our solution.

Whilst at times during the year COVID-19 decontaminations surged, some of our other call-out work temporarily shrank as facilities in some sectors were much quieter than normal. Much of the work we do with the judiciary and police cleaning cells and transport vehicles, was suspended during specific periods over the course of the year, as too was much of our work with housing associations.

Although the Company responded well to the call for help in dealing with COVID-19, we also worked hard to not allow it to distract us from our strategic goals.

At the same time as developing and deploying a rapid response to customer demand for COVID-19 decontaminations we also grew other parts of our business. During the year, REACT won a small number of material contracts, all of which were announced via RNS. We also expanded our services with existing customers and won a number of smaller projects, none of which alone were material enough to formally announce, however all contributed to this period of success. These included the award to carry out a deep cleaning programme to twelve care home sites for one of our newly appointed nationwide customers; deep cleaning programmes at a number of prestigious manufacturing sites, distilleries, film studios and offices throughout Great Britain.

Additionally, the Company successfully negotiated new specialist reactive cleaning contracts for two large highway organisations. Amongst other things this work will see our specialist operators deal with cleaning and decontamination following road traffic accidents, clearance of unauthorised camp sites and other anti-social behaviour, such as graffiti removal and needle picks.

To support our growth and develop the reach and range of our capability, we have grown our team of specialist operators. We also launched a partner programme aimed at developing a network of trained and authorised subcontractors, to help us to more rapidly scale to meet the often-demanding needs of nationwide coverage.

REACT continued to develop innovative offerings; we were amongst the first nationwide service to provide ATP-testing[3] as part of the pre- and post-cleaning process to verify the efficacy of our work and we continue to develop the use of innovative chemicals and UV-light as a means to provide greater efficiency and environmentally friendly results.

We have established a number of delighted customer case studies across our most important sectors, which continue to help verify the quality of our work and provide reassurance to new customers who place trust in our capability.

[3] ATP testing is a process of rapidly measuring the actively growing microorganisms through detection of adenosine triphosphate, or ATP. This allows REACT to verify the presence and removal of microorganisms before and after cleaning.

The speed and commitment with which the whole team has responded to constantly changing parameters during this period has helped build a continuous sense of urgency and resilience into our customer-centric, can-do culture.

Financial Review

Turnover for year ended 30 September 2020 was £4.36m, representing organic growth of +41% (2019: £3.1m). These revenues generated a gross profit contribution of £1.45m, up +64% on the prior year (2019: £0.89m) as margins were driven 474-basis points higher to 33.2% (2019: 28.5%), by our continued focus on tasks with greater value to our customers, alongside more disciplined sales engagement, and improved operational processes closely monitoring costs at a job and task level.

EBITDA[1] on a consistent accounting basis was £261,000, a solid turnaround from the prior year's losses (2019: loss of £131,000).

Profit before tax was £188,000, (2019: loss of £183,000), representing the Company's maiden profit, and basic earnings per share of 0.04 pence (2019: loss of 0.04 pence).

Improved processes and disciplines have been applied to the accounting and administration functions. We are invoicing customers on a much more timely basis, daily (previously monthly), and any queries are resolved promptly. This has resulted in improved cash collections and aged debtor profile. No further provisions for bad debt are required and £8,000 of the provision brought forward at the start of the year has been released.

The Group's cash position at the year end was £1.78 million, aside from the net placing proceeds of £1.13 million received in June 2020, this represents a notable 40% improvement on the previous year's balance of £0.44 million.

REACT reports three main areas of business; the first two are Contract Maintenance, where the Company delivers regular deep cleaning regimes, (such as in the healthcare and public transport sectors) and; Contract Reactive, where REACT is the first responder to an on-call emergency response service operating under a formal contract or framework agreement, typically 24-hours a day, 7-days per week, 365-days of the year. These two areas together are recurring in nature and represent c.80% of our revenue and c.74% of our gross profit contribution.

The third area is Ad Hoc, where REACT provides a solution to typically one-off situations outside a framework agreement, such as for fly tipping, void clearance, and COVID-19 decontaminations. Because of the relatively short to mid-term nature of COVID-19, the Company has recorded all COVID-19 decontamination work in the Ad Hoc category of business.

COVID-19-specific decontamination business generated c.£444,000 of revenue in the period and replaced some of the revenue and gross profit contribution lost to the temporary decline in some of our customers' Contract Reactive and other Ad Hoc requirements.

The vast majority of our growth in performance came from other areas of the business. A number of the material contracts announced during the period were non-COVID-19 related, although as the pandemic became more prevalent it placed operational challenges on the team, which they successfully navigated.

In the second half of the year COVID-19 understandably had an influence on how urgently customers wished to engage; the quality and timeliness with which REACT answered their calls created further opportunities and contributed to growth of business across other areas of our service offering, which have continued into the new financial year.

All three areas of the business grew in FY 20, albeit the Contract Reactive business grew more slowly than the Contract Maintenance and Ad Hoc areas. This was primarily driven by what we consider to be a temporary reduction in demand due to restrictions in relevant parts of the economy. Specifically, we saw temporary reductions in activity in the judiciary and police sector, where we carry out a significant amount of deep cleaning to cells, courts, and transport vehicles, alongside a decline in the housing sector where we typically carry out void cleans, deep cleans and needle picks. We saw this business return in the late summer of 2020, only to reduce again post-year end as lockdown restrictions began to intensify. REACT operates on long-term framework agreements, which we continue to add to. We therefore anticipate this business will re-emerge and grow as the impact of restrictions eases in each of these sectors.

Perhaps the most pleasing growth came in the Contract Maintenance business. Revenue grew by +74% and gross profit contribution by +94%, demonstrating the team's ability during this challenging period to remain focused on our core objective of improving the quality and recurring nature of our business. During the period, the Contract Maintenance business grew to become 39% of our overall sales revenues, with Contract Reactive and Ad Hoc being 41% and 20% respectively.

Strategy

Our strategy for growth is clear; we will continue to build a leading position across our business through fast-paced organic growth and if the right opportunities present themselves, via strategic acquisitions, to support our goal of becoming the country's most trusted name in the provision of specialist cleaning, decontamination, and hygiene services.

We continue to invest in sales and marketing to engage with the large addressable market for our services. This includes further developing our use of the right sales and marketing tools, especially during this period requiring a hybrid approach to customer engagement, i.e. where both face to face and virtual/electronic sales environments coexist.

In addition to scaling the business we continue to look at operational efficiencies as a means to improve operating margins. We see opportunities to add better technology and automation to further simplify operational procedures at the same time as improving scalability and resilience.

Principal risks and uncertainties facing the Group

Dependence on key customers

REACT generates a material proportion of its revenues and gross profit contribution from a limited number of customers, however the mix has improved and we have begun to reduce this dependency.

We are winning both new customers and new opportunities with existing customers. In the period we traded with 44 new customers, 11 of these were material in size and two of them entered the top 10 list of our largest customers.

Expanding our reach and contracted business with existing customers is a key part of our strategy. We have been successful doing this during the period, especially in the health, rail and highways sectors. We also succeeded in expanding our contracted business with several of the large FM companies we provide services to. As a result, we nearly doubled the Contracted Maintenance business undertaken, which during the period contributed 39% of the Company's revenue, and by doing so provides greater visibility and resilience to the business going forward.

There is still more to do and the Company remains focused on further developing the business it carries out with more of its customers to provide better spread and balance of business and thereby reduce the dependency on a limited number of customers.

Chief Executive Officer's Report and Strategic Review (continued)

Attraction and retention of key management and employees

The successful operation of the Group will depend upon the performance and expertise of its management and employees. Having restructured and refocused the business we have made a small number of targeted hires, evolved and in some cases expanded key roles and are working through development plans for others. We enter the new financial year with a solid team aiming to continuously improve.

Relevant key performance indicators (KPIs) are in place to communicate priorities and expectations and also to provide a transparent process of review.

A strong customer-centric, team-orientated, 'can-do' culture is also beginning to emerge, one we believe is attractive to recruiting and retaining key talent within the business.

Impact of Brexit

The Group has a significant number of employees who come from the EU and as they were employed prior to 31 December 2020, are legally able to continue working for the group. As the Group expands it will continue to recruit from a variety of nationalities, however it will also have to recruit with certain restrictions as most roles are not deemed as 'skilled' occupations which means that the Group will not have the ability to gain employer sponsored visas for these roles. It is critical that all recruitment practices, vetting and verification of right to work in the UK are stringent and a process has been put in place to ensure that the Group remains compliant with all relevant legislation. The Group will continue to monitor the diversity of its workforce to ensure it remains reflective of the ethnic diversity of regions it operates in.

Future funding requirements

The Group has made its first trading profit in the year ended 30 September 2020 and its balance sheet has been strengthened by the £1.13m net proceeds from the share placing conducted in June 2020. Based on the year end cash balance of £1.78m and the trading outlook for the next 12 months, it is anticipated that no further funding will be required. However, the Board will continue to regularly monitor 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 kept 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 23 of the financial statements.

Chief Executive Officer’s Report and Strategic Review (continued)

Key Performance Indicators (KPIs)

Financial: The key financial indicators are as follows:

	2020	2019
Revenue	£4.36m	£3.10m
Gross margin	33.2%	28.5%
Profit/(Loss) from continuing operations before exceptional items	£188,000	(£178,000)
Exceptional items	-	(£5,000)
Profit/(Loss) from continuing operations after exceptional items	£188,000	(£183,000)
Cash and cash equivalents	£1,783,000	£440,000

The Board recognises the importance of KPIs in driving appropriate behaviours and enabling the monitoring of Group performance.

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.

Outlook

The new financial year has begun well, with profit and cash generation stronger in the first quarter of FY 21 than the prior year. Although the impact of the current COVID-19 crisis remains unpredictable, we believe REACT is well positioned to continue to support our customers’ critical requirements.

We remain ambitious, aiming to drive a high-performance culture placing our colleagues and customers at the heart of our business. Through our focused efforts and competitive service proposition the business remains committed to leveraging both existing relationships and new ones to help underpin our ambitious growth strategy and upward trend of sustainable profitability.

Finally, and on behalf of the Board, I wish to thank all of the team here at REACT for their dedication, hard work and tenacity in a year largely overshadowed by the pandemic, our performance is a reflection of their commitment and talent. Additionally, I would like to thank our partners and customers for their continued support during my first year as CEO, I very much look forward to working with them in 2021 and beyond.

Shaun D Doak
Chief Executive Officer
26 January 2021

Corporate Governance Statement

The Board strongly believes 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. The Chairman's role is to lead the Board, with ultimate responsibility for overseeing the Company's approach to corporate governance.

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 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 Robert Gilbert and Michael Joyce continued as non-executive directors. Post year end, Mark Braund was appointed as Executive Chairman in December 2020 to replace Gill Leates as Chairman, who stepped down from the Board after a number of years as director of the Company. Directors of the Company's trading subsidiary, REACT Specialist Cleaning Limited (RSC), Shaun Doak and Andrea Pankhurst were appointed to the Board during the year as CEO and CFO respectively.

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 the Annual General Meetings, notwithstanding current restrictions due to COVID-19, and are provided with contact details for the Company on all 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 offering 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.

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.

Corporate Governance Statement (continued)

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; shareholders are also encouraged to attend Annual General Meetings (notwithstanding current restrictions due to COVID-19) 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. The Company has utilised digital media platforms in order to present directly to shareholders and potential shareholders. These sessions also include a Q&A element. The Company's broker arranges meetings with the Company's institutional and other larger shareholders at appropriate intervals during the year.

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.

During the year, the Board appointed Allenby Capital Limited to the combined role of Nominated Adviser and Broker.

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.

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 are 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 relatively small number of customers, albeit the customer base has continued to expand and as such this concentration has been reduced. In order to reduce the risk of dependence on a limited pool of customers, the Group has been 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.

Corporate Governance Statement (continued)

Future funding requirements
The Group made its first trading profit during the year ended 30 September 2020. The successful share placing in June 2020 raised net proceeds of £1.13 million which greatly improved the Group's working capital position as well as strengthening its balance sheet. The Board will continue to regularly review the Group's performance, and its overall cash position. Based on the trading outlook for the next 12 months, it is anticipated that no further funding will be required at this time.

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 and capital 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 historic issues with old debts have now been entirely 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.

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.

During the year ended 30 September 2020, the Board has benefited from the ongoing support of its two independent non-executive Directors; Rob Gilbert, with his sales and marketing experience and Michael Joyce with senior financial expertise. Post year end, Mark Braund was appointed as Executive Chairman in December 2020 to replace Gill Leates as Chairman who stepped down from the Board after a number of years as a director of the Company. Directors of the Company's trading subsidiary, REACT Specialist Cleaning Limited (RSC), Shaun Doak and Andrea Pankhurst were appointed to the Board during the year as CEO and CFO respectively.

Details of the individual Directors and their biographies are set out on the Company's 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.

Corporate Governance Statement (continued)

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 2020, the day-to-day management of the Group's business was delegated to the CEO, Shaun Doak and the CFO, Andrea Pankhurst.

During the year ended 30 September 2020 the Board held 7 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 the Executive Chairman.

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 the Executive Chairman.

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 the Executive Chairman.

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, two independent non-executive Directors, as well as two full-time executive directors, being the CEO and CFO. 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 AIM Rules training to new directors as well as apprising the Board as a whole of updates and guidance published regarding the AIM rules and other regulatory matters.

All 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.

Corporate Governance Statement (continued)

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 at least 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.

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.

Mark Braund
Executive Chairman
26 January 2021

Directors' Report
For the year ended 30 September 2020

The Directors present their report and the audited financial statements of the Group for the year to 30 September 2020.

PRINCIPAL ACTIVITY

The principal activity of the Group continued to be that of a specialist cleaning, decontamination and hygiene 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 Chief Executive Officer's Report and Strategic Review (pages 4 and 5). No dividend is payable in respect of the year (2019: £Nil).

DIRECTORS

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

G M Leates (resigned 4 December 2020)
R J Gilbert
M R S Joyce
S D Doak (appointed 24 February 2020)
A E Pankhurst (appointed 18 May 2020)
M A Braund (appointed 4 December 2020)

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

The Directors of the Group (at 30 September 2020) held the following beneficial interests in the shares, share options and share warrants of REACT Group PLC at 30 September 2020.

	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	595,238	0.12%	-	-	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
S D Doak	-	-	-	-	18,693,316	£0.0030
A E Pankhurst	-	-	-	-	2,077,038	£0.0030

Since the year end, there have been various changes in both the Directors on the Board and these beneficial interests and as at 26 January 2021, the holdings are as follows:

	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
R J Gilbert	740,185	0.15%	-	-	830,814	£0.0030
M R S Joyce	6,000,000	1.20%	-	-	830,814	£0.0030
S D Doak	150,560	0.03%	-	-	18,693,316	£0.0030
A E Pankhurst	463,458	0.09%	-	-	2,077,038 3,400,000	£0.0030 £0.0025
M A Braund	774,255	0.16%	19,939,537	£0.0030	8,500,000	£0.0025

Directors' Report
For the year ended 30 September 2020 (continued)

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.

SUBSTANTIAL SHAREHOLDINGS
Substantial shareholdings as at 30 September 2020 and 21 January 2021 were as follows:

	30 September 2020	***21 January 2021***
Octopus Investments Nominees Limited	16.64%	17.14%
Helium Rising Stars Fund	16.17%	16.17%
Premier Miton Group PLC	8.10%	8.10%
HSDL Nominees Limited	6.31%	6.24%
Mr J Whitmore	5.29%	5.29%
HSBC Global Custody Nominee (UK) Limited	4.01%	4.01%
The Bank of New York (Nominees) Limited	3.93%	3.93%
Lawshare Nominees Limited	3.79%	3.64%
Mr G Stavrinidis	3.32%	3.32%
HSBC Global Custody Nominee (UK) Limited	3.23%	3.23%
Hargreaves Lansdown (Nominees) Limited	2.96%	3.54%
Interactive Investor Services Nominees Limited	2.18%	3.03%
Nortrust Nominees Limited	-	3.22%

FINANCIAL INSTRUMENTS
The Group's exposure to financial risk is set out in note 23 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
On 4th December 2020, the Board announced that Gill Leates had stepped down from the Board and was replaced by Mark Braund, who has been appointed Executive Chairman.

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.

Directors' Report
For the year ended 30 September 2020 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, 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:

- 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

During the year, the Company's Audit Committee undertook a formal review and tender process. The result of this process was that Jeffreys Henry LLP resigned as auditors to the Company and Dains LLP were appointed to fulfil this role. Dains LLP have expressed their willingness to continue in office as auditors and will be proposed for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

A. Pankhurst

On behalf of the Board
Andrea Pankhurst
26 January 2021

Independent Auditor’s Report to The Members of REACT Group PLC For the year ended 30 September 2020

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 2020 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 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 2020 and of the Group’s profit 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 public 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 2020 (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 year 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
- Revenue recognition
- Management override

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.
- 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.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Possible impairment of investments and goodwill	
Given the Group has historically been loss making, the possible impairment of both investments and goodwill is a key audit matter.	We carried out a review of the investments held in the subsidiaries and the goodwill carried.
Directors believe that the Group will be profitable in the foreseeable future.	We reviewed management's impairment workings provided and audited the assumptions used.
In 2018 the Directors considered the value of goodwill and investments and found it prudent to write down purchased goodwill and the investment in subsidiary undertakings to £174,000. In 2019 and 2020, the Directors considered there was no need for a further impairment of the goodwill or investment value.	We reviewed management's basis for impairment across the Company and consider their approach reasonable.

Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2020 (continued)

Key audit matter	How our audit addressed the key audit matter
Presentation of financial statements on a going concern basis	
Given the Group has made its first trading profit this year of £188,000 (2019: loss of £183,000), after historically making losses, and given the current uncertain economic environment due to the ongoing global pandemic, incorrect application of the going concern basis of preparation for the financial statements, or the failure to disclose materiality uncertainty, is considered a key audit matter. The Directors have stated that they expect the Group will be profitable in the next twelve months.	We have reviewed management's going concern review and feel that their review has both been robust and incorporates appropriate analysis of the potential impact of the pandemic
The Directors believe they have adequate cash reserves to continue as a going concern. The cash balance held at the year end is £1,783,000 (2019: £440,000)	Having reviewed the cash reserves held by the Group, which have been strengthened by the share issue in June 2020, we believe that the Group will have sufficient cash reserves to continue as a going concern for the next twelve months.
Recoverability of trade receivables	
At year end the Group had trade receivables outstanding of £989,000 (2019: £613,000).	We have reviewed old bad debts and discussed with management as to why they remain uncollected.
Management have taken the view that a bad debt provision of £42,000 (2018: £83,000), will be adequate.	We have vouched a sample of post year end receipts to ascertain how much of the year end balance has been recovered.
Given the level of judgement and estimation involved in assessing recoverability of these balances, recoverability of trade receivables is considered to be a key audit matter.	We have reviewed management's methodology for calculating the bad debt provision and assessed the reasonableness of this calculation.
Revenue recognition	
There is a rebuttable presumption that revenue recognition gives rise to a risk of material misstatement. Revenue recognition is therefore regarded as a key audit matter.	We have assessed the Group's revenue accounting policy to ensure revenue is recognised at the point when the satisfaction of performance obligations was fulfilled. We have documented and evaluated the revenue processes within the Group to ensure that the capture of revenue data is accurate and within the correct accounting period. We have specifically tested the completeness of revenue, tracing a sample of customer orders to invoice.

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2020 (continued)

Key audit matter	How our audit addressed the key audit matter
Management override Management are in a unique position to override controls. It is therefore considered that there is a risk of misstatement due to management override and therefore this is a key audit matter.	We performed detailed review and documentation of month and year end procedures. A sample of material journals posted during the year has been reviewed to ensure that they appear accurate and appropriate, and have been appropriately authorised. Management's methodology for calculating accounting estimates has been documented and assessed for reasonableness.

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	£44,000 (30 September 2019: £62,000).	£32,000 (30 September 2019: £14,000).
How we determined it	Based on 1% of revenue	Based on 1% 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 £32,000 and £44,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,200 (Group audit) (30 September 2019: £5,150) and £1,600 (Company audit) (30 September 2019: £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.

Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2020 (continued)

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 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.

Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2020 (continued)

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.

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.

The financial statements for the year ended 30 September 2019 were audited by Jeffreys Henry LLP who expressed an unmodified opinion on those statements on 29 January 2020.

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.

Dains LLP

Mark Hargate (Senior Statutory Auditor)
For and on behalf of Dains LLP, Statutory Auditor and Chartered Accountants
Birmingham

26 January 2021

Consolidated Statement of Comprehensive Income
For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Continuing Operations			
Revenue		4,360	3,103
Cost of sales		(2,911)	(2,218)
Gross profit		1,449	885
Other operating income		70	-
Administrative expenses	5	(1,308)	(1,068)
Exceptional costs included in administrative expenses	5	-	(5)
Operating profit/(loss)		211	(183)
Finance cost	6	(23)	-
Income tax credit	7	-	-
Profit/(Loss) for the year		188	(183)
Other comprehensive Income		-	-
Total comprehensive profit/(loss) for the year attributable to the equity holders of the company		**188**	**(183)**
Basic and diluted profit/(loss) per share - pence	8		
Basic earnings/(loss) per share		0.04p	(0.04)p
Diluted earnings/(loss) per share		0.04p	(0.04)p
Adjusted basic earnings/(loss) per share		0.06p	(0.03)p
Adjusted diluted earnings/(loss) per share		0.05p	(0.03)p

The notes on pages 33 to 52 form part of these financial statements

Consolidated Statement of Financial Position
As at 30 September 2020

	Notes	2020	2019
ASSETS		**£'000**	**£'000**
Non-current assets			
Intangible assets	**10**	174	174
Property, plant & equipment	**11**	85	81
Right-of-use assets	**11**	27	-
		286	255
Current assets			
Trade and other receivables	**13**	1,089	718
Cash and cash equivalents	**15**	1,783	440
		2,872	1,158
TOTAL ASSETS		3,158	1,413
EQUITY			
Shareholders' Equity			
Called-up equity share capital	**16**	1,246	1,039
Share premium account		5,852	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		15	12
Accumulated losses		(3,861)	(4,038)
Total Equity		2,191	878
LIABILITIES			
Current liabilities			
Trade and other payables	**17**	924	535
Lease liabilities within one year		13	-
Non-current liabilities			
Lease liabilities after one year	**17**	30	-
TOTAL LIABILITIES		967	535
TOTAL EQUITY AND LIABILITIES		3,158	1,413

These financial statements were approved and authorised for issue by the Board of Directors on 26 January 2021 and were signed on its behalf by:

Andrea Pankhurst
Director

Company Registration no. 05454010

The notes on pages 33 to 52 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 September 2020

	Share capital	Share Premium	Merger Relief Reserve	Capital Redemption Reserve	Reverse Acquisition Reserve	Share-Based Payments	Accumulated Deficit	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 year	-	-	-	-	-	-	(183)	(183)
At 30 September 2019	1,039	4,926	1,328	3,337	(5,726)	12	(4,038)	878
Issue of shares	207	926	-	-	-	-	-	1,133
Share-based payments	-	-	-	-	-	3	-	3
Effect of adoption of IFRS16	-	-	-	-	-	-	(11)	(11)
Profit for the year	-	-	-	-	-	-	188	188
At 30 September 2020	1,246	5,852	1,328	3,337	(5,726)	15	(3,861)	2,191

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 share-based payments reserve represents the cumulative expense in relation to the fair value of share options and warrants granted.

The notes on pages 33 to 52 form part of these financial statement

Consolidated Statement of Cash Flows
For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated by operations	**1**	281	34
Net cash inflow from operating activities		281	34
Cash flows from financing activities			
Proceeds of share issue		1,246	-
Expenses of share issue		(113)	-
Lease liability payments		(29)	-
Net cash inflow from financing activities		1,104	-
Cash flows from investing activities			
Disposal of fixed assets		2	8
Capital expenditure		(44)	(25)
Net cash outflow from investing activities		(42)	(17)
Increase in cash, cash equivalents and overdrafts		1,343	17
Cash, cash equivalents and overdrafts at beginning of year		440	423
Cash, cash equivalents and overdrafts at end of year	**2**	1,783	440

Notes to the Consolidated Statement of Cash Flows
For the year ended 30 September 2020

1. Reconciliation of profit for the year to cash outflow from operations

	2020 £'000	2019 £'000
Profit/(Loss) before taxation	188	(183)
(Increase)/Decrease in trade and other receivables	(371)	441
Increase/(Decrease) in trade and other payables	389	(275)
Depreciation and amortisation charges	50	52
Finance costs	21	-
Loss/(Profit) on disposal of fixed assets	1	(3)
Share-based payment	3	2
Net cash inflow from operations	281	34

2. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	1,783	440

REACT Group PLC

Company Statement of Financial Position
As at 30 September 2020

	Notes	2020	2019
ASSETS		**£'000**	**£'000**
Non-current assets			
Investments	**12**	174	174
Property, plant and equipment	**11**	9	13
Right-of-use assets	**11**	14	-
		197	187
CURRENT ASSETS			
Trade and other receivables	**13**	46	38
Cash and cash equivalents	**15**	1,446	256
		1,492	294
TOTAL ASSETS		1,689	481
EQUITY			
Shareholders' Equity			
Called up share capital	**16**	1,246	1,039
Share premium		5,852	4,926
Merger relief reserve		1,328	1,328
Capital redemption reserve		3,337	3,337
Share-based payments		15	12
Accumulated deficit		(10,175)	(10,198)
Total Equity		1,603	444
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**17**	71	37
Non-current liabilities			
Lease liabilities after one year	**17**	15	-
TOTAL LIABILITITES		86	37
TOTAL EQUITY AND LIABILITIES		1,689	481

These financial statements were approved and authorised for issue by the Board of Directors on 26 January 2021 and were signed on its behalf by:

Andrea Pankhurst
Director

Company Registration no. 05454010

The notes on pages 33 to 52 form part of these financial statements

Company Statement of Changes in Equity
For the year ended 30 September 2020

	Called up Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital redemption reserve £'000	Share-based payments reserve £'000	Accumulated deficit £'000	Total equity £'000
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
At 30 September 2019	1,039	4,926	1,328	3,337	12	(10,198)	444
Issue of shares	207	926	-	-	-	-	1,133
Share-based payments	-	-	-	-	3	-	3
Effect of adoption of IFRS16	-	-	-	-	-	(7)	(7)
Profit for the year	-	-	-	-	-	30	30
At 30 September 2020	1,246	5,852	1,328	3,337	15	(10,175)	1,603

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 share-based payments reserve represents the cumulative expense in relation to the fair value of share options and warrants granted.

The notes on pages 33 to 52 form part of these financial statements

REACT Group PLC

Company Statement of Cash Flows
For the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated by operations	**1**	87	8
Net cash inflow from operating activities		87	8
Cash flows from financing activities			
Proceeds of share issue		1,246	-
Expenses of share issue		(113)	-
Lease liability payments		(30)	-
Net cash inflow from financing activities		1,103	-
Cash flows from investing activities			
Net cash outflow from investing activities		-	-
Increase in cash and equivalents		1,190	8
Cash and cash equivalents at beginning of year		256	248
Cash and cash equivalents at end of year	**2**	1,446	256

Notes to the Company Statement of Cash Flows

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

	2020	2019
	£'000	£'000
Profit before taxation	30	74
Decrease/(Increase) in trade and other receivables	15	(4)
Increase/(Decrease) in trade and other payables	2	(75)
Provision against amounts owed by group companies	13	7
Depreciation and amortisation charges	11	4
Finance costs	13	-
Share-based payment	3	2
Net cash inflow from operations	87	8

2. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank and in hand	1,446	256

Notes to the Financial Statements
For the year ended 30 September 2020

1. General Information

Basis of preparation and consolidation

The Company is a public company, limited by shares, based in the United Kingdom and 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 functional and presentational currency of the Group is pounds sterling. The figures presented have been rounded to the nearest one thousand pounds.

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 year under review.

Going concern

Following its review of the Group's financial plans and forecast growth, the cash balance held at the year end and the management team currently in place, the Board has a good expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

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:

- Amendments to IAS 1 and IAS 8 – on definition of materiality (1 January 2020)
- Amendments to IFRS 3 “Business combinations” on definition of a business (1 January 2020)
- Amendments to IFRS 9, IFRS 7 and IAS 39 financial instruments (1 January 2020)
- IFRS 17 Insurance contracts (1 January 2023)

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 2020. However, none of them has a material impact on the Group’s Consolidated Financial Statements.

Impact of IFRS 16 - Leases

The Group has adopted IFRS 16 Leases using the modified retrospective approach with recognition of transitional adjustments on the date of initial application (1 October 2019), without re-statement of comparative figures. As a lessee, the Group previously classified leases as operating leases or finance leases. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for leases that meet the recognition criteria.

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 satisfy 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

2. Accounting Policies (continued)

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.

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.

2. Accounting Policies (continued)

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 discharged, cancelled or expired.

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 in hand.

Leases
During the year the Group adopted IFRS 16 Leases for the first time. IFRS 16 replaces IAS 17 Leases.
The Group previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the Group, and 'operating leases'. Under IFRS 16, for all leases except for short-term leases and leases of low-value assets, other than those which are subleased, previously classified as operating leases:

As at 1 October 2019, the Group has recognised a lease liability measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 October 2019 and for all leases the Group has elected to recognise a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.
The Group elected the following practical expedients:

- it has applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- it has relied on its assessment of whether leases are onerous applying IAS37 immediately before 1 October 2019 as an alternative to performing an impairment analysis. The analysis of the onerous contracts as at 30 September 2018 has not resulted in a need to recognise an impairment allowance. The right-of-use assets as at 1 October 2019 were therefore not adjusted for any impairment;
- it has opted not to apply the new lessee accounting model to leases for which the lease term ends within 12 months after the date of initial application. Instead, it has accounted for those leases as short-term leases.

2. Accounting Policies (continued)

Impact of the transition to IFRS 16:

	£'000
Operating lease commitments as at 30/9/2019 under IAS17	(57)
Leases previously not included	(41)
Non-lease commitments	
Excluded short-term leases	
Excluded low value assets (other than those which are subleased)	
The effect of discounting using the incremental borrowing rate at 1/10/2019	47
Lease liability as at 1/10/2019	(51)
Short-term portion	(8)
Long-term portion	(43)

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 other 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.

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 2020.

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 premium.

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:

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.

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.

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group. They are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

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.

2. Accounting Policies (continued)

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.

- **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 on 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 2020 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 Contract Maintenance, Contract Reactive or Ad Hoc work.

	2020				2019			
	Contract Maintenance Work	Contract Reactive Work	Ad Hoc Work	Total	Contract Maintenance Work	Contract Reactive Work	Ad Hoc Work	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	1,694	1,775	891	4,360	974	1,751	378	3,103
Cost of Sales	(1,178)	(1,214)	(519)	(2,911)	(708)	(1,251)	(259)	(2,218)
Gross Profit	516	561	372	1,449	266	500	119	885
Administrative Expenses	(441)	(479)	(318)	(1,238)	(321)	(603)	(144)	(1,068)
Operating Profit/(Loss) for the year	75	82	54	211	(55)	(103)	(25)	(183)
Total Assets	1,125	1,221	812	3,158	424	798	191	1,413
Total Liabilities	(344)	(374)	(249)	(967)	(161)	(302)	(72)	(535)

The Directors have changed the segmental reporting this year to give a more meaningful presentation of the figures. In the prior year, the segmental reporting analysed the sources of the Group's business into the segments of either public or private sector customers.

4. Employees and Directors

	2020	2019
	£'000	£'000
Wages and salaries	2,258	1,932
Social security costs	203	174
Pension contributions	37	28
Share based payments	3	2
	2,501	2,136

The average monthly number of employees :

	No.	No.
Directors	4	3
Operators and administration staff	83	79
	87	82

The number of directors to whom retirement benefits were accruing under money purchase schemes	2	1
The number of directors who exercised share options during the year	-	-
The number of directors who received share options during the year	-	-

Details of emoluments received by Directors of the Group for the year ended 30 September 2020 were as follows:

	Salaries £'000	Car benefit £'000	Share based payment £'000	2020 £'000	2019 £'000
G Leates	49	-	1	50	58
R Gilbert	24	-	-	24	22
M Joyce	30	-	-	30	17
L Innes	-	-	-	-	17
S Doak	119	-	1	120	-
A Pankhurst	75	-	-	75	-
Total	297	-	2	299	114

These amounts include the share-based payments referred to in Note 2.
The key management personnel are the Directors and therefore disclosure is the same as the above.

5. Administrative expenses

	2020 £'000	2019 £'000
Auditor remuneration		
– audit fees (Company £3,000; 2019 : £4,000)	16	25
– other services	2	3
Staff costs (note 4)	2,498	2,134
Less staff costs included in cost of sales	(1,701)	(1,623)
Recruitment	5	38
Legal and professional fees (incl AIM related costs)	161	155
Property costs	80	53
Travel expenses	36	42
Insurance	54	54
Marketing	99	61
Provision against bad debts and accrued income	(8)	(70)
Other expenses	44	180
Depreciation	50	52
Less depreciation included in cost of sales	(28)	(36)
	1,308	1,068

There were £Nil non-recurring exceptional costs included in administrative expenses during the year (2019: £5,000)

	2020 £'000	2019 £'000
Recruitment fees & other employee related costs associated with the changes in the management of the business during the period under review	-	(61)
Legal fees relating to resolution of an historic debt	-	(10)
Release of historic VAT provision	-	66
	-	(5)

6. Finance Costs

	2020 £'000	2019 £'000
Lease liability interest on:		
- Land and buildings	13	-
- Other	8	-
Other interest expense	2	-
At 30 September 2020	**23**	**-**

7. Income Tax

	2020 £'000	2019 £'000
Current tax charge	-	-
Deferred tax credit	-	-
	-	-

Analysis of tax expense:

	2020 £'000	2019 £'000
Profit/(Loss) on ordinary activities before income tax	188	(183)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2019: 19%)	36	(35)
Effects of:		
Fixed asset differences	4	-
Amortisation and depreciation not deductible for tax	-	10
(Decrease)/Increase in net losses carried forward	(40)	25
Corporation tax charge/(credit)	-	-

The Group has estimated excess management expenses carried forward of £1.3m (2019: £1.3m) and trading losses of approximately £800,000 (2019: £1.0m) available to use against future profits. The tax losses have resulted in a deferred tax asset of approximately £0.4m (2019: £0.4m) which has not been recognised as it is uncertain when future taxable profits will be sufficient to utilise the losses.

8. Earnings/(Loss) per Share (basic and adjusted)

The calculations of earnings/(loss) per share (basic and adjusted) are based on the net profit/(loss) and adjusted profit/(loss) respectively and the ordinary shares in issue during the year. The adjusted profit/(loss) represents the EBITDA for the year. For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares.

	2020	**2019**
	£'000	£'000
Net profit/(loss) for year	188	(183)
Adjustments:		
Interest	23	-
Depreciation	50	52
Adjusted profit/(loss) for the year	261	(131)
	Number	**Number**
Weighted average shares in issue for basic earnings/(loss) per share	441,291,857	415,407,753
Weighted average dilutive share options and warrants	65,065,130	*
Average number of shares used for dilutive earnings/(loss) per share	506,356,987	415,407,753
	pence	pence
Basic earnings/(loss) per share	0.04p	(0.04p)
Diluted earnings/(loss) per share	0.04p	(0.04p)
Adjusted basic earnings/(loss) per share	0.06p	(0.03p)
Adjusted diluted earnings/(loss) per share	0.05p	(0.03p)

* Where a loss is incurred, the effect of outstanding share options and warrants is considered anti-dilutive.

9. Company's result for the year

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 year was a profit of £30,000 (2019: profit of £74,000).

10. Intangible assets

Group	Purchased Goodwill £'000	Customer List Acquired £'000	Total £'000
Cost			
At 1 October 2019	1,280	220	1,500
Disposals		(220)	(220)
At 30 September 2020	1,280	-	1,280
Amortisation and impairment			
As at 1 October 2019	1,106	220	1,326
Amortisation charge for the year	-	-	-
Disposals	-	(220)	(220)
As at 30 September 2020	1,106	-	1,106
Carrying amount			
As at 30 September 2020	174	-	174
As at 30 September 2019	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

Notes to the Financial Statements
For the year ended 30 September 2020

11. Property, Plant and equipment

Group	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Right-of-Use Assets £'000	Total £'000
Cost					
At 1 October 2019	21	181	109	-	311
Additions	-	28	16		44
IFRS16 implementation	-	-	-	40	40
Disposals	-	(60)	(10)	-	(70)
At 30 September 2020	21	149	115	40	325
Depreciation					
At 1 October 2019	8	153	69	-	230
Depreciation charge for the year	4	18	15	13	50
Disposals	-	(57)	(10)	-	(67)
At 30 September 2020	12	114	74	13	213
Net book value					
At 30 September 2020	9	35	41	27	112
At 30 September 2019	13	28	40	-	81

Company	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Right-of-Use Assets £'000	Total £'000
Cost					
At 1 October 2019	21	-	-	-	21
Additions	-	-	-	-	-
IFRS16 implementation	-	-	-	21	21
Disposals	-	-	-	-	-
At 30 September 2020	21	-	-	21	42
Depreciation					
At 1 October 2019	8	-	-	-	8
Depreciation charge for the year	4	-	-	7	11
Disposals	-	-	-	-	-
At 30 September 2020	12	-	-	7	19
Net book value					
At 30 September 2020	9	-	-	14	23
At 30 September 2019	13	-	-	-	13

12. Investment in subsidiary undertakings

Company

	£'000
Cost	
At 1 October 2019 and 30 September 2020	1,560
Impairment	
At 1 October 2019	1,386
Impairment charge for the year	-
At 30 September 2020	1,386
Carrying amount	
At 30 September 2020	174
At 30 September 2019	174

As at 30 September 2020, 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%

13. Trade and other receivables

Current	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables		989	696	-	-
Provision for impairment	**14**	(42)	(83)	-	-
Net trade receivables		947	613	-	-
Amounts owed by Group undertakings		-	-	1,151	1,242
Provision against amounts owed by Group undertakings		-	-	(1,151)	(1,226)
Prepayments and accrued income		142	105	4	22
Other debtors		-	-	42	-
		1,089	718	46	38

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.

14. 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 Relating to debt over 3 months past due	**Group** **2020** **£'000**	**Group** **2019** **£'000**
Opening provision	83	339
Impairments in the year	-	64
Amounts released in the year	(8)	(189)
Amounts utilised in the year	(33)	(131)
Closing provision	42	83

There are no receivables in the Company, as all are held by the trading subsidiary, REACT Specialist Cleaning Limited.

As at 30 September 2020, excluding balances provided for by the impairment provision, £25,000 (2019: £157,000) of trade receivables were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	2020 **£'000**	**2019** **£'000**
Up to 3 months past due	18	119
3 to 6 months past due	7	37
Over 6 months past due	-	1
	25	157

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

15. Cash and cash equivalents

	Group **2020** **£'000**	**Group** **2019** **£'000**	**Company** **2020** **£'000**	**Company** **2019** **£'000**
Cash and bank balances	1,783	440	1,446	256

16. Called Up Share Capital

	2020 **£'000**	**2019** **£'000**
Issued share capital comprises:		
498,509,350 (2019 : 415,407,753) Ordinary shares of 0.25p each	1,246	1,039

83,101,597 Ordinary shares of 0.25p were issued on 9 June 2020 at a price of 1.5p per share. This transaction resulted in an increase of £207,000 to the Company's share capital and an increase of £926,000 to its share premium, after deducting the cost of issue of £113,000.

Notes to the Financial Statements
For the year ended 30 September 2020

17. Trade and other payables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Current:				
Trade payables	402	232	55	39
Accrued expenses	192	128	3	-
Social security and other taxes	330	175	4	(2)
Lease Liability <12 months	13	-	9	-
Non-current:				
Lease Liability >12 months	30	-	15	-
	967	535	86	37

18. 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	2020 £'000	2019 £'000
At 1 October 2019	-	-
Income credit	-	-
At 30 September 2020	-	-

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 when these assets will be recovered.

19. Related Party Disclosures

Group and company

During the years ended 30 September 2019 and 30 September 2020, there were no related party transactions.

20. Ultimate Controlling Party

No one shareholder has control of the company.

21. Warrants

There were no movements in the number of share warrants outstanding and their related weighted average exercise prices during the year.

	Number of warrants		Average exercise price	
	2020	**2019**	**2020**	**2019**
	No.	No.	£	£
Outstanding at the beginning of the year	19,939,537	2,380,000	0.0030	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 year	19,939,537	19,939,537	0.0030	0.0030

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.

£1,167 (2019: £389) has been recognised during the year for the share warrants over the vesting period.

22. Share options

The company has implemented 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	
	2020	2019	2020	2019
	No.	No.	£	£
Outstanding at the beginning of the year	45,125,593	2,754,077	0.0038	0.0168
Granted during the year	-	42,371,516	-	0.0030
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	45,125,593	45,125,593	0.0038	0.0038

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. £3,646 (2019: £1,215) has been recognised during the year for the share-based payments over the vesting period.
The prior year figures showing the number of options have been restated as the warrants detailed in Note 21 were previously incorrectly included in the total. However the share based charge was correctly calculated, so there is no impact on the Consolidated Statement of Comprehensive Income.

23. 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 and capital 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 year. 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 year 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, 13% of debtors included in trade receivables are past their due dates. Included in trade receivables are provisions of £42,000.

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 year 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.

24. Lease liabilities

At 30 September 2020, the maturity of the Group's gross contractual undiscounted cashflows due on the Group's lease liabilities (excluding short-term and low-value leases) is set out below:

Group	**Land and Buildings**	**Other**	**Total**
	£000	**£000**	**£000**
Discounted future cash flows;			
Not later than one year	(9)	(4)	(13)
Later than one year and not later than five years	(15)	(15)	(30)
Later than five years	-	-	-
Total discounted future cash flows at 30 September 2020	(24)	(19)	(43)

Company	**Land and Buildings**	**Other**	**Total**
	£000	**£000**	**£000**
Discounted future cash flows;			
Not later than one year	(9)	-	(9)
Later than one year and not later than five years	(15)	-	(15)
Later than five years	-	-	-
Total discounted future cash flows at 30 September 2020	(24)	-	(24)

REACT Group PLC

Company Information

Directors:	Gill Leates (resigned 4 December 2020) Robert Gilbert Michael Joyce Shaun Doak (appointed 24 February 2020) Andrea Pankhurst (appointed 18 May 2020) Mark Braund (appointed 4 December 2020)
Company Secretary:	Andrea Pankhurst
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