

**Report of the Directors and  
Financial Statements for the year ended 30 September 2021**

**For**

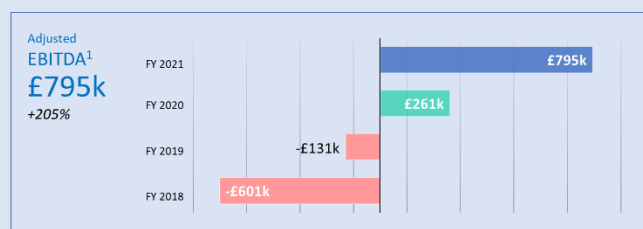
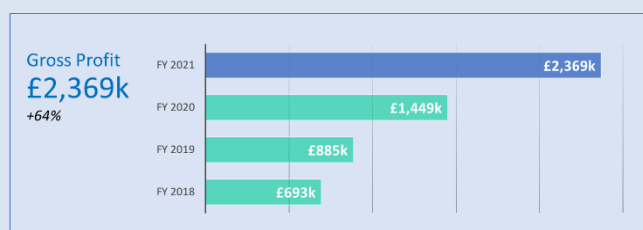
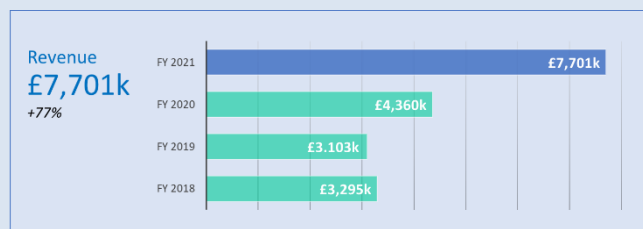
**REACT Group PLC**

**Company Number: 05454010**

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FINANCIAL HIGHLIGHTS



Statutory Results	FY21 £'000	FY20 £'000
Operating profit	114	211
Profit after tax	389	188
Basic EPS	0.08p	0.04p
Adjusted EPS	0.08p	0.06p

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

# REACT Group PLC

## Introduction

REACT Group is a leader in the specialist cleaning, decontamination, and hygiene sector, including both contracted commercial cleaning and specialist emergency decontamination work.

Our primary objective is to rapidly maintain and/or return our customers' property to safe, clean, operational use and do this through regular specialist cleaning and/or emergency response to potentially harmful incidents.

The core business includes regular cleaning regimes in the health service, the education sector, 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; and specialist ad hoc work such as dealing with void clearances, fly tipping, pigeon guano clearance, and graffiti.

As a genuine specialist, REACT operates across a fragmented market where quality, geographical reach and range of service is often a challenge.

REACT's emergency call out business 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 school classroom, occupy any form of commercial or socially important 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 value of our portfolio of services to our customers and thereby further strengthen the financial model of our business by maintaining strong margins and improving the long-term recurring nature of our income.

# REACT Group PLC

## Executive Chairman's Statement For the year ended 30 September 2021

I am delighted to report strong progress in the year to 30<sup>th</sup> September 2021, the third trading year successfully reported by this management team, the second full year since the business was restructured and the first year in which it made its maiden acquisition, that of Fidelis Contract Services Ltd (Fidelis).

The Board of the REACT Group is pleased to report that the Group has delivered significant growth in the period under review, both organically and as a result of the acquisition of Fidelis, thereby continuing to deliver material improvements in operational performance and profit contribution.

The acquisition of Fidelis in March 2021 has created a step-change in the make-up of the Group's business, augmenting the unique strengths of REACT's emergency cleaning and decontamination services with greater capability in contract cleaning and facilities management, especially in resilient markets such as education and healthcare. As a result, the Group has materially strengthened its financial operating model through the addition of a rich seam of long-term contracted recurring revenues.

Details of the Group's performance is set out in reviews by the Chief Executive and the Chief Financial Officer.

For the year ended 30 September 2021 (FY 21), Adjusted EBITDA<sup>1</sup> on a consistent accounting basis was £795,000, up +205% on the prior year, (2020: £261,000), on sales revenue of £7.70 million, up +77% on the prior year (2019: £4.36 million).

The Group performance represents strong like-for-like organic growth enhanced by the acquisition of Fidelis in March 2021, which contributed to the second half of the financial year.

COVID-19 impacted the business throughout the period providing both opportunities and challenges for the management team. The Group delivered a high quality, rapid response to customer demands, whilst at the same time redeployed resources from sectors where activity levels declined due to the changing nature of the economy and the government restrictions put in place. COVID-19 specific business generated a relatively small proportion of the revenue in the period and replaced some of the revenue lost due to the decline in some of our customers' requirements.

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

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

31 January 2022

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

# REACT Group PLC

## Chief Executive Officer's Report and Strategic Review

I am pleased to report excellent progress in FY21, the third year of turnaround for the business and the second year in which it has been a privilege to be the CEO.

REACT Group has delivered significant growth, both organically and as a result of the acquisition of Fidelis, whilst continuing to deliver material improvements in operational performance and profit contribution.

Having successfully rebuilt and established the emergency response business within REACT to deliver in-demand services, growth and profit, we have set out to improve the quality and resilience of the Group's financial model.

We have made good progress in the reported period; alongside the award of new recurring revenue contracts the acquisition of Fidelis has added a number of long-term contracted business. Furthermore, we have successfully integrated two businesses servicing similar markets with different models and customers who often have a need for the services provided by both these businesses. As a result, the REACT Group provides a unique offering; one that combines the professional maintenance of cleaning and hygiene standards in important sectors of our economy with one that can rapidly respond to often distressing and hazardous situations that require an emergency response, anywhere in mainland Great Britain.

COVID-19 has brought both opportunities and challenges to the REACT Group. REACT has continued to be well placed to advise and respond to customer requirements to decontaminate their property from SARS-CoV-2, the virus that causes COVID-19.

Whilst at times, especially in the first half of the financial year, COVID-19 decontaminations surged, some of our other call-out work shrank as facilities in some sectors were quieter than normal as a result of disruption caused by lockdowns and other COVID-19 restrictions. Much of the work we carry out in the judiciary and policing sector; cleaning cells and transport vehicles, was suspended during periods over the course of the year, as too was much of our work with housing associations.

Although the Group 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, the Group won a small number of material contracts, all of which were announced via RNS. We also expanded our services with existing customers, winning a number of smaller projects, none of which alone were material enough to formally announce, however all contributed to this period of success.

We were pleased to announce, on 26 April 2021, the award of a 3-year contract with one of the world's leading FM firms, which was already an existing customer, to supply a full range of reactive cleaning and decontamination services. We noted that it would take time for this contract to reach maturity as local and regional suppliers would need to transition from their current suppliers to REACT as 'core vendor'. This transition has taken some time but we've been pleased to see a commitment from senior personnel at the FM firm to supporting the migration from local suppliers to REACT and we have gained traction in this regard. Due to the reactive nature of the work under this contract it is difficult to predict with any certainty the levels and timing of revenues but we have seen some increases in revenues since commencing providing services under this agreement, albeit with some impact from the disruption caused by the Omicron variant of COVID-19 and the seasonal slow-down over the Christmas and New Year period.

It has also been pleasing to see the Group announcing a number of contract wins post period end the most significant of which was a material new long-term contract with The ExtraCare Charitable Trust, a leading not-for-profit developer and operator of housing for the over 55s and an existing customer of the business. Through the Fidelis division of REACT, the Group will provide a range of facility management services across multiple sites, including contract cleaning, grounds maintenance, window cleaning and pest control.

We have established a number of strong 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.

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

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.

### 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.

Whilst we actively pursue opportunities across each sector of our business, we continue to focus on enhancing our financial operating model by securing recurring revenue from contracted relationships.

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 co-exist.

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 finite number of customers, however the mix continues to improve and as a result, we have continued to reduce this dependency.

A combination of focusing on strategically valuable customers and the acquisition of Fidelis has grown the active customer base from 129 at the end of FY20 to 213 at the end of FY21.

Expanding our reach and contracted business with existing customers is a key part of our strategy. We have been successful in 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 to which we provide services, including our appointment as the 'core vendor' to one of the world's largest FM companies.

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

#### *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 previously restructured and refocused the business we made a small number of targeted hires.

We have successfully integrated the management team from Fidelis into the overall operating strategy for the Group, this has provided a larger platform from which we are evolving and in some cases expanding key roles in the business 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.

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

### *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. We have put measures in place to ensure that our recruitment practices, vetting and verification of the right to work in the UK, are stringent and to ensure the Group remains compliant with all relevant legislation. The Group will continue to monitor the diversity of its workforce with the continuing aim for it to be reflective of the ethnic diversity of regions it operates in.

### *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.

### **Key Performance Indicators (KPIs)**

*Financial:* The key financial indicators are as follows:

	2021	2020
Revenue	£7.70m	£4.36m
Gross margin	30.8%	33.2%
Profit from continuing operations before acquisition and restructuring costs	£806,000	£188,000
Acquisition and restructuring costs	£417,000	-
Profit from continuing operations after acquisition and restructuring costs	£389,000	£188,000
Cash and cash equivalents	£633,000	£1,783,000

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

The Group reports three main areas of business; the first two are Contract Maintenance, where the Company delivers regular cleaning regimes, (such as in the healthcare, education and public transport sectors) and; Contract Reactive, where the Company 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.73% of revenue for the year.

The third area is Ad Hoc, where REACT provides a solution to 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.

During this period we saw the greatest growth coming from both contract maintenance and ad hoc business. Contract maintenance represents strong recurring revenue and income streams from typically long-term high value contracts. This is a key area of strategic growth for the Group and one in which we continue to focus to drive long-term value and resilience in our financial operating model.

Ad hoc business also grew, in part due to COVID-19 decontaminations, especially in the first half of the year. Ad hoc business generates higher margins due to the often urgent and distressed nature of the work, however by its very nature, is non-recurring.

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

Contract reactive business was impacted by lockdown restrictions and changes in the use and logistics of some of the sectors in which we work. None has been more affected than the judiciary, where physical court appearances and movements of those in custody has been limited through the use of video technology.

Margins at a customer level in each segment of the business remained broadly similar to the prior year, however the blend changed as we increased revenues in contract maintenance and ad hoc business at the expense of the contract reactive business. The acquisition of Fidelis at the end of March 2021, introduced incremental high-value, long-term cleaning maintenance and facilities management contracts on slightly lower margins. Therefore, the overall blended margin has, as expected, reduced slightly in return for greater growth and higher value recurring revenue streams.

*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 a small number of post-period contract awards announced, some of which are material in value. There also remain opportunities for growth from within in the contracts awarded last year, where they have yet to reach expected maturity, including the large 3-year 'core vendor' award made to REACT by one of the world's largest FM companies.

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. We believe the Group is well placed to deliver another exciting year of growth.

I would like to thank our customers for their continued support and confidence in the Group to deliver the services they need, when and where they are needed.

Finally, and on behalf of the Board, I wish to thank all of my colleagues across the Group, including our new colleagues from Fidelis, for their dedication, hard work and tenacity in a year that continued to be overshadowed by the pandemic. Our performance as a team is a reflection of their commitment and talent. I very much look forward to working with them in 2022 and beyond.



**Shaun D Doak**  
Chief Executive Officer  
31 January 2022



# REACT Group PLC

## Chief Financial Officer's Report

### Revenue and profitability

Revenue for year ended 30 September 2021 was £7.7m, +77% up on the prior year (2020: £4.36m). These figures include 6 months' results from Fidelis following its acquisition at the end of March 2021. Taking into account the performance of both trading companies for the full prior year period, this represents like-for-like organic growth of approximately +20%.

These revenues generated a gross profit contribution of £2.4m, up +64% on the prior year (2020: £1.5m), representing a like-for-like organic growth in gross profit of approximately 21%.

The financial statements are prepared according to the accounting standards and regulations that apply to the Group. Some additional measures are also included that are not defined by International Financial Reporting Standards (IFRS). The directors believe that these measures, together with comparable IFRS measures provide additional meaningful information for communicating the year-on-year underlying performance of the Group. Non-IFRS measures should not be considered as a substitute for the financial information presented in compliance with IFRS.

Adjusted EBITDA on a consistent accounting basis was £795,000, up +205% on the prior year (2020: £261,000). Adjusted EBITDA is a non-IFRS measure and means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs. The directors believe that adjusted EBITDA and adjusted measures of earnings per share provide shareholders with a meaningful representation of the underlying earnings arising from the Group's core business.

### Reconciliation of Profit before Tax to Adjusted EBITDA

	2021 £'000	2020 £'000
Profit before Interest and Tax	114	188
Depreciation & Amortisation	264	23
EBITDA	<u>378</u>	<u>261</u>
Acquisition costs	323	-
Restructuring costs	94	-
Adjusted EBITDA	<u><u>795</u></u>	<u><u>261</u></u>

### Cash flow

The Group's financial position and underlying cash generation remained positive during the year with net cash at the year end of £633,000 (2021: £1.78 million), with the main factor in the reduction of cash balances being the payment of both the initial consideration and transaction costs of the Fidelis acquisition. The terms of the Fidelis acquisition include the payment of deferred consideration amounts subject to certain financial performance hurdles being met. The first deferred consideration amounting to approximately £500,000 was paid post period end from the Group's cash reserves.

Fidelis had negotiated a CBIL loan prior to the acquisition and as at 30 September 2021, the remaining balance of this loan was £67,000. Since April 2020, REACT has had an invoice discounting facility in place and this facility provides flexibility for the Group to deal with normal business working capital fluctuations. The Group also took advantage of the Government's COVID-19 initiative permitting the deferral of VAT payments.

Based on the trading outlook for the next 12 months, it is not anticipated that any further funding will be required. However, the Board will continue to regularly monitor the Group's performance and its overall cash position.

# REACT Group PLC

## Chief Financial Officer's Report (continued)

### Taxation

The Group has reported a taxable profit for the second consecutive year and given the ongoing positive trading outlook, has confidence that there will be sufficient future taxable profits in the foreseeable future to utilise its historic tax losses. It has decided to recognise a deferred tax asset of £0.2m (2020: £0.4m - unrecognised).

### Statement of financial position

The Group's balance sheet has strengthened with net assets at the year end of £2,788,000 (2020: £2,191,000). The net assets of Fidelis at the point of acquisition totalled £480,000.



**Andrea Pankhurst**  
Chief Financial Officer  
31 January 2022

# REACT Group PLC

## 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).

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 and both are considered by the Board to be independent. 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. Shaun Doak and Andrea Pankhurst continued as CEO and CFO respectively throughout the year, as well as fulfilling roles as directors of both trading companies.

### 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 periodic restrictions due to COVID-19, and are provided with contact details for the Company on all announcements made via RNS.

The Company provides shareholders with direct access to the Annual General Meeting and live investor presentations via the Investor Meet Company, a digital platform that provides free, direct access to each event.

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 Group is a leader in the specialist cleaning, decontamination, and hygiene sector, including both contracted commercial cleaning and specialist emergency decontamination work.

Our purpose is to rapidly maintain and/or return our customers' property to safe, clean, operational use and do this through regular specialist cleaning and/or emergency response to potentially harmful incidents.

The core business includes regular cleaning regimes in the health service, the education sector, 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; and specialist ad hoc work such as dealing with void clearances, fly tipping, pigeon guano clearance, and graffiti.

As a genuine specialist, REACT operates across a fragmented market where quality, geographical reach and range of service is often a challenge.

## Corporate Governance Statement (continued)

REACT's emergency call out business 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 school classroom, occupy any form of commercial or socially important 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 value of our portfolio of services to our customers and thereby further strengthen the financial model of our business by maintaining strong margins and improving the long-term recurring nature of our income.

### **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 provides shareholders with direct access to the Annual General Meeting and live investor presentations via the Investor Meet Company, a digital platform that provides free, direct access to each event. 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.

Allenby Capital Limited has fulfilled the combined role of Nominated Adviser and Broker throughout the year.

### **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.

## Corporate Governance Statement (continued)

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

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

#### ***Dependence on key customers***

As detailed in the Strategic Report, a significant proportion of the Group’s sales has historically been derived from a relatively small number of customers.

A combination of focusing on strategically valuable customers and the acquisition of Fidelis has grown the active customer base from 129 at the end of FY20 to 213 at the end of FY21.

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 have also succeeded in expanding our contracted business with several of the large FM companies we provide services to, including our appointment as the ‘core vendor’ to one of the world’s largest FM companies.

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

#### ***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. We continue to review our employee value proposition at all levels in the Company, aiming to be a destination employer in our sector.

As part of this process, we continue to improve communication and collaboration amongst our colleagues, alongside a structured approach to employee training and development refined according to both personal and business requirements.

Appropriate key performance indicators (KPIs) are used for the benefit of both customer service and employee development.

#### ***Future funding requirements***

The Group is reporting its second annual trading profit in the year ended 30 September 2021. It has funded the costs of the Fidelis acquisition from its own cash reserves and these transactions are the main factor in the reduction of cash balance to £0.63m (2020: £1.78m). Fidelis had negotiated a CBIL loan prior to the acquisition and at the year end, the remaining balance of this loan was £67,000. Since April 2020, REACT has had an invoice discounting facility in place and this facility provides flexibility for the Group to deal with normal business working capital fluctuations. Based on the trading outlook for the next 12 months, it is not anticipated that any further funding will be required. However, the Board will continue to regularly monitor the Group’s performance and its overall cash position.

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 primarily 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 exposed to interest risk in relation to its Invoice Discounting Facility. Its CBIL loan of £67,000 at 30<sup>th</sup> September 2021 is currently interest-free. The plan is to repay this loan during the interest-free period.

## Corporate Governance Statement (continued)

### ***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.

### ***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 in place experienced, well trained resources updating and implementing policies and practices aimed at ensuring the well-being of its employees.

### **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 2021, the Board continued to benefit 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. 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. Shaun Doak and Andrea Pankhurst continued as CEO and CFO respectively throughout the year.

Details of the individual Directors and their biographies are set out on the Company's website [www.reactplc.co.uk](http://www.reactplc.co.uk). The Directors evaluate the balance of skills, knowledge and experience on the Board when defining the role and capabilities required for new appointments.

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

During the year ended 30 September 2021 the Board held 8 scheduled meetings. The primary duty of the Board is to act in the best interests of the Company, its shareholders and its stakeholders 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 Mark Braund, Executive Chairman.

## Corporate Governance Statement (continued)

### ***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 Mark Braund, 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 Mark Braund, 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.

### **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. The Board as a whole is mindful of the need for considering succession planning.

The Directors have a wide knowledge of the business and requirements of Directors’ fiduciary duties. Further training and development will be considered as the business and Board evolves.

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.

### **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.

## Corporate Governance Statement (continued)

The Board 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 continuously improving and evolving its corporate governance framework. The 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  
31 January 2022



# REACT Group PLC

## Directors' Report For the year ended 30 September 2021

The Directors present their report and the audited financial statements of the Group for the year to 30 September 2021.

### PRINCIPAL ACTIVITY

The principal activity of the Group continued to be the provision of specialist cleaning, decontamination and hygiene services, including both contracted commercial cleaning and specialist emergency decontamination work.

### 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 (page 3) and the Chief Executive Officer's Report and Strategic Review (pages 4 -7) and the Chief Financial Officer's Report (pages 8-9). No dividend is payable in respect of the year (2020: £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  
A E Pankhurst  
M A Braund (appointed 4 December 2020)

Details of Directors' remuneration is set out in Note 5 to the accounts.

The Directors of the Group (at 30 September 2021) held the following beneficial interests in the shares, share options and share warrants of REACT Group PLC at 30 September 2021.

	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
M A Braund	774,255	0.15%	19,939,537	£0.0030	8,500,000	£0.0025
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
R J Gilbert	740,185	0.15%	-	-	830,814	£0.0030
M R S Joyce	3,850,000	0.76%	-	-	830,814	£0.0030

Since the year end, there have been no changes to either the Directors on the Board or these beneficial interests and as at 31 January 2022, the holdings remain the same as shown above.

# REACT Group PLC

## Directors' Report

### For the year ended 30 September 2021 (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.

#### SIGNIFICANT SHAREHOLDINGS

Significant shareholdings as at 30 September 2021 and 26 January 2022 were as follows:

	<i><b>30 September 2021</b></i>	<i><b>26 January 2022</b></i>
Octopus Investments Nominees Limited	16.82%	16.82%
Helium Rising Stars Fund	15.85%	15.85%
Premier Miton Group PLC	7.95%	7.95%
Mr J Whitmore	5.19%	5.19%
Mr G Stavrinidis	3.26%	3.26%

#### FINANCIAL INSTRUMENTS

The Group's exposure to financial risk is set out in note 24 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

The Group was awarded a significant new contract long-term contract with The ExtraCare Charitable Trust, a leading not-for-profit developer an operator of housing for the over 55s. The company is an existing customer of the Group and the new contract is worth a minimum of £1.0m per year over the 5 year contract period.

#### 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 2021 (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

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.



On behalf of the Board  
**Andrea Pankhurst**  
31 January 2022

## Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2021

### 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 2021 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 UK adopted international accounting standards.

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our approach to the 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.

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 four 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, Fidelis Contract Services Ltd 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 four reporting units, with all four based in the United Kingdom.

**Independent Auditor's Report to The Members of REACT Group PLC  
For the year ended 30 September 2021 (continued)**

**Our approach to the audit (continued)**

**Key audit matters**

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

<b>Key audit matters</b>	<b>How our scope addressed this matter</b>
<p><b>Possible impairment of investments and goodwill</b></p> <p>In 2018 the Directors considered the value of purchased goodwill and investments and found it prudent to write down purchased goodwill and the investment in subsidiary undertakings to £174,000.</p> <p>At 30 September 2021 a further review was undertaken of both this figure and the balances relating to Fidelis and management judged that no additional impairment was required.</p>	<p>We carried out a review of the investments held in the subsidiaries and the goodwill carried in the financial statements.</p> <p>We reviewed management's impairment workings provided and audited the assumptions used.</p> <p>We consider management's approach to be reasonable.</p>
<p><b>Recoverability of trade receivables</b></p> <p>At year end the Group had trade receivables outstanding of £1,702,000 (2020: £989,000).</p> <p>Management have taken the view that a bad debt provision of £5,000 (2020: £42,000), will be adequate.</p> <p>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.</p>	<p>We have reviewed old debts and discussed with management as to why they remain uncollected.</p> <p>We have vouched a sample of post year end receipts to ascertain how much of the year end trade receivable balance has been recovered post year end.</p> <p>We have reviewed management's methodology for calculating the bad debt provision and assessed the reasonableness of this calculation.</p>
<p><b>Management override</b></p> <p>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.</p>	<p>We performed detailed review and documentation of month and year end procedures.</p> <p>A sample of material journals posted during the period has been reviewed to ensure that they appear accurate and appropriate and have been appropriately authorised.</p> <p>Management's methodology for calculating accounting estimates has been documented and assessed for reasonableness.</p>

**Independent Auditor’s Report to The Members of REACT Group PLC  
For the year ended 30 September 2021 (continued)**

Key audit matters	How our scope addressed this matter
<p><b>Revenue recognition</b></p> <p>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.</p>	<p>We have assessed the Group’s revenue accounting policy to ensure revenue is recognised at the point when the satisfaction of performance obligations is fulfilled.</p> <p>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.</p> <p>We have specifically tested the completeness of revenue, tracing a sample of customer orders to invoice.</p>

**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	£105,000 (30 September 2020: £44,000).	£65,000 (30 September 2020: £32,000).
How we determined it	Based on 1% of annualised revenue	Based on 2% 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 £44,000 and £65,000. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5,250 (Group audit) (30 September 2020: £2,200) and £3,100 (Company audit) (30 September 2020: £1,600) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### **Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2021 (continued)**

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

To evaluate the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting, we completed the following audit procedures:

- obtained an understanding of the relevant controls relating to the Group's budgeting and forecasting process;
- challenged the key assumptions underpinning the Group's forecasts; and
- assessed the sufficiency of the Group's disclosure concerning the adopting of the going concern basis of accounting.

The Directors' forecasts demonstrate that the Group can continue to trade for a period of at least 12 months from the date of approval of the financial statements.

We have reviewed the disclosures prepared by the Directors set out on page 34 and consider them to be appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2021 (continued)

### Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 17, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group through discussions with directors and other management, and from our commercial knowledge and experience of the specialist cleaning sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group, including the financial reporting legislation, Companies Act 2006, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and



### Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2021 (continued)

#### Auditor's responsibilities for the audit of the financial statements (continued)

- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### 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.



#### Andrew Morris FCA (Senior Statutory Auditor)

For and on behalf of Dains LLP, Statutory Auditor and Chartered Accountants  
Birmingham

31 January 2022

# REACT Group PLC

## Consolidated Statement of Comprehensive Income For the year ended 30 September 2021

	Notes	2021 £'000	2020 £'000
<b>Continuing Operations</b>			
Revenue		7,701	4,360
Cost of sales		(5,332)	(2,911)
Gross profit		<u>2,369</u>	<u>1,449</u>
Other operating income		19	70
Administrative expenses	6	(2,274)	(1,308)
<i>Acquisition and restructuring costs included in administrative expenses</i>	6	(417)	-
<b>Operating profit</b>		<u>114</u>	<u>211</u>
Finance income/(cost)	7	16	(23)
Corporation tax credit	8	259	-
<b>Profit for the year</b>		<u>389</u>	<u>188</u>
Other comprehensive Income		-	-
<b>Total comprehensive profit for the year attributable to the equity holders of the company</b>		<u><u>389</u></u>	<u><u>188</u></u>
<b>Basic and diluted earnings per share - pence</b>	9		
Basic earnings per share		<u>0.08p</u>	<u>0.04p</u>
Diluted earnings per share		<u>0.07p</u>	<u>0.04p</u>
Adjusted basic earnings per share		<u>0.08p</u>	<u>0.06p</u>
Adjusted diluted earnings per share		<u>0.07p</u>	<u>0.05p</u>

The notes on pages 34 to 56 form part of these financial statements

# REACT Group PLC

## Consolidated Statement of Financial Position As at 30 September 2021

	Notes	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets – Goodwill	11	1,940	174
Intangible assets – Other	11	1,028	-
Property, plant & equipment	12	176	85
Right-of-use assets	12	95	27
Deferred tax asset	19	244	-
		<u>3,483</u>	<u>286</u>
<b>Current assets</b>			
Stock		12	-
Trade and other receivables	14	2,099	1,089
Cash and cash equivalents	16	633	1,783
		<u>2,744</u>	<u>2,872</u>
<b>TOTAL ASSETS</b>		<u><b>6,227</b></u>	<u><b>3,158</b></u>
<b>EQUITY</b>			
<b>Shareholders' Equity</b>			
Called-up equity share capital	17	1,270	1,246
Share premium account		6,028	5,852
Reverse acquisition reserve		(5,726)	(5,726)
Capital redemption reserve		3,337	3,337
Merger relief reserve		1,328	1,328
Share-based payments		23	15
Accumulated deficit		(3,472)	(3,861)
<b>Total Equity</b>		<u><b>2,788</b></u>	<u><b>2,191</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,598	924
Lease liabilities within one year		54	13
Corporation tax		80	-
		<u>2,732</u>	<u>937</u>
<b>Non-current liabilities</b>			
Lease liabilities after one year	18	49	30
Other creditors - Deferred consideration		658	-
		<u>707</u>	<u>30</u>
<b>TOTAL LIABILITIES</b>		<u><b>3,439</b></u>	<u><b>967</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u><b>6,227</b></u></u>	<u><u><b>3,158</b></u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 31 January 2022 and were signed on its behalf by:



**Andrea Pankhurst**  
Director

Company Registration no. 05454010

The notes on pages 34 to 56 form part of these financial statements.

## REACT Group PLC

### Consolidated Statement of Changes in Equity For the year ended 30 September 2021

	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 2019	1,039	4,926	1,328	3,337	(5,726)	12	(4,038)	878
Issue of shares	207	926	-	-	-	-	-	-
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
Issue of shares	24	176	-	-	-	-	-	200
Share-based payments	-	-	-	-	-	8	-	8
Effect of adoption of IFRS16	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	389	389
At 30 September 2021	1,270	6,028	1,328	3,337	(5,726)	23	(3,472)	2,788

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 34 to 56 form part of these financial statement**

# REACT Group PLC

## Consolidated Statement of Cash Flows For the year ended 30 September 2021

	Notes	2021 £'000	2020 £'000
<b>Cash flows from operating activities</b>			
Cash generated by operations	1	432	281
Net cash inflow from operating activities		<u>432</u>	<u>281</u>
<b>Cash flows from financing activities</b>			
Proceeds of share issue		200	1,246
Expenses of share issue		-	(113)
Lease liability payments		(39)	(29)
CBIL Loan		67	-
Net cash inflow from financing activities		<u>228</u>	<u>1,104</u>
<b>Cash flows from investing activities</b>			
Disposal of fixed assets		6	2
Capital expenditure		(71)	(44)
Acquisition of subsidiary		(1,930)	-
Exceptional acquisition costs paid		(200)	-
Net cash outflow from investing activities		<u>(2,195)</u>	<u>(42)</u>
<b>(Decrease)/Increase in cash, cash equivalents and overdrafts</b>		<b>(1,535)</b>	<b>1,343</b>
<b>Cash, cash equivalents and overdrafts at beginning of year</b>		<b>1,783</b>	<b>440</b>
Cash on acquisition of subsidiaries		385	-
<b>Cash, cash equivalents and overdrafts at end of year</b>	2	<u><u>633</u></u>	<u><u>1,783</u></u>

# REACT Group PLC

## Notes to the Consolidated Statement of Cash Flows For the year ended 30 September 2021

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

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Profit before taxation	389	188
(Increase) in stocks	(12)	-
Increase in trade and other receivables	(1,010)	(371)
Increase in trade and other payables	655	389
Depreciation and amortisation charges	264	50
Finance (income)/costs	(16)	21
Tax (credit)/charge	(259)	-
Acquisition assets acquired (excluding cash)	95	-
Exceptional acquisition costs	323	-
(Profit)/Loss on disposal of fixed assets	(5)	1
Share based payment	8	3
	<hr/>	<hr/>
Net cash inflow from operations	<u>432</u>	<u>281</u>

### 2. Cash and cash equivalents

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Cash at bank and in hand	<u>633</u>	<u>1,783</u>

# REACT Group PLC

## Company Statement of Financial Position As at 30 September 2021

	Notes	2021 £'000	2020 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	13	174	174
Property, plant and equipment	12	4	9
Right-of-use assets	12	52	14
Deferred tax asset	19	152	
		<u>382</u>	<u>197</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	2,879	46
Cash and cash equivalents	16	22	1,446
		<u>2,901</u>	<u>1,492</u>
<b>TOTAL ASSETS</b>		<u>3,283</u>	<u>1,689</u>
<b>EQUITY</b>			
<b>Shareholders' Equity</b>			
Called up share capital	17	1,270	1,246
Share premium		6,028	5,852
Merger relief reserve		1,328	1,328
Capital redemption reserve		3,337	3,337
Share-based payments		23	15
Accumulated deficit		(8,841)	(10,175)
<b>Total Equity</b>		<u>3,145</u>	<u>1,603</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	112	71
<b>Non-current liabilities</b>			
Lease liabilities after one year	18	26	15
<b>TOTAL LIABILITIES</b>		<u>138</u>	<u>86</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,283</u>	<u>1,689</u>

These financial statements were approved and authorised for issue by the Board of Directors on 31 January 2022 and were signed on its behalf by:



**Andrea Pankhurst**

**Director**

Company Registration no. 05454010

The notes on pages 34 to 56 form part of these financial statements

## REACT Group PLC

### Company Statement of Changes in Equity For the year ended 30 September 2021

	Called up Share capital	Share Premium	Merger Relief Reserve	Capital redemption reserve	Share-based payments reserve	Accumulated deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 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	<u>1,246</u>	<u>5,852</u>	<u>1,328</u>	<u>3,337</u>	<u>15</u>	<u>(10,175)</u>	<u>1,603</u>
Issue of shares	24	176	-	-	-	-	200
Share-based payments	-	-	-	-	8	-	8
Profit for the year	-	-	-	-	-	1,334	1,334
At 30 September 2021	<u>1,270</u>	<u>6,028</u>	<u>1,328</u>	<u>3,337</u>	<u>23</u>	<u>(8,841)</u>	<u>3,145</u>

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

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

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

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

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

**The notes on pages 34 to 56 form part of these financial statements**



# REACT Group PLC

## Company Statement of Cash Flows For the year ended 30 September 2021

	Notes	2021 £'000	2020 £'000
Net cash (utilised)/generated by operations	1	(1,603)	87
<b>Cash flows from financing activities</b>			
Proceeds of share issue		200	1,246
Expenses of share issue		-	(113)
Lease liability payments		(21)	(30)
<b>Net cash inflow from financing activities</b>		<u>179</u>	<u>1,103</u>
<b>(Decrease)/Increase in cash and equivalents</b>		(1,424)	1,190
Cash and cash equivalents at beginning of year		1,446	256
<b>Cash and cash equivalents at end of year</b>	2	<u><u>22</u></u>	<u><u>1,446</u></u>

## REACT Group PLC

### Notes to the Company Statement of Cash Flows

For the year ended 30 September 2021

#### 1. Reconciliation of profit for the year to cash (outflow)/inflow from operations

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	1,334	30
(Increase)/Decrease in trade and other receivables	(1,681)	15
Increase in trade and other payables	22	2
(Release of Provision)/Provision against amounts owed by group companies	(1,152)	13
Depreciation and amortisation charges	34	11
Finance costs	(16)	13
Tax (credit)/charge	(152)	-
Share-based payment	8	3
Net cash (outflow)/inflow from operations	<u>(1,603)</u>	<u>87</u>

#### 2. Cash and cash equivalents

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	<u>22</u>	<u>1,446</u>

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 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 end 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.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 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:

- IAS37 amendments regarding onerous contracts (1 January 2022)
- IAS16 amendments regarding proceeds before intended use (1 January 2022)
- IFRS17 Insurance contracts (1 January 2023)
- IAS1 amendments on classification (1 January 2023)
- IAS8 amendments on accounting estimates (1 January 2023)
- IAS12 amendments on deferred tax (1 January 2023)

#### **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 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.

## Notes to the Financial Statements For the year ended 30 September 2021

### 2. Accounting Policies (continued)

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.

##### *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 is 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.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 2. Accounting Policies (continued)

#### Cash and cash equivalents

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

#### Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For short-term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Where a right-of-use-asset is recognised, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its asset specific risk adjusted incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

#### Stock

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which stock can be sold in the normal course of business. Provision is made where necessary for obsolete, slow moving and defective stock.

#### 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.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 2. Accounting Policies (continued)

#### Trade and other payables

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

#### Impairment of non-financial assets

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

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

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

#### Capital management

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

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the year ended 30 September 2021.

#### 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.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 2. Accounting Policies (continued)

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

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

#### Property, plant and equipment

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

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

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

Leasehold property	20%
Vehicles	20% / 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

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.

Goodwill is recognised 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.



# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 2. Accounting Policies (continued)

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 4 years. An impairment review will be conducted each year and will look at significant changes in the turnover received from major customers.

#### **Employee benefit costs**

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

#### **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**

As part of the annual impairment review on 30 September 2018 and based on the medium-term trading outlook, the Board of Directors decided to write down the purchased goodwill and acquired customer list from £1,280,000 to £174,000. As at 30 September 2021 a further review was undertaken of both this figure and the balances relating to Fidelis, 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.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 3. Segmental Reporting

In the opinion of the Directors, the Group has one class of business, being that of specialist cleaning and decontamination services, including both contracted commercial cleaning and specialist emergency decontamination work. Although the Group operates in only one geographic segment, which is the UK, it has also analysed the sources of its business into the segments of Contract Maintenance, Contract Reactive or Ad Hoc work.

	2021				2020			
	Contract Maintenance Work £'000	Contract Reactive Work £'000	Ad Hoc Work £'000	Total £'000	Contract Maintenance Work £'000	Contract Reactive Work £'000	Ad Hoc Work £'000	Total £'000
Revenue	3,992	1,587	2,122	7,701	1,694	1,775	891	4,360
Cost of Sales	(3,101)	(1,072)	(1,159)	(5,332)	(1,178)	(1,214)	(519)	(2,911)
Gross Profit	891	515	963	2,369	516	561	372	1,449
Other Operating Income	17	1	1	19	25	27	18	70
Administrative Expenses	(814)	(557)	(903)	(2,274)	(466)	(506)	(336)	(1,308)
Operating Profit/(Loss) for the year	94	(41)	61	114	75	82	54	211
Adjusted EBITDA <sup>1</sup>	660	(290)	425	795	93	101	67	261
Total Assets	2,327	1,366	2,534	6,227	1,125	1,221	812	3,158
Total Liabilities	(1,340)	(707)	(1,392)	(3,439)	(344)	(374)	(249)	(967)

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

### 4. Business Combinations during the period

On 26 March 2021, the Group acquired 100% of the issued share capital and voting rights of Fidelis Contract Services Ltd ('Fidelis'), a successful commercial cleaning, hygiene and facility support services company headquartered in Birmingham providing services to customers across England and Wales. The acquisition is expected to increase the group's market share and reduce costs through economies of scale.

Fidelis was acquired for an initial consideration of £1.7m, payable as £1.5m cash and £0.2m through the issue of new ordinary shares, with contingent consideration of up to £3.05m payable subject to Fidelis fulfilling certain profit criteria.

The fair value of the acquired customer list and customer contracts has been assessed as at 30 September 2021. The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of Fidelis which cannot be recognised as an intangible asset. The fair value of the contingent consideration arrangement was estimated calculating the present value of the future expected cash flows.

Acquisition costs of £323,000 are not included as part of the consideration transferred and have been recognised as an expense in the Consolidated Statement of Comprehensive Income.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### a) Subsidiaries acquired

Name	Fidelis Contract Services Ltd
Principal activity	Commercial Cleaning, Hygiene & Support Services
Date of acquisition	26 March 2021
Proportion of voting equity interests Acquired	100%
Consideration transferred	£3,421,000

£'000

### b) Consideration transferred

Cash	1,730
Equity issued	200
Loan notes	84
Contingent consideration arrangement (included in Other Creditors)	1,407
Total consideration transferred	<u>3,421</u>

### c) Assets and liabilities recognised on the date of acquisition

Non-current assets	121
Current assets	1,492
Non-current liabilities	(53)
Current liabilities	(1,080)
Net assets acquired	<u>480</u>

### d) Goodwill arising on acquisition

Consideration transferred	3,421
Fair value of identifiable net assets acquired	(480)
Separately identifiable intangible assets arising on business combination	(1,175)
Goodwill acquired	<u>1,766</u>

### e) Net cash outflow on acquisition

Consideration paid in cash	1,730
Less: cash balances acquired	(385)
	<u>1,345</u>

### f) Impact of acquisition on the results of the Group

The acquired business contributed revenues of £3,266,000 and net profit of £243,000 to the group for the period from 26 March 2021 to 30 September 2021.

If the acquisition had occurred on 1 October 2020, pro-forma revenue and net profit contributions to the Group for the year ended 30 September 2021 would have been £6,088,000 and £410,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and the subsidiary.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 5. Employees and Directors

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,449	2,258
Social security costs	287	203
Pension contributions	54	37
Share based payments	8	3
	<u>4,798</u>	<u>2,501</u>

The average monthly number of employees :

	<b>No.</b>	<b>No.</b>
Directors	5	4
Operators and administration staff	281	83
	<u>286</u>	<u>87</u>

The number of directors to whom retirement benefits were accruing under money purchase schemes

3

2

The number of directors who exercised share options during the year

-

-

The number of directors who received share options during the year

2

-

Details of emoluments received by Directors of the Group for the year ended 30 September 2021 were as follows:

	<b>Salaries</b>	<b>Other</b>	<b>Share based</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>payment</b>	<b>£'000</b>	<b>£'000</b>
			<b>£'000</b>		
G Leates (resigned 4 December 2020)	43	12	1	56	50
R Gilbert	25	-	-	25	24
M Joyce	42	-	-	42	30
S Doak	96	-	1	97	120
A Pankhurst	68	-	4	72	75
M Braund (appointed 4 December 2020)	89	-	12	101	-
<b>Total</b>	<u>363</u>	<u>12</u>	<u>18</u>	<u>393</u>	<u>299</u>

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.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 6. Administrative expenses

	2021 £'000	2020 £'000
Auditor remuneration		
– audit fees (Company £4,000; 2020 : £3,000)	32	16
– other services	23	2
Staff costs (note 4)	4,798	2,498
Less staff costs included in cost of sales	(3,559)	(1,701)
Recruitment	4	5
Legal and professional fees (incl AIM related costs)	107	161
Property costs	119	80
Travel expenses	28	36
Insurance	72	54
Marketing	116	99
Provision against bad debts and accrued income	(72)	(8)
Other expenses	27	44
Depreciation	264	50
Less depreciation included in cost of sales	-	(28)
Acquisition costs (excluding auditor remuneration)	315	-
	<u>2,274</u>	<u>1,308</u>

There were £417,000 acquisition and restructuring costs included in administrative expenses during the year (2020: £Nil)

	2021 £'000	2020 £'000
Restructuring costs relating solely to the exit costs of two former senior employees	94	-
Acquisition costs	323	-
	<u>417</u>	<u>-</u>

### 7. Finance Income/(Costs)

	2021 £'000	2020 £'000
Lease liability interest on:		
- Land and buildings	(16)	13
- Other	(1)	8
Other interest expense	1	2
	<u>(16)</u>	<u>23</u>

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 8. Income Tax

	2021 £'000	2020 £'000
Current tax charge	-	-
Deferred tax credit	259	-
Tax credit	<u>259</u>	<u>-</u>

#### *Analysis of tax expense:*

	2021 £'000	2020 £'000
Profit before income tax	<u>130</u>	<u>188</u>
Profit multiplied by the standard rate of corporation tax in UK of 19% (2019: 19%)	25	36
Effects of:		
Fixed asset differences	(4)	4
Amortisation and depreciation not deductible for tax	-	-
Decrease in net losses carried forward	(280)	(40)
Corporation tax (credit)/charge	<u>(259)</u>	<u>-</u>

The Group has estimated excess management expenses carried forward of £1.3m (2020: £1.3m) and trading losses of approximately £0.6m (2020: £0.8m) available to use against future profits. The tax losses have resulted in a deferred tax asset of approximately £0.3m which has been recognised this year (2020: £0.4m - not recognised) as the positive trading outlook for the Group means that there is likely to be sufficient future taxable profits to utilise the losses.

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 9. Earnings per Share (basic and adjusted)

The calculations of earnings per share (basic and adjusted) are based on the net profit and adjusted profit respectively and the ordinary shares in issue during the year. The adjusted profit 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.

	<b>2021</b> £'000	<b>2020</b> £'000
Net profit for year	<u>389</u>	<u>188</u>
Adjustments:		
Interest	(16)	23
Depreciation	264	50
Tax	(259)	-
Adjusted profit for the year	<u><u>378</u></u>	<u><u>261</u></u>
	<b>Number</b>	<b>Number</b>
Weighted average shares in issue for basic earnings per share	503,348,752	441,291,857
Weighted average dilutive share options and warrants	62,247,272	65,065,130
Average number of shares used for dilutive earnings per share	<u><u>565,596,024</u></u>	<u><u>506,356,987</u></u>
	Pence	Pence
Basic earnings per share	<u>0.08p</u>	<u>0.04p</u>
Diluted earnings per share	<u>0.07p</u>	<u>0.04p</u>
Adjusted basic earnings per share	<u>0.08p</u>	<u>0.06p</u>
Adjusted diluted earnings per share	<u>0.07p</u>	<u>0.05p</u>

### 10. 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 £1,334,000 (2020: profit of £30,000).

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 11. Intangible assets

#### Group

	<b>Goodwill £'000</b>	<b>Customer List £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 October 2019	1,280	220	1,500
Disposals		(220)	(220)
As at 30 September 2020	<u>1,280</u>	<u>-</u>	<u>1,280</u>
Additions	1,766	1,175	2,941
Disposals	-	-	-
As at 30 September 2021	<u>3,046</u>	<u>1,175</u>	<u>4,221</u>
<b>Amortisation and impairment</b>			
As at 1 October 2019	1,106	220	1,326
Amortisation charge for the year	-	-	-
Disposals	-	(220)	(220)
As at 30 September 2020	<u>1,106</u>	<u>-</u>	<u>1,106</u>
Amortisation charge for the year	-	147	147
Disposals	-	-	-
As at 30 September 2021	<u>1,106</u>	<u>147</u>	<u>1,253</u>
<b>Carrying amount</b>			
As at 1 October 2019	<u>174</u>	<u>-</u>	<u>174</u>
As at 30 September 2020	<u>174</u>	<u>-</u>	<u>174</u>
As at 30 September 2021	<u>1,940</u>	<u>1,028</u>	<u>2,968</u>

The goodwill relates to intangible assets that do not qualify for separate recognition on the acquisition of Fidelis during the year and previously, 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. 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 Goodwill.



# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

The key assumptions used in the estimation of the revised value of 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

### 12. Property, Plant and equipment

Group	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Right-of- Use Assets £'000	Total £'000
<b>Cost</b>					
At 1 October 2019	21	181	109	-	311
Additions	-	28	16	-	44
IFRS16 implementation	-	-	-	40	40
Disposals	-	(60)	(10)	-	(70)
At 30 September 2020	<u>21</u>	<u>149</u>	<u>115</u>	<u>40</u>	<u>325</u>
Acquisition	-	56	67	-	123
Additions	2	42	27	37	108
IFRS16 implementation	-	-	-	85	85
Disposals	-	(55)	-	-	(55)
At 30 September 2021	<u><b>23</b></u>	<u><b>192</b></u>	<u><b>209</b></u>	<u><b>162</b></u>	<u><b>586</b></u>
<b>Depreciation</b>					
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	<u>12</u>	<u>114</u>	<u>74</u>	<u>13</u>	<u>213</u>
Acquisition	-	6	34	-	40
Depreciation charge for the year	5	26	32	54	117
Disposals	-	(54)	-	-	(54)
At 30 September 2021	<u><b>17</b></u>	<u><b>92</b></u>	<u><b>140</b></u>	<u><b>67</b></u>	<u><b>316</b></u>
<b>Net book value</b>					
At 1 October 2019	<u>13</u>	<u>28</u>	<u>40</u>	<u>-</u>	<u>81</u>
At 30 September 2020	<u>9</u>	<u>35</u>	<u>41</u>	<u>27</u>	<u>112</u>
At 30 September 2021	<u><b>6</b></u>	<u><b>100</b></u>	<u><b>69</b></u>	<u><b>95</b></u>	<u><b>270</b></u>

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

Company	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Right-of- Use Assets £'000	Total £'000
<b>Cost</b>					
At 1 October 2019	21	-	-	-	21
Additions	-	-	-	-	-
IFRS16 implementation	-	-	-	21	21
Disposals	-	-	-	-	-
At 30 September 2020	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>42</u>
Additions	-	-	-	37	37
IFRS16 implementation	-	-	-	30	30
Disposals	-	-	-	-	-
At 30 September 2021	<u>21</u>	<u>-</u>	<u>-</u>	<u>88</u>	<u>109</u>
<b>Depreciation</b>					
At 1 October 2019	8	-	-	-	8
Depreciation charge for the year	4	-	-	7	11
Disposals	-	-	-	-	-
At 30 September 2020	<u>12</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>19</u>
Depreciation charge for the year	5	-	-	29	34
Disposals	-	-	-	-	-
At 30 September 2021	<u>17</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>53</u>
<b>Net book value</b>					
At 1 October 2019	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>
At 30 September 2020	<u>9</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>23</u>
At 30 September 2021	<u>4</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>56</u>

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 13. Investment in subsidiary undertakings

<b>Company</b>	
<b>Cost</b>	
At 1 October 2020	1,560
Additions	-
At 30 September 2021	<u>1,560</u>
<b>Impairment</b>	
At 1 October 2020	1,386
Impairment charge for the year	-
At 30 September 2021	<u>1,386</u>
<b>Carrying amount</b>	
At 30 September 2020	<u>174</u>
At 30 September 2021	<u>174</u>

As at 30 September 2021, the company held the following subsidiaries:

<b>Name of company</b>	<b>Principal activities</b>	<b>Country of incorporation and place of business</b>	<b>Proportion of equity interest of ordinary shares</b>
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%
Fidelis Contract Services Ltd (held indirectly by REACT SC Holdings Limited)	Commercial Cleaning, Hygiene & Support Services	United Kingdom	100%

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 14. Trade and other receivables

Current	Note	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade receivables		1,702	989	-	-
Provision for impairment	15	(5)	(42)	-	-
Net trade receivables		<u>1,697</u>	<u>947</u>	-	-
Amounts owed by Group undertakings		-	-	2,846	1,151
Provision against amounts owed by Group undertakings		-	-	-	(1,151)
Prepayments and accrued income		378	142	14	4
Other debtors		24	-	19	42
		<u>2,099</u>	<u>1,089</u>	<u>2,879</u>	<u>46</u>

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

### 15. 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 2021 £'000	Group 2020 £'000
Opening provision	42	83
Impairments in the year	-	-
Amounts released in the year	(36)	(8)
Amounts utilised in the year	(1)	(33)
Closing provision	<u>5</u>	<u>42</u>

There are no receivables in the Company, as all are held by the trading subsidiaries, REACT Specialist Cleaning Limited and Fidelis Contract Services Ltd.

As at 30 September 2021, excluding balances provided for by the impairment provision, £174,000 (2020: £25,000) of trade receivables were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	2021 £'000	2020 £'000
Up to 3 months past due	87	18
3 to 6 months past due	27	7
Over 6 months past due	60	-
	<u>174</u>	<u>25</u>

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

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 16. Cash and cash equivalents

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash and bank balances	<u>633</u>	<u>1,783</u>	<u>22</u>	<u>1,446</u>

### 17. Called Up Share Capital

	2021 £'000	2020 £'000
Issued share capital comprises:		
508,006,026 (2020: 498,509,350) Ordinary shares of 0.25p each	<u>1,270</u>	<u>1,246</u>

9,496,676 Ordinary shares of 0.25p were issued on 1 April 2021 at a price of 2.106p per share. This transaction resulted in an increase of £24,000 to the Company's share capital and an increase of £176,000 to its share premium.

### 18. Trade and other payables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
<b>Current:</b>				
Trade payables	378	402	35	55
Accrued expenses	639	192	21	3
Social security and other taxes	523	330	23	4
Lease liability <12 months	54	13	28	9
Other creditors	991	-	5	-
CBIL loan	67	-	-	-
Corporation tax payable	80	-	-	-
	<u>2,732</u>	<u>937</u>	<u>112</u>	<u>71</u>
<b>Non-current:</b>				
Lease Liability >12 months	49	30	26	15
Other liabilities >12 months - Deferred Consideration	658	-	-	-
	<u>707</u>	<u>30</u>	<u>26</u>	<u>15</u>
	<u>3,439</u>	<u>967</u>	<u>138</u>	<u>86</u>

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

### 19. 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% (2020:19%), the movement on the deferred tax liability is as shown below:

	<b>Group 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>Company 2021 £'000</b>	<b>Company 2020 £'000</b>
At 1 October	-	-	-	-
Income credit	259	-	152	-
Liability acquired	(15)	-	-	-
At 30 September	<u>244</u>	<u>-</u>	<u>152</u>	<u>-</u>

The deferred taxation asset is made up as follows:

	<b>Group 2021 £'000</b>	<b>Group 2020 £'000</b>	<b>Company 2021 £'000</b>	<b>Company 2020 £'000</b>
Accelerated capital allowances	(5)	-	-	-
Tax losses carried forward	110	-	-	-
Other short-term timing differences	139	-	152	-
	<u>244</u>	<u>-</u>	<u>152</u>	<u>-</u>

### 20. Related Party Disclosures

#### Group and company

During the year ended 30 September 2021, the Group made purchases of £26,000 from companies controlled by directors or where the directors have an interest. During the year ended 30 September 2020, there were no related party transactions.

### 21. 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 2021

### 22. 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	
	2021 No.	2020 No.	2021 £	2020 £
Outstanding at the beginning of the year	19,939,537	19,939,537	0.0030	0.0030
Granted during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	<u>19,939,537</u>	<u>19,939,537</u>	<u>0.0030</u>	<u>0.0030</u>

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

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

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

£1,167 (2020: £1,167) has been recognised during the year for the share warrants over the vesting period.

### 23. 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	
	2021 No.	2020 No.	2021 £	2020 £
Outstanding at the beginning of the year	45,125,593	45,125,593	0.0038	0.0038
Granted during the year	11,900,000	-	0.0025	-
Surrendered during the year	(11,963,781)	-	0.0030	-
Lapsed during the year	(2,754,077)	-	0.0168	-
Outstanding at the end of the year	<u>42,307,735</u>	<u>45,125,593</u>	<u>0.0029</u>	<u>0.0038</u>

# REACT Group PLC

## Notes to the Financial Statements For the year ended 30 September 2021

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. £7,752 (2020: £3,646) has been recognised during the year for the share-based payments over the vesting period.

### 24. 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 exposed to interest risk in relation to its Invoice Discounting Facility. Its CBIL loan is currently interest-free. The plan is to repay this loan during the interest-free period.

#### 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, 10% of debtors included in trade receivables are past their due dates. Included in trade receivables are provisions of £5,000.

#### 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 made use of borrowing in the form of a CBIL loan and its Invoice Discounting facility. 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.



## REACT Group PLC

### Notes to the Financial Statements For the year ended 30 September 2021

#### 25. Lease liabilities

At 30 September 2021, 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:

	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
<b>Group</b>	<b>Land and Buildings</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Discounted future cash flows;				
Not later than one year	(19)	(35)	(54)	(13)
Later than one year and not later than five years	-	(49)	(49)	(30)
Later than five years	-	-	-	-
Total discounted future cash flows at 30 September	<u>(19)</u>	<u>(84)</u>	<u>(103)</u>	<u>(43)</u>
<b>Company</b>	<b>Land and Buildings</b>	<b>Other</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Discounted future cash flows;				
Not later than one year	(19)	(9)	(28)	(9)
Later than one year and not later than five years	-	(26)	(26)	(15)
Later than five years	-	-	-	-
Total discounted future cash flows at 30 September	<u>(19)</u>	<u>(35)</u>	<u>(54)</u>	<u>(24)</u>

# REACT Group PLC

## Company Information

<b>Directors:</b>	Robert Gilbert Michael Joyce Shaun Doak Andrea Pankhurst Mark Braund (appointed 4 December 2020)
<b>Company Secretary:</b>	Andrea Pankhurst
<b>Registered number:</b>	05454010 (England & Wales)
<b>Registered office:</b>	115 Hearhcote Road Swadlincote Derbyshire DE11 9DU
<b>Auditors:</b>	Dains LLP 15 Colmore Row Birmingham B3 2BH
<b>Nominated Adviser &amp; Broker:</b>	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
<b>Website Address:</b>	<a href="http://www.reactplc.co.uk">www.reactplc.co.uk</a>