

Regulatory Story

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React Group PLC - REAT Final Results
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React Group PLC
16 March 2017

This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

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

Final Results

REACT Group plc (AIM: REAT), the specialist provider of rapid response deep cleaning and emergency decontamination services, announces its final results for the year ended 30 September 2016.

Financial Highlights

- Turnover for the period of £2.4m
- Cost of sales of £1.4m
- Pre-tax loss of £0.15m
- Cash position remains strong with £1.1m

Operational Highlights

- Revamped sales team
- Closure of EPUK
- Improved marketing and more focused sales force

Grahame Rummery, Chief Executive of REACT Group plc, commented: *"After a challenging time with the EPUK management, we made the decision to close that side of the business. The core business, REACT Specialist Cleaning, has performed well during this period and we remain positive about its future. We are confident we will have a positive 2017 and look forward to the rest of the year."*

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REACT Group plc

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REACT Group Plc
Chairman's and Chief Executive Statement
For the year ended 30 September 2016

This is our first financial year as a Plc since listing on AIM via a reverse takeover in August 2015.

It has been a year of challenges, in particular the integration of the acquisitions we made being REACT Environmental Services, React Occupational Hygiene and EPUK. The first two are now starting to make progress after a number of delays. However, after struggling with the EPUK management, which failed to deliver on any of its promises or alter its management style, we took the decision to close EPUK. Although disappointing, it was the correct decision to make due to the significant time REACT's management were spending trying to bring this business to profitability.

The core business, REACT Specialist Cleaning, performed reasonably well during this period and has the potential to perform a lot better over time, management are now focused on the underlying growth opportunities and do not have the distractions of EPUK or any further acquisitions.

Financial Results

The Group's results for the period ended 30 September 2016 are set out in the Consolidated Statement of Comprehensive Income. It shows turnover for the period was £2.432m, this compares to the shorter period of 24 June 2015 to 30 September 2015, as stated in the previous accounts, of £0.7m. Cost of sales was £1.4m against £0.3m. Administrative expenses were £1.2m against £0.3m. This led to a pre-tax loss of £0.146m for the period on continuing operations, against a pre-tax loss of £1.189m (£0.035m before non-recurring items) for the previous period. This reflects the costs of two new start-ups and carrying the expenses of being a Plc. In addition, there is a loss of £141,000 on discontinued operations (EPUK). Cash remains strong at £1.1m at today's date (at 30 September 2016: £0.931m).

Strategy

The Group's strategy is now focussed entirely on developing the three businesses we have. We are now seeing more opportunities to grow the businesses organically, and with a revamped sales team, we believe we will see an improved performance during the current year.

Outlook

In terms of the current year outlook, now our management no longer have the distraction of EPUK to worry about we are increasing our focus on building relationships with more of the FM companies by improved marketing and more focused and managed sales force. This activity is producing more face to face appointments with more of the decision makers

And using our broader range of services this allows us to be able to quote for larger projects and have a wider audience to present ourselves to and build for the future.

We would also like to thank all our employees who have worked and continue to work very hard to make this business move forward for the future.

G.M. Leates
 Chairman
 16 March 2017

REACT Group Plc

Consolidated Statement of Comprehensive Income
For the year ended 30 September 2016

Notes	Year Ended 30 September 2016 £'000	Period from 24 June 2015 to 30 September 2015
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		£'000	
Continuing Operations			
Turnover		2,432	704
Cost of sales		(1,419)	(346)
		<hr/>	<hr/>
Gross profit		1,013	358
Administrative expenses	5	(1,159)	(393)
		<hr/>	<hr/>
Operating Loss		(146)	(35)
Non Operating Items			
Service cost of AIM listing		-	(754)
Acquisition and admission costs		-	(400)
		<hr/>	<hr/>
Loss before Income tax	5	(146)	(1,189)
Income tax	6	(1)	(20)
		<hr/>	<hr/>
Loss for the year from continuing operations		(147)	(1,209)
Loss for the year from discontinued operations		(141)	-
		<hr/>	<hr/>
Loss for the year/period		(288)	(1,209)
		<hr/>	<hr/>
Other Comprehensive Income		-	-
		<hr/>	<hr/>
Total comprehensive loss for the year/period and attributable to the owners of the company		(288)	(1,209)
		<hr/> <hr/>	<hr/> <hr/>
Basic & Diluted loss per share - pence			
From continuing operations	7	0.05p	0.76p
From discontinuing operations	7	0.05p	0.76p

REACT Group Plc**Consolidated Statement of Financial Position
As at 30 September 2016**

	Notes	Year Ended 30 September 2016 £'000	As at 30 September 2015 £'000
ASSETS			
Non-current assets			
Intangibles	9	1,444	1,488
Property, plant & equipment	10	252	161
		<hr/>	<hr/>
		1,696	1,649
		<hr/>	<hr/>
Current assets			
Trade and other receivables	13	788	764
Cash and cash equivalents	14	931	1,839
		<hr/>	<hr/>
		1,719	2,603
		<hr/>	<hr/>
TOTAL ASSETS		3,415	4,252
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Shareholders' Equity			
Called up share capital	15	689	689
Share premium		4,889	4,889
Reverse acquisition reserve		(5,726)	(5,726)

Capital redemption reserve		3,337	3,337
Merger relief reserve		1,328	1,328
Share based payments		22	-
Accumulated deficit		(1,497)	(1,209)
Total Equity		<u>3,042</u>	<u>3,308</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	352	924
Non - current Liabilities			
Deferred tax liability	17	21	20
TOTAL LIABILITIES		<u>373</u>	<u>944</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,415</u></u>	<u><u>4,252</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 16 March 2017 and were signed on its behalf by:

G M Leates
Director
Company Registration no. 05454010

REACT Group Plc

Consolidated Statement of Changes in Equity For the year ended 30 September 2016

	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
Balance at 24 June 2015	-	-	-	-	-	-	-	-
Shares issued on asset purchase agreement	1,500	-	-	-	-	-	-	1,500
Reverse acquisition	2,203	3,095	1,328	-	(5,726)	-	-	900
Shares issued	323	1,845	-	-	-	-	-	2,168
Share issue expenses	-	(51)	-	-	-	-	-	(51)
Share buyback	(3,337)	-	-	3,337	-	-	-	-
Loss for the period	-	-	-	-	-	-	(1,209)	(1,209)
Balance at 30 September 2015	<u>689</u>	<u>4,889</u>	<u>1,328</u>	<u>3,337</u>	<u>(5,726)</u>	<u>-</u>	<u>(1,209)</u>	<u>3,308</u>
Share based payment charge	-	-	-	-	-	22	-	22
Loss for the year	-	-	-	-	-	-	(288)	(288)

Balance at 30 September 2016	689	4,889	1,328	3,337	(5,726)	22	(1,497)	3,042
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Share capital is the amount subscribed for shares at nominal value. Share premium represents amounts subscribed for share capital in excess of nominal value.

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

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

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

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

REACT Group Plc

Consolidated Statement of Cash Flows For the year ended 30 September 2016

	Notes	Year Ended 30 September 2016 £'000	Period from 24 June 2015 to 30 September 2015 £'000
Cash flows from operating activities			
Cash utilised in operations	1	(698)	(205)
Net cash outflow from operating activities		(698)	(205)
Cash flows from investing activities			
Purchases of property, plant and equipment		(210)	(184)
Acquisition, net of cash acquired		-	111
Net cash outflow from investing activities		(210)	(73)
Cash flows from financing activities			
Share issues		-	2,117
Net cash inflow from financing activities		-	2,117
(Decrease) / increase in cash and equivalents		(908)	1,839
Cash and cash equivalents at beginning of period		1,839	-
Cash and cash equivalents at end of period	14	931	1,839

REACT Group Plc

**Notes to the Consolidated Statement of Cash Flows
For the period ended 30 September 2016**

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

	Year Ended 30 September 2016 £'000	Period from 24 June 2015 to 30 September 2015 £'000
Loss before taxation	(288)	(1,189)
Increase in trade and other receivables	(24)	(730)
(Decrease)/increase in trade and other payables	(572)	924
Depreciation and amortisation charges	163	36
Service cost of AIM listing	-	754
Share based payments charge	22	-
	<u> </u>	<u> </u>
Net cash outflow from operations	<u>(698)</u>	<u>(205)</u>

2. Cash and Cash Equivalents

	As at 30 September 2016 £'000	As at 30 September 2015 £'000
Cash and cash equivalents	<u>931</u>	<u>1,839</u>

3. Non-cash transactions

On 17 August 2015 a significant non-cash transaction took place in respect of the reverse acquisition, more information on this has been disclosed within note 12. The group also acquired intangible assets as detailed in note 11 in as a result of the purchase of trade and assets from Autoclenz Limited in respect of an unincorporated division.

4 Discontinued activity

On 22 December 2016 the company announced plans to close EPUK Limited which was purchased on 26 April 2016. After the acquisition in April, EPUK failed to deliver the level of profitable business or cross-selling to other group customers which REACT had anticipated. Despite efforts to integrate the business into the group, there was no significant improvement, leading to take the decision to close the business.

No potential deferred consideration was paid to EPUK's vendors.

REACT Group Plc

**Company Statement of Financial Position
As at 30 September 2016**

	Notes	As at 30 September 2016 £'000	As at 30 September 2015 £'000
ASSETS			
Non-current assets			
Investments	11	1,560	1,560
Property, plant & equipment	10	<u>1</u>	<u>1</u>
		<u>1,561</u>	<u>1,561</u>

CURRENT ASSETS			
Trade and other receivables	13	628	240
Cash and cash equivalents	14	905	1,778
		<u>1,533</u>	<u>2,018</u>
TOTAL ASSETS		<u><u>3,094</u></u>	<u><u>3,579</u></u>
EQUITY			
Shareholders' Equity			
Called up share capital	15	689	689
Share premium		4,889	4,889
Merger relief reserve		1,328	1,328
Capital redemption reserve		3,337	3,337
Share based payments		22	-
Accumulated deficit		(7,264)	(6,964)
Total Equity		<u>3,001</u>	<u>3,279</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	93	300
TOTAL LIABILITIES		<u>93</u>	<u>300</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,094</u></u>	<u><u>3,579</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 16 March 2017 and were signed on its behalf by:

G M Leates
Director

Company Registration no. 05454010

REACT Group Plc

Company Statement of Changes in Equity
For the year ended 30 September 2016

	Called up Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital Redemption reserve £'000	Share based payments £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 October 2014	3,430	2,861	-	-	-	(6,230)	61
Shares issued for acquisition of REACT SC Holdings Limited	232	-	1,328	-	-	-	1,560
Conversion of loan notes	41	234	-	-	-	-	275
Issues of shares during the period	323	1,845	-	-	-	-	2,168
Share issue expenses	-	(51)	-	-	-	-	(51)

Share buyback	(3,337)	-	-	3,337	-	-	-
Loss for the year	-	-	-	-	-	(734)	(734)
Balance at 30 September 2015	689	4,889	1,328	3,337	-	(6,964)	3,279
Share based payments	-	-	-	-	22	-	22
Loss for the year	-	-	-	-	-	(300)	(300)
Balance at 30 September 2016	689	4,889	1,328	3,337	22	(7,264)	3,001

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

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

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

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

REACT Group Plc

Company Statement of Cash Flows For the year ended 30 September 2016

	Notes	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Cash flows from operating activities			
Cash utilised from operations	1	(863)	(526)
Net cash outflow from operating activities		(863)	(526)
Cash flows from investing activities			
Purchase of subsidiary		(10)	-
Net cash outflow from investing activities		(10)	-
Cash flows from financing activities			
Share issues		-	2,117
Net cash inflow from financing activities		-	2,117
(Decrease)/increase in cash and equivalents		(873)	1,591
Cash and cash equivalents at beginning of period		1,778	187
Cash and cash equivalents at end of period	14	905	1,778

REACT Group Plc**Notes to the Company Statement of Cash Flows
For the year ended 30 September 2016****1. Reconciliation of loss before income tax to cash generated from operations**

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Operating loss	(300)	(734)
(Increase) in trade and other receivables	(388)	(217)
(Decrease)/Increase in trade and other payables	(207)	400
Interest payable	-	25
Share based payments	22	-
Impairment of investment	10	-
	<u> </u>	<u> </u>
Net cash outflow from operations	<u>(863)</u>	<u>(526)</u>

2. Cash and Cash Equivalents

	As at 30 September 2016 £'000	As at 30 September 2015 £'000
Cash and cash equivalents	<u>905</u>	<u>1,778</u>

3. Non-cash transactions

During the prior period, the company issued £1,560,000 of ordinary shares to acquire a subsidiary and £275,000 of ordinary shares were issued to extinguish convertible loan notes in non-cash transactions. Refer to Notes 12 and 15 for further details.

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****1. General Information****Basis of preparation and consolidation**

REACT Group Plc was readmitted to the AIM - London Stock Exchange on 17 August 2015, a company incorporated and domiciled in England and Wales. Details of the registered office, the officers and advisers to the company are presented on the company information page at the start of this report. The principal activity of the group for the period is that of a specialist cleaning and decontamination service to the public sector. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

On 17 August 2015, REACT Group Plc acquired the entire share capital of REACT SC Holdings Limited and its subsidiary by way of a share for share exchange. As a result, the former shareholders of REACT SC Holding

Limited obtained control of REACT Group Plc.

REACT Group Plc was a non-operating entity, and thus did not qualify as a business combination and is therefore outside the scope of IFRS 3 'Business Combinations'. In accordance with guidance given by the International Interpretations Committee, the transaction is accounted for as a share-based payment in accordance with IFRS 2 'share-based payment'.

The legal subsidiary, REACT SC Holdings Limited, was treated as the accounting acquirer and the legal Parent Company, REACT Group Plc, was treated as the accounting subsidiary. The difference in the fair value of the shares deemed to have been issued by REACT SC Holdings Limited and the fair value of REACT Group Plc identifiable net assets represents a payment for a service of a stock exchange listing for its shares and has been charged to the Statement of Comprehensive Income.

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 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.

The consolidated results for the period ended 30 September 2015 comprise the results of REACT SC Limited and its subsidiary REACT Specialist Cleaning Limited for the period ended 30 September 2015, consolidated with those of REACT Group Plc from 17 August 2015.

The assets and liabilities of the legal subsidiary, REACT Specialist Cleaning Limited are recognised and measured in the group financial statements at the pre-combination carrying amounts, without restatement of fair value. The results of the period from 24 June 2015 to 30 September 2015 are those of REACT Specialist Cleaning Limited.

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.

2. Accounting Policies

Statement of compliance

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

Basis of preparation

The financial statements have been prepared under the historical cost convention.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period under review.

Going concern

Following its review of the group's financial plans, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the group.

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****2. Accounting Policies (continued)****New Standards, amendments and interpretations issued but not effective**

Reference	Title	Summary	Application date of standard	Application date of Company
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2018	1 October 2018
IFRS 10	Consolidated financial statement	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2016	1 October 2016
IFRS 11	Joint Arrangements	Amended by Accounting for Acquisitions of Interests in Joint Operations	Periods commencing on or after 1 January 2016	1 October 2016
IFRS 12	Disclosure of Interests in Other Entities	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2016	1 October 2016
IFRS 14	Regulatory deferral accounts	Aims to enhance the comparability of financial reporting by entities subject to rate-regulations	Periods commencing on or after 1 January 2016	1 October 2016
IFRS 15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more informative and relevant disclosures	Periods commencing on or after 1 January 2018	1 October 2018
IFRS 16	Lease	IFRS 16 <i>Leases</i> published	Periods commencing on or after 1 January 2019	1 October 2019
IAS 16	Property, Plant and Equipment	Amended standard for accounting treatment for property, plant and equipment	Periods commencing on or after 1 January 2016	1 October 2016
IAS 27	Separate financial statement	Amended by Equity Method in Separate Financial Statements (Amendments to IAS 27)	Periods commencing on or after 1 January 2016	1 October 2016
IAS 28	Investments in Associates and Joint Ventures	Amended by Investment Entities: Applying the Consolidation Exception	Periods commencing on or after 1 January 2016	1 October 2016

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

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****2. Accounting Policies (continued...)****Merger relief reserve**

The 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.

Revenue recognition

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

Rendering of services

The group provides extreme cleaning services. For rendering of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Taxation

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

(i) Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules using tax rates enacted or substantially enacted by the statement of financial position date.

Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

REACT Group Plc**Notes to the Financial Statements****For the year ended 30 September 2016****2. Accounting Policies (continued...)****Investments**

Investments in subsidiaries are held at cost less any impairment.

Financial instruments

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

Trade and other receivables

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

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

Cash and cash equivalents

Cash and cash equivalents comprised of cash at bank and in hand.

Fair values

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

Trade and other payables

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

REACT Group Plc**Notes to the Financial Statements**

For the year ended 30 September 2016

2. Accounting Policies (continued...)**Impairment of non-financial assets**

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Capital management

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

The group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the year ended 30 September 2016.

Equity instruments

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

REACT Group Plc

Notes to the Financial Statements For the year ended 30 September 2016

2. Accounting Policies (continued...)

Share-based compensation

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

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

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

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

Computer equipment	30%
Motor Vehicles	50%
Plant and Machinery	50%

Useful lives and depreciation method 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.

REACT Group Plc

Notes to the Financial Statements

For the year ended 30 September 2016**2. Accounting Policies (continued...)****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.

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.

- **Share based payments**

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

- **Amortisation**

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

- **Customer list valuation**

Management undertook a fair value exercise on the business combination when the REACT division was purchased from Autoclenz Limited. Management identified that the customer list of the REACT business should be recognised separately and a fair value of £220,000 was determined. When assigning a fair value to the customer list management made significant judgements and at the time of the fair value exercise it is noted that alternative judgements could have been made leading to a differing fair value of the customer list.

REACT Group Plc**Notes to the Financial Statements****For the year ended 30 September 2016****3. Segmental Reporting**

In the opinion of the directors, the group has one class of business, being that of specialist cleaning and decontamination services. The group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is the UK. All costs are derived from the single segment.

4. Employees and Directors**Staff costs (including directors):**

Year ended	Period from 24
30 September	June 2015 to 30
2016	September 2015

	£'000	£'000
Wages and salaries	315	272
Directors Fees	76	11
Social security costs	6	29
Pension contributions	122	2
	<u>519</u>	<u>314</u>
Staff costs within cost of sales	315	190
Staff costs within administrative expenses Note 5	204	124
	<u>519</u>	<u>314</u>

Number of staff (including directors):	Year ended 30 September 2016 No.	Period from 24 June 2015 to 30 September 2015 No.
The average monthly number of employees during the period was as follows:		
Directors	4	3
Operators and administration staff	32	25
	<u>36</u>	<u>28</u>

Directors' emoluments:	Year ended 30 September 2016 £'000	Period from 24 June 2015 to 30 September 2015 £'000
Directors' remuneration	108	17
Total emoluments	<u>108</u>	<u>17</u>

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****4. Employees and Directors (continued)**

Details of emoluments received by Directors of the group for the period to 30 September 2016 were as follows:

	Salaries £'000	Fees £'000	Total £'000
G Leates	30	-	30
S Foster	2	8	10
G Rummery	-	30	30
S Woolley	-	8	8
M Collingbourne	-	30	30
Total	<u>32</u>	<u>76</u>	<u>108</u>

5. Expenses - analysis by nature

	Year ended 30 September 2016 £'000	Period from 24 June 2015 to 30 September 2015 £'000
Staff costs Note 4	519	124
Auditor remuneration - audit fees (company only £15,000)	38	20
Auditor remuneration - non audit fees	-	1
Depreciation on property, plant and equipment (£16,000 with cost of sales)	103	8
Travel expenses	84	22

Consultancy	-	14
Legal and professional	97	103
Motor running expenses	63	14
Advertising	51	3
Insurance	71	9
Other expenses	67	75
	<hr/>	<hr/>
Administrative expenses	1,093	393
Service cost of AIM Listing	-	754
Amortisation of intangible assets	44	-
Acquisition and admission costs	-	400
Share based payments	22	-
	<hr/>	<hr/>
Total administrative expenses and one-off items	1,159	1,547
	<hr/> <hr/>	<hr/> <hr/>

Admission costs relate to the admission to AIM in June 2015 and included costs relating to the reverse acquisition.

Included within the prior period admission expenses are one-off non-audit fees of £45,000 in relation to the admission to trading on AIM.

REACT Group Plc

Notes to the Financial Statements For the year ended 30 September 2016

6. Income Tax

	Year ended 30 September 2016 £'000	Period from 24 June 2015 to 30 September 2015 £'000
Corporation tax charge	-	-
Deferred tax charge Note 17	1	20
	<hr/>	<hr/>
Total taxation	1	20
	<hr/> <hr/>	<hr/> <hr/>

Analysis of tax expense:

Loss on ordinary activities before income tax	(288)	(1,189)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 20%	(58)	(238)
Effects of:		
Depreciation and amortisation not deductible for tax	40	5
Expenses not deductible for tax purposes	-	234
Capital allowances	-	(22)
Increase in net losses carried forward	18	21
	<hr/>	<hr/>
Corporation tax charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

The group has estimated excess management expenses of £850,000.

The tax losses have resulted in a deferred tax asset of approximately £132,000 which has not been recognised as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

7. Loss per Share

Basic loss per share is calculated by dividing the earnings attributable shareholders by the weighted

average number of ordinary shares outstanding during the period.

Reconciliations are set out below:

	Loss £'000	Weighted average Number of shares	Loss per-share Pence
Basic and diluted EPS			
Loss attributable to ordinary shareholders:			
Continuing operations	(147)	275,407,753	0.05
Discontinued operations	(141)	275,407,753	0.05

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 September 2016 there were 2,580,000 outstanding share warrants and 16,524,464 options which are potentially dilutive.

REACT Group Plc

Notes to the Financial Statements For the year ended 30 September 2016

8. Company's result for the period

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement account. The result for the parent company for the period was a loss of £300,000 (2015: loss of £734,000).

9. Intangible assets

Group	Goodwill £'000	Purchased goodwill £'000	Customer List acquired £'000	Total £'000
Cost				
At 24 June 2015	-	-	-	-
Acquisitions through business combinations		1,280	220	1,500
Acquisition	25			25
At 30 September 2015 & 2016	25	1,280	220	1,525

Accumulated Amortisation and impairment

As at 14 May 2015	-	-	-	-
Amortisation charge for the period	-	-	12	12
As at 30 September 2015	-	-	12	12
Amortisation charge for the year	-	-	44	44
Impairment	25			25
As at 30 September 2016	25		56	81
Carrying amount				
As at 30 September 2015	-	1,280	208	1,488
As at 30 September 2016	-	1,280	164	1,444

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 covering a two year period. 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 16.67% per annum will be applied to the cashflow projections after taking into consideration the groups cost of borrowings, the expected rate of return and various risks relating to the CGU.

Goodwill is assessed annually for impairment. At the yearend based on these assumptions there is no indication of impairment of the value of goodwill.

REACT Group Plc

Notes to the Financial Statements For the year ended 30 September 2016

9. Intangible assets (continued)

Purchased goodwill

On 24 June 2015 the company entered in to an Asset Purchase Agreement with Autoclenz Limited pursuant to which the company agreed to acquire the business and fixed assets of the REACT Specialist Cleaning Services Division from Autoclenz Limited for total consideration of £1,650,735. The company settled £1,500,000 of the consideration by the allotment of 1,499,999 ordinary shares of £1 each in its capital to Autoclenz Limited. The balance of £150,735 was settled in cash and has been allocated to the fair value of tangible fixed assets acquired. £220,000 of the consideration has been allocated to the fair value of customer lists acquired with a resulting goodwill of £1,280,000 for intangible assets that do not qualify for separate recognition. The goodwill includes customer loyalty, staff know how, reputation and relationships with contractors and suppliers.

Details of the price and consideration are as set out below:

	£'000
1,500,000 ordinary shares of £1.00	1,500
Cash for additional tangible assets	150
	<hr/>
	1,650
	<hr/>

Details of the fair value of identifiable assets and liabilities acquired and goodwill as at 24 June 2015 are as follows:

	Book Value £'000	Adjustment £'000	Fair value £'000
Intangible fixed assets	-	220	220
Tangible fixed assets	150	-	150
Trade and other receivables	-	-	-
Cash	-	-	-
Trade and other payables	-	-	-
	<hr/>	<hr/>	<hr/>
Total net assets	150	220	370
Goodwill			1,280
			<hr/>

1,650

Please refer to note 24 for information on the acquisition of EPUK.

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016
10. Property, plant and equipment**

Group	Vehicles £'000	Plant and machinery £'000	Total £'000
Cost			
At 24 June 2015	-	-	-
On acquisition		3	3
Additions	171	13	184
	<u>171</u>	<u>16</u>	<u>187</u>
At 30 September 2015	171	16	187
Additions	136	74	210
	<u>307</u>	<u>90</u>	<u>397</u>
At 30 September 2016	<u>307</u>	<u>90</u>	<u>397</u>
Depreciation			
At 24 June 2015	-	-	-
On acquisition		2	2
Depreciation charge for the period	23	1	24
	<u>23</u>	<u>3</u>	<u>26</u>
At 30 September 2015	23	3	26
Depreciation charge for the period	100	19	119
	<u>123</u>	<u>22</u>	<u>145</u>
At 30 September 2016	<u>123</u>	<u>22</u>	<u>145</u>
Carrying amount			
At 30 September 2016	184	68	252
At 30 September 2015	148	13	161
	<u>184</u>	<u>68</u>	<u>252</u>

Company	Fixtures, fittings & equipment £'000	Total £'000
Cost		
At 30 September 2014 & 2015 & 2016	3	3
	<u>3</u>	<u>3</u>
Depreciation		
At 30 September 2014	2	2
	<u>2</u>	<u>2</u>
Depreciation charge for the period	-	-
	<u>-</u>	<u>-</u>
At 30 September 2015	2	2
	<u>2</u>	<u>2</u>
Depreciation charge for the period	-	-
	<u>-</u>	<u>-</u>
At 30 September 2016	-	-
	<u>-</u>	<u>-</u>
Carrying amount		
At 30 September 2016	1	1
At 30 September 2015	1	1
At 30 September 2014	1	1
	<u>1</u>	<u>1</u>

REACT Group Plc

Notes to the Financial Statements
For the year ended 30 September 2016

11. undertakings	Investment	in	subsidiary
Company			
			£'000
Cost			
At 1 October 2014			-
Additions			1,560
			<hr/>
At 30 September 2015			1,560
Additions			10
At 30 September 2016			1,570
			<hr/> <hr/>
Impairment			
At 1 October 2014			-
Impairment charge for the period			-
			<hr/>
At 30 September 2015			-
Impairment charge for the period			10
			<hr/>
At 30 September 2016			10
			<hr/> <hr/>
Carrying amount			
At 30 September 2016			1,560
At 30 September 2015			1,560
			<hr/> <hr/>

As at 30 September 2016, the company held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	of	Proportion of equity interest of ordinary shares
REACT SC Holdings Limited	Holding company	United Kingdom		100%
REACT Specialist Cleaning Limited (held indirectly by REACT SC Holdings Limited)	Specialist cleaning & decontamination services to the public sector	United Kingdom		100%
REACT Occupational Health Services Limited	Remediation activities and other waste management services	United Kingdom		100%
REACT Environmental Services Limited	Treatment and disposal of non-hazardous waste	United Kingdom		100%
EPUK Limited	Specialised cleaning services	United Kingdom		100%

REACT Group Plc

Notes to the Financial Statements
For the year ended 30 September 2016

12. Reverse acquisition accounting**Reverse acquisition of REACT SC Holdings Limited and its subsidiary REACT Specialist Cleaning Limited**

On 17 August 2015, the parent company REACT Group Plc acquired the entire share capital of REACT SC Holdings Limited and its subsidiary REACT Specialist Cleaning Limited by way of a share for share exchange.

On 17 August 2015, REACT Group Plc issued 92,857,142 shares for each of the £0.50 shares of REACT SC Holdings Limited. All of the REACT SC Holdings Limited shareholders exchanged their shares for shares in REACT Group Plc. The 92,857,142 shares issued were issued at £0.0168 giving an investment of £1,560,000.

The legal subsidiary, REACT SC Holdings Limited, was treated as the accounting acquirer and the legal parent company, REACT Group Plc, was treated as the accounting subsidiary. The difference in fair value of the shares deemed to have been issued by REACT SC Limited and the fair value of REACT Group Plc identifiable net assets represents a payment for a service of a stock exchange listing for its shares has been charge to the Statement of Comprehensive Income as a share-based payment of £754,030.

The reverse acquisition reserve represents the balance that arose from the reverse takeover acquisition on 17 August 2015. The balance of £5,726,310 is made up as follows:

Account	£'000
REACT SC Holdings Limited share capital	125
REACT Specialist Cleaning Limited share capital	1,500
Accumulated loss of REACT Group Plc up to 17 August 2015	(6,420)
Investment	(1,560)
REACT SC Holdings Limited investment	(125)
Deemed share-based payment	754
	<hr/>
Reverse acquisition reserve	(5,726)
	<hr/> <hr/>

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****13. Trade and other Receivables****Current**

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade receivables	513	572	-	-
Amounts owed by group undertakings	-	-	618	160
Unpaid share capital	-	29	-	29
Other receivables	143	8	7	48
Prepayments and accrued income	132	155	3	3
	<hr/>	<hr/>	<hr/>	<hr/>
	788	764	628	240
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. Cash and Cash Equivalents

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash and bank balances	931	1,839	905	1,778
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****15. Called Up Share Capital**

	2016	2015
£'000	£'000	
Issued share capital comprises:		
Ordinary shares of 0.25p - 275,407,753	689	689
	<u>689</u>	<u>689</u>

The ordinary shares are non-redeemable and provide holders with one vote per share on a vote at a company meeting. They also provide one equal right per share in any ordinary dividend declared and one equal right per share in the distribution of any surplus due to the ordinary shareholders on a winding up.

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****16. Trade and other payables**

Current:	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade payables	131	314	-	3
- Accrued expenses	142	399	93	297
- Other payables	-	179	-	-
- Social security and other taxes	79	32	-	-
-	<u>352</u>	<u>924</u>	<u>93</u>	<u>300</u>

17 Deferred Tax

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

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20%, the movement on the deferred tax liability is as shown below:

Group	2016 £'000	2015 £'000
At start of period	20	-
Deferred tax on capital allowance timing difference	1	20
At 30 September	<u>21</u>	<u>20</u>

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

REACT Group Plc

**Notes to the Financial Statements
For the year ended 30 September 2016**

18. Related Party Disclosures

Group

During the period to 30 September 2016 the group was charged £7,778 (2015: £2,500) by Iridian Consulting Services Limited for director services provided by S Foster. At the period end, the group owed £nil (2015: £1,667) to Iridian Consulting Services Limited, a company controlled by S Foster.

During the period to 30 September 2016 the group was charged £30,000 (2015: £5,000) by Morrison Kingsley Consultants Limited for director services provided by M Collingbourne. At the period end, the group owed £2,500 (2015: £2,500) to Morrison Kingsley Consultant Limited, a company controlled by M Collingbourne.

During the period to 30 September 2016 the group was charged £30,000 (2015: £3,654) by Autoclenz Limited for director services provided by G Rummery.

During the period to 30 September 2016 the group was charged £8,333.36 (2015: £nil) by RSW advisory services LLP for director services provided by S Woolley.

Included within acquisition and admission costs for the period is £nil (2015: £120,753) invoice by Autoclenz Limited in respect of recharge of their acquisition and admission costs to be borne by the group. At the period end, the group owed £nil (2015: £123,000) to Autoclenz Limited, a company in which G Rummery is also a director.

Company only

During the period to 30 September 2016 the group was charged £7,778 (2015: £20,000) by Iridian Consulting Services Limited for director services provided by S Foster. At the period end, the group owed £nil (2015: £1,667) to Iridian Consulting Services Limited, a company controlled by S Foster.

During the period to 30 September 2016 the group was charged £30,000 (2015: £5,000) by Morrison Kingsley Consultants Limited for director services provided by M Collingbourne. At the period end, the group owed £2,500 (2015: £2,500) to Morrison Kingsley Consultant Limited, a company controlled by M Collingbourne.

During the period to 30 September 2016 the group was charged £30,000 (2015: £3,654) by Autoclenz Limited for director services provided by G Rummery.

During the period to 30 September 2016 the company was charged £8,333.36 (2015: £nil) by RSW advisory services LLP for director services provided by S Woolley.

During the year to 30 September 2015 the company was charged £nil (2015: £18,667) by Reyco Limited for director services and consultancy fees provided by A Reynolds, respectively.

19. Ultimate Controlling Party

No one shareholder has control of the company.

REACT Group Plc

**Notes to the Financial Statements
For the year ended 30 September 2016**

20. Warrants

On 14 August 2015 the company cancelled the existing warrants which had been issued to GM Leates and on 17 August 2015 the company issued warrants to GM Leates to subscribe for 2,380,000 new ordinary shares in the company exercisable at a price of 1.68p per £0.0025 ordinary share, exercisable after 12 months. The warrants have a 10 year exercise period ending on 17 August 2025, and lapse in the event that GM Leates ceases to be Chairman of the company.

On 17 August 2015, the existing warrants in issue were consolidated in the ratio of 25:1 as part of the share reorganisation.

No warrants were exercised in the period.

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

	Number of warrants 2016 No.	Weighted average remaining contractual life	Average exercise price 2016 £
Outstanding at 30 September 2015	2,580,000	9.28	0.1938
Outstanding at 30 September 2016	2,580,000	8.28	0.1938
Exerciseable at 30 September 2016	200,000	0.75	0.0200

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

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

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

£11,875 (2015: £nil) has been recognised during the period for the share based payments over the vesting period.

21 Options

The company had introduced a share option programme to grant share options as an incentive for employees.

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

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

	Number of options		Average exercise price	
	2016 No.	2015 No.	2016 £	2015 £
Outstanding at the beginning of the period	-	-	-	-
- Granted during the year	16,524,564	-	0.0168	-
- Forfeited/cancelled during the year	-	-	-	-
-	-	-	-	-
Outstanding at the end of the period	16,524,564	-	0.0168	-

The Option shall vest in full and be capable of exercise (subject to clause 3.1 above) upon the average mid-market closing price per ordinary share of 0.25p each in the capital of the Company (as derived from the AIM Appendix of the Daily Official List and as certified in writing by the Company's stockbrokers) exceeding 2.5p for 30 consecutive business days.

£10,209 (2015: £nil) has been recognised during the period for the share based payments over the vesting period.

REACT Group Plc**Notes to the Financial Statements
For the year ended 30 September 2016****22. Financial Risk Management Objectives and Policies**

The group's financial instruments comprise cash balances and receivables and payables that arise directly from its operations.

The main risks the group faces are liquidity risk, capital risk and foreign currency risk.

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

Interest risk

The group is not exposed to significant interest rate risk as it has limited interest bearing liabilities at the period end.

Credit risk

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

Liquidity risk

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

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

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

Capital risk

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

23. Post Balance Sheet Events

Simon Woolley, a non-executive director has tendered his resignation and will leave the board on 25 April 2017

24. Discontinued Operations

On 26 April 2016, the company acquired 100% of EPUK, a company specialised in cleaning services. The initial consideration for the acquisition was £10,000 and there was a contingent deferred consideration of up to £150,000 which was dependent on liabilities acquired. The deferred consideration was ascribed a nil value at acquisition as payment was not expected to be more. React Group Plc decided to discontinue operations for the subsidiary in the period.

Goodwill of £25,000 arose on the acquisition:

£'000
£'000

Fair value consideration at 26 April 2016

Cash		10

Total fair value of consideration		10

Fixed assets	5	
Current assets	26	
Current liabilities	(46)	(15)

Goodwill		25

24. Discontinued Operations (continued)

	Period since acquisition £'000	Period to 26 April 2016 pre-acquisition £'000	18 months to 30 September 2016 £'000
Operating cashflows	(106)	(113)	(219)
	_____	_____	_____
	(106)	(113)	(219)
	_____	_____	_____

	Period since acquisition £'000	Period to 26 April 2016 pre-acquisition £'000	18 months to 30 September 2016 £'000
Revenue	45	208	253
Expenses	(161)	(416)	(577)
	_____	_____	_____
Loss before tax of discontinued operations	(116)	(208)	(324)
Tax	-	-	-
	_____	_____	_____
Loss after tax of discontinued operations	(116)	(208)	(324)
Impairment of goodwill	(25)	_____	_____
	_____	_____	_____
	(141)		

	As at 26 April 2016 pre-acquisition £'000	As at 30 September 2016 £'000

Fixed assets	5	27
Current assets	26	55
	_____	_____
Total	31	82
Current Liabilities	(46)	(223)
	_____	_____
Net Liabilities	(15)	(141)
	_____	_____
	_____	_____
Share capital and retained loss	(15)	(141)
	_____	_____

A copy of this announcement is available from the Company Secretary at the Company's registered office and on the Company's website www.reactplc.co.uk

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