Report of the Directors and

Financial Statements for the year ended 30 September 2018

For

REACT Group PLC

Company Number: 05454010

REACT Group PLC

CONTENTS

REACT Group PLC

Company Information

Directors:	Gillian Leates Robert Gilbert
Company Secretary:	Gillian Leates
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Auditors:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
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REACT Group PLC

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

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

The Company simplified its business model from three operating businesses to just one, focusing all its resource on the REACT Specialist Cleaning business, where the Company provides a strong competitive proposition and enjoys good customer advocacy within a broad mix of often high-profile organisations in both the private and public sector.

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

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

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

Financial Review

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

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

Strategy

REACT Group has core skills and experience in specialist cleaning beyond many of our competitors, allowing us to be a reliable solution to the challenging circumstances that arise across the Company's Client base.
REACT Group is an extreme cleaning company that tackles cleaning problems that non-specialists cannot or do not wish to cope with. Our highly trained operators deal with many difficult, yet essential cleaning tasks, across a broad range of circumstances, including on the UK's transport system, in prisons and custody cells, at crime scenes, clearing drug dens and property damaged by tenants and squatters, specialist vehicle cleans, clearing anti-social waste and damage in public spaces and both routine and specialist cleaning in hospitals and the health service.

Approximately half the business turnover comes from 24/7 emergency specialist cleaning and the other half arises from several long-term specialist contracts for various public and private Clients. Most of the new business during the year has come because of the Company's reputation, due to the excellent standard of work performed by our operators. We intend to leverage this further alongside sensible levels of investment in targeted sales and marketing resource, some of which has already been put in place post-period.

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

Outlook

With a rationalised infrastructure, a fit-for-purpose and well-motivated management team and a competitive service proposition in an area of the market often left well alone by competitors, we have established a solid platform from which we can now grow and begin our return to profit.

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

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

Gill Leates
Executive Chairman
14 February 2019

REACT Group PLC

Strategic Report
For the year ended 30 September 2018

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Dependence on key customers

REACT generates a significant proportion of its revenues from a limited number of customers. It may prove difficult to gain new business and to achieve turnover growth from such customers. The Group is aiming to mitigate this risk by building relationships with large FM companies and targeting larger corporate customers from the private sector.

Attraction and retention of key management and employees

The successful operation of the Group will depend partly upon the performance and expertise of its management and employees. As part of a wholesale review of the business all training is being reviewed and any personnel requiring additional training will be put on relevant courses as appropriate. All services offered within the business are being assessed and relevant Key Performance Indicators are being put in place so that performance can be monitored at all levels of the Company.

Impact of Brexit

The Group has a significant number of employees who come from the EU. Most of them have been in the UK for over five years and will be able to apply for 'settled status', and those who have been in the UK for less than five years will be able to apply for 'pre-settled status'. As the Group expands it will continue to adopt a policy of diversity amongst its employees and welcome future staff from both the EU and the UK.

Future funding requirements

The Group made a trading loss in the year ended 30 September 2018. Based on the trading outlook for the next 12 months, it is anticipated that no further funding will be required. However the board regularly monitors the Group's performance and its overall cash position.

Health and safety

Given the nature of the business our operators are often working in challenging conditions. As a consequence the Group takes its responsibilities with regard to the health and safety of its employees very seriously. A review of working practices was undertaken during the year to ensure that they are appropriate for our business and that the high standards expected are maintained throughout the Group.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The directors constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure of credit risk and liquidity risk. They are confident that suitable policies are in place and that all material financial risks have been considered. The financial risk management objectives and policies can be found within note 21 of the financial statements.

Strategic Report
For the year ended 30 September 2018 (*continued*)

KEY PERFORMANCE INDICATORS (KPIs)

Financial: The key financial indicators are as follows:

	2018	2017
Revenue	£3.30m	£2.64m
Gross margin	21.0%	31.4%
Loss from continuing operations before exceptional items	£614,000	£393,000
Exceptional items	£1,337,000	-
Loss from continuing operations after exceptional items	£1,930,000	£393,000
Cash	£423,000	£631,000

The board recognises the importance of KPI's in driving appropriate behaviours and enabling the monitoring of Group performance. As the business now has additional overheads following its AIM listing, and separation from Autoclenz Limited, the main challenge now is to increase revenue at more attractive margins.

Non-financial: The board is reviewing how it can monitor and improve customer relationships, the motivation and retention of employees as well as service quality and brand awareness.

Gill Leates
Executive Chairman
14 February 2019

G. M. Leates

REACT Group PLC

Corporate Governance Statement

The Board believes strongly 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.

Changes to the AIM Rules for Companies on 30 March 2018 required AIM companies to apply a recognised corporate governance code from 28 September 2018. REACT has chosen to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018) to meet the new requirements of AIM Rule 26.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

Board Composition and Compliance
The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent. At present REACT does not comply with this requirement of the Code. Following the resignation of the Group Finance Director on 30 June 2018, as at the year end the Board comprised Gill Leates, as part time executive Chairman, and Lesley Innes as an independent non-executive director. Robert Gilbert then joined the board on 1 November 2018 and brings with him considerable sales and marketing experience, and Lesley Innes resigned on 18 January 2019. The day to day operations were managed by Melvin Teale, as Interim Head of Operations. Mr Teale left the business on 30 November 2018 and the recruitment process of a new permanent Managing Director for the main trading subsidiary is at an advanced stage.

The size of the Group does not justify the establishment of a formal Nominations Committee, but it remains our intention to appoint additional executive directors to strengthen the Board when the size of the business increases and the Company's financial position improves.

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 General Meetings and are provided with the Chairman's contact details on all Company announcements made via RNS. The Board also has ultimate responsibility for reviewing and approving the Annual Report and Accounts and confirms that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The following paragraphs set out REACT 's compliance with the 10 principles of the QCA Code.

Principle 1: "Establish a strategy and business model which promotes long-term value for shareholders".
REACT is a specialist cleaner capable of dealing with diverse and extreme cleaning problems whose common factor is typically that they are beyond the "usual" cleaning tasks of facilities managers and other sub-contractors or in-house service providers. REACT's service offering typically supplements these cleaners for those tasks which require specialist capital equipment or clothing, are hard to reach, in hazardous or difficult locations or require operatives to have specialist health and safety training or specialist accreditations. The Company has two main parts to its business: the provision of 24/7 emergency services primarily to cover the police, prison and railway customer base; and the provision of contract cleaning services to a large London hospital and a Highways company.

The Board's strategy going forward is to grow both parts of the business organically and, where appropriate, by acquisition. There have been a number of changes in the management of the business which have resulted in improved infrastructure and financial controls. It is now the Board's intention to increase the investment in sales and marketing to identify opportunities for growth and to focus its efforts on bidding for new contracts in its core areas of expertise.

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 and on all announcements released via RNS; shareholders are also encouraged to attend General Meetings 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.

At the AGM, separate resolutions are proposed on each substantial issue. For each proposed resolution, proxy forms are issued which provide voting shareholders with an opportunity to vote in advance of the AGM if they are unable to vote in person. Our registrars count the proxy votes which are properly recorded, and the results of the AGM are announced through an RNS.

At the 2017 and 2018 AGMs the Board sought authority from shareholders to allot up to 30% and 10% respectively of the Company's issued share capital on a non-pre-emptive basis. Following the Placing in August 2018 the Company has authority to issue up to 38% of issued share capital. The directors are aware that this is not in line with the 5% recommended by the Pre-Emption Group's Statement of Principles as updated in 2015. However, the directors note that limits of this level are not unusual for AIM quoted companies of the size of REACT, and the directors believe that this level of authority has been and remains appropriate in order to allow the Company flexibility to move quickly in order to finance business opportunities which may arise.

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.

Principle 3: "Take into account wider stakeholder and social responsibilities and their implications for long term-success"
The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards its employees, customers and suppliers and to take into account, where practicable, the social, environmental and economic impact of its activities on its stakeholders.

Accordingly, we have a detailed Corporate Social Responsibility Policy in place which outlines our commitment to our social responsibilities. We also undertake regular business risk assessments in accordance with the ISO9001:2015 and ISO14001:2015, to assess and manage the risks associated with the operational aspects of the business including the environmental impact. Under the ISO 2015 Standards we also have to identify other 'Interested Parties' who may be affected by daily operation of the organisation, and document and regularly review how we manage those relationships.

The Board also takes its responsibilities with regard to health and safety and working practices very seriously and ensures that the Company complies with all the necessary legislation, and that employees are given appropriate training for the work that they have to undertake.

Principle 4: "Embed effective risk management, considering both opportunities and threats, throughout the organisation."
Responsibility for the management of risk in the business rests with the Board. The Company's business is subject to a number of risks and uncertainties and the Board continually considers how to identify and mitigate the key business risks that could impact upon performance. The principal risks and uncertainties facing the Group and how they being addressed are as follows:

Dependence on key customers
REACT generates a significant proportion of its revenues from a limited number of customers. It may prove difficult to gain new business and to achieve turnover growth from such customers. The Group is aiming to mitigate this risk by investing in its sales and marketing effort, building relationships with large Facilities Management companies and targeting larger corporate customers from the private sector.

Attraction and retention of key management and employees
The successful operation of the Group will depend partly upon the performance and expertise of its management and employees. As part of a wholesale review of the business a comprehensive training program has been put in place and any personnel requiring additional training will be put on relevant courses as soon as practicable. All services offered within the business are being assessed and relevant Key Performance Indicators are being put in place so that performance can be monitored at all levels of the Company.

Future funding requirements
The Group made a trading loss during the year ended 30 September 2018. If the Group's return to profitability is slower than expected the Company may need to seek additional funding to meet its working capital requirements. However the Board regularly reviews the Group's performance and its overall cash position and based on the trading outlook for the next 12 months, it is anticipated that no further funding will be required.

Health and safety
Given the nature of the business our operators are often working in challenging conditions. As a consequence the Group takes its responsibilities with regard to the health and safety of its employees very seriously and has implemented a number of policies to ensure the well-being of its staff.

The directors also constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure of credit risk and liquidity risk. They are confident that suitable policies are in place and that all material financial risks have been considered. The Group's financial instruments comprise cash balances and receivables and payables that arise directly from its operations. The main risks the Group faces are liquidity risk, capital risk and foreign currency risk. The board regularly reviews and agrees policies for managing each of these risks. The Group's policies for managing these risks are summarised below.

Interest risk
The Group is not exposed to significant interest rate risk as it has limited interest bearing liabilities.

Credit risk
The Group is exposed to credit risk as services are invoiced as soon as practicable after completion. This risk is mitigated as most large customers have been customers for several years and have good credit ratings. The board has also put procedures in place to ensure all services are invoiced promptly and payments received in a timely manner.

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.

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.

As highlighted above the Board did not fully comply with Principle 5 of the Code during the year under review as it comprised a part-time Executive Chairman and one independent non-executive Director. However, each director currently devotes as much time as is required in order to fulfil their functional, operational and governance responsibilities, Since the year end the Board has been strengthened by the appointment of an additional independent non-executive with appropriate sales and marketing experience. Although Lesley Innes, the other non-executive director resigned on 18 January 2019, the Board is close to appointing another non-executive director with relevant experience. It is also the Board's intention to appoint additional executive directors when the Company's financial position improves, and the size of the Company justifies it.

Details of the individual directors and their biographies are set out on this website *www.reactplc.co.uk*. The directors evaluate the balance of skills, knowledge and experience on the Board when defining the role and capabilities required for new appointments.

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 under review the day-to-day management of the Group's business was delegated to the Interim Head of Operations who reported to the Executive Chairman. Following his departure on 30 November 2018 his duties have been performed by other members of the senior management team and, previously advised a new permanent Managing Director will join the business in the near future.

During the year ended 30 September 2018 the Board held 7 scheduled meetings. The primary duty of the Board is to act in the best interests of REACT Group PLC at all times.

Audit Committee

The Audit Committee meets at least twice a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of REACT Group PLC. The new non-executive director who will soon be appointed will join Gillian Leates on this committee.

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. The new non-executive director will join Gillian Leates on this committee.

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 and an independent non–executive director. 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 annual Board AIM Rules refresher training as well as the initial training as part of a new director's on-boarding.

The 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 approximately 9 times a year with ad hoc Board meetings as the business demands. There is a strong flow of communication between the directors. The Agenda is set with the consultation of all directors, with consideration being given to both standing Agenda items and the strategic and operational needs of the business. Papers are circulated in advance of the meetings, giving directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up.

The composition of the Board continues to be monitored, in particular the balance of executive and non-executive directors.

Whilst the Board has not undertaken any formal training this is something that will be considered as the business grows and the Board establishes further. The directors have a wide knowledge of the business and requirements of directors' fiduciary duties. The directors have access to the Company's NOMAD and auditors as and when required. They are also able, at the Company's expense, to obtain advice from external bodies if required. The Board as a whole is mindful of the need for considering succession planning.

Principle 8: "Promote a corporate culture that is based on ethical values and behaviours."
The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise Shareholder value. The Company maintains and regularly reviews a staff handbook that includes clear guidance on what is expected of every employee of the company. As noted above the Company also has detailed Corporate Social Responsibility Policy in place which outlines our commitment to our social responsibilities and provides guidance for employees.
The Board also takes its responsibilities with regard to health and safety and working practices very seriously and ensures that the Company complies with all the necessary legislation, and that employees are given appropriate training for the work that they have to undertake.

Issues of bribery and corruption are taken seriously. The Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Company, its employees and those third parties to which the business engages with. The policy is provided to staff upon joining the business and training is currently being provided to ensure that all employees within the business are aware of the importance of preventing bribery and corruption. There are strong financial controls across the business to ensure on going monitoring and early detection.

A whistleblowing policy is in place, which enables staff to raise any concerns in confidence.

Principle 9: "Maintain governance structures and processes that are fit for purpose and support good decision making by the board."
The Board provides strategic leadership for the Group and is developing its corporate governance framework. Its purpose is to ensure the delivery of long-term Shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans. The Executive Chairman has overall responsibility for corporate governance and in promoting high standards throughout the business as well as the management of the day to day operations. It is the role of the independent non-executive directors to contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinising the performance of management, providing constructive challenge to the Executive management and ensuring that the Group is operating within the governance and risk framework approved by the Board. They also review and challenge the financial information produced by the executive management.

The matters reserved for the board are:
- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the Group;
- Approving half year and full year results and reports;
- Approving major investments and contracts;
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor compliance against this Code on an annual basis and revise its governance framework as appropriate as the Group evolves. Details of the Audit Committee and the Remuneration Committee are detailed in relation to Principle 5 above.

Principle 10: "Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders"
See investor relations activities described above in relation to Principle 2.

Gill Leates
Executive Chairman
14 February 2019

REACT Group PLC

Directors' Report
For the year ended 30 September 2018

The directors present their report and the audited financial statements of the Group for the year to 30 September 2018.

PRINCIPAL ACTIVITY
The principal activity of the Group continued to be that of a specialist cleaning and decontamination service to the public sector.

BUSINESS REVIEW AND RESULTS FOR THE YEAR
In accordance with section 414C(11) of the Companies Act 2006 the Group chooses to report the review of the business, the future outlook and the risks and uncertainties faced by the Group in the Executive Chairman's Statement (pages 2 and 3) and the Strategic Report (pages 4 and 5). No dividend is payable in respect of the year (2017: £Nil).

DIRECTORS
The directors who served the company during the period and up to the date of this report were as follows:

GM Leates
R Gilbert (appointed 1 November 2018)
LB Innes (appointed 13 February 2018; resigned 18 January 2019)
CN Barnes (appointed 27 October 2017, resigned 30 June 2018)
C Vermaak (appointed 2 October 2017, resigned 27 March 2018)
RS Woolley (appointed 18 September 2017, resigned 13 February 2018)
G Rummery (resigned 5 October 2017)

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

The directors of the Group held the following beneficial interests in the shares and share options of REACT Group PLC at 30 September 2018. There has been no change in Mrs GM Leates shareholding since the date of this report.

	Issued Share Capital		Share Warrants	
	Ordinary shares of 0.25p each	Percentage Held	Ordinary shares of 0.25p each	Warrant exercise price
GM Leates	585,238	0.14%	2,380,000	1.68p
LB Innes	-	-	-	-
RJ Gilbert	-	-	-	-

The share warrants held by GM Leates were granted on 17 August 2015 and are exercisable at 1.68p at any time after 17 August 2016 up to 17 August 2025.

INDEMNITY OF OFFICERS
The Group purchases directors' and officers' insurance against their costs in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings.

SUBSTANTIAL SHAREHOLDINGS

Substantial shareholdings as at 30 September 2018 and 23 January 2019 were as follows:

	30 September 2018	*23 January 2019*
Helium Rising Stars Fund	23.79%	23.79%
Octopus Investments Nominees Limited	18.52%	18.52%
Thomas Grant and Company Nominees Limited	11.15%	6.33%
Mr G Stavrinidis	6.15%	6.15%
Mr S Nutley	n/a	4.09%

FINANCIAL INSTRUMENTS

The Group's exposure to financial risk is set out in note 21 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.

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 are satisfied that the Group should be able to cover its operating losses. 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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.

Directors' Report

For the year ended 30 September 2018 (continued)

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

Jeffreys Henry LLP will be proposed for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

G.M. Leates

On behalf of the Board
Gill Leates
14 February 2019

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2018

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 2018 which comprise the income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as applied in accordance with the provision of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2018 (continued)

Our audit approach

Overview

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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. This is not a complete list of all risks identified by our audit.

- Possible impairment of investments and goodwill
- Presentation of financial statements on a going concern basis
- Recoverability of trade receivables

These are explained in more detail below

Audit scope

- We conducted audits of the complete financial information of REACT Group plc, REACT Specialist Cleaning Limited, REACT Occupational Hygiene Services Limited, REACT Environmental Services Limited, and REACT SC Holdings Limited.
- We performed specified procedures over certain account balances and transaction classes at other Group companies.
- Taken together, the Group companies over which we performed our audit procedures accounted for 100% of the absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 100% of revenue.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Possible impairment of investments and goodwill – Company Risk	
Given the Group is loss making, an impairment review of both investments and goodwill is a key risk.	We carried out a review of the investments held in the subsidiaries and the goodwill carried.
Directors believe that while the Group is loss making currently it will break even in 2019.	We reviewed management's impairment workings provided and audited the assumptions used.
Directors have considered the value of the goodwill and the acquired customer list in the group with regard to the medium term trading outlook and decided it is prudent to write down the purchased goodwill and acquired customer list to £174,000.	We reviewed management's basis for impairment across the Company and agree with their approach.
Presentation of financial statements on a going concern basis	
Given the Group is loss making £1,930,000 (2017: £438,000), a going concern review is required to ensure that management has adequate cash reserves to continue as a going concern.	We have reviewed managements going concern review and feel that their review has been robust.
The directors have stated that while they anticipate the Group to be loss making in the first half, they project that it will begin to break even in the second half of the year ending 30 September 2019.	Having reviewed the cash reserves, we believe that while the Group will be loss making it, it will have enough cash to continue as a going concern for the next twelve months.
The directors believe they have adequate cash reserves to continue as a going concern in 2019 with cash balance of £423,000, (2017: £631,000)	The fund raising performed before the year end has ensured a sufficient cash balance.
Recoverability of trade receivables	
At year end the Group had trade receivables outstanding of £990,000 (2017: £672,000).	We have reviewed old bad debts and discussed with management as to why they remain uncollected.
Management has taken the view that a bad debt provision of £339,000 (2017: £40,000), would be prudent.	We have vouched a sample of post year end receipts to ascertain how much has been recovered.

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	£75,000 (30 September 2017: £51,000).	£74,000 (30 September 2017: £41,000).
How we determined it	Based on 10% of net loss	Based on 10% of net loss
Rationale for benchmark applied	We believe that net loss is the primary measure used by shareholders in assessing the performance of the Group.	We believe that net loss 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 £2,000 and £74,000.
We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,750 (Group audit) (30 September 2017: £2,550) and £3,700 (Company audit) (30 September 2017: £2,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.
The Group financial statements are a consolidation of 5 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, REACT Occupational Hygiene Services Limited, REACT Environmental Services Limited, 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 five reporting units, with all five based in the United Kingdom.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2018 (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Group's and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company and we remain independent of the group and the parent company in conducting our audit.
Our audit opinion is consistent with the additional report to the audit committee.

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2018 (continued)

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.

Sanjay Parmar (Senior Statutory Auditor)

For and on behalf of Jeffreys Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
14 February 2019

REACT Group PLC

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

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

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

REACT Group PLC

Consolidated Statement of Financial Position
As at 30 September 2018

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

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

Gill Leates
Director

G. M. Leates

Company Registration no. 05454010
The notes on pages 29 to 46 form part of these financial statements.

REACT Group PLC

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

	Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital Redemption Reserve £'000	Reverse Acquisition Reserve £'000	Share based payments £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 October 2016	689	4,889	1,328	3,337	(5,726)	22	(1,497)	3,042
Share issue								
Loss for the period	-	-	-	-	-	-	(438)	(438)
Balance at 30 September 2017	689	4,889	1,328	3,337	(5,726)	22	(1,935)	2,604
Balance at 1 October 2017	689	4,889	1,328	3,337	(5,726)	22	(1,935)	2,604
Issue of shares	350	70	-	-	-	-	-	420
Share issue expenses	-	(33)	-	-	-	-	-	(33)
Loss for the year	-	-	-	-	-	-	(1,930)	(1,930)
On lapse of options	-	-	-	-	-	(2)	2	-
Balance at 30 September 2018	1,039	4,926	1,328	3,337	(5,726)	20	(3,863)	1,061

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

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

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

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

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

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

REACT Group PLC

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

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash utilised in operations	1	(625)	(189)
Net cash outflow from operating activities		(625)	(189)
Cash flows from financing activities			
Proceeds of share issue		420	-
Expenses of share issue		(33)	-
Other loans		69	-
Other loan repayments		(21)	-
Net cash inflow from financing activities		435	-
Cash flows from investing activities			
Disposal of fixed assets		20	-
Capital expenditure		(38)	(111)
Net cash outflow from investing activities		(18)	(111)
Decrease in cash and cash equivalents		(208)	(300)
Cash and cash equivalents at beginning of period		631	931
Cash and cash equivalents at end of period	2	423	631

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

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

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

2. Cash and cash equivalents

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

REACT Group PLC

Company Statement of Financial Position
As at 30 September 2018

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

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

G M Leates
Director

Company Registration no. 05454010

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

REACT Group PLC

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

	Called up Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital redemption reserve £'000	Share based payments £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 October 2016	689	4,889	1,328	3,337	22	(7,264)	3,001
Loss for the year	-	-	-	-	-	(207)	(207)
Balance at 30 September 2017	689	4,889	1,328	3,337	22	(7,471)	2,794
Balance at 1 October 2017	689	4,889	1,328	3,337	22	(7,471)	2,794
Issue of shares	350	70	-	-	-	-	420
Expenses of share issue	-	(33)	-	-	-	-	(33)
On lapse of options	-	-	-	-	(2)	2	-
Loss for the year	-	-	-	-	-	(2,811)	(2,811)
Balance at 30 September 2018	1,039	4,926	1,328	3,337	20	(10,280)	370

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

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

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

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

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

REACT Group PLC

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

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

Notes to the Company Statement of Cash Flows

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

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

2. Cash and cash equivalents

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

1. General Information

Basis of preparation and consolidation

The Company is based in the United Kingdom and has been incorporated in England and Wales. Details of the registered office, the officers and advisors to the Company are presented on the Company Information page at the start of this report.

The consolidated financial statements present the results of the company and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, REACT Group PLC, including the equity instruments issued in order to effect reverse acquisition accounting. The merger relief reserve represents a premium on the issue of the ordinary shares for the acquisition of subsidiary undertakings. The relief is only available to the issuing company securing at least a 90% equity holding in the acquired undertaking in pursuance of an arrangement providing for the allotment of equity shares in the issuing company on terms that the consideration for the shares allotted is to be provided by the issue of equity shares in the other company.

2. Accounting Policies

Statement of compliance

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

Basis of preparation

The financial statements have been prepared under the historical cost convention. The principal accounting policies are summarised below. They have all been applied consistently throughout the period under review.

Going concern

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

New and amended standards adopted by the Group

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

2. Accounting Policies (continued)

New Standards, amendments and interpretations issued but not effective

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

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

2. Accounting Policies (continued)

Revenue recognition

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

Rendering of services

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

Taxation

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

(i) Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules using tax rates enacted or substantially enacted by the statement of financial position date. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

Investments

Investments in subsidiaries are held at cost less any impairment.

2. Accounting Policies (continued)

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

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

Operating leases
Rent payable under operating leases is not recognised in the Group's Statement of Financial Position; such costs are expensed on a straight line basis over the term of the lease.

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

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

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

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

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

2. Accounting Policies (continued)

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

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

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the year ended 30 September 2018.

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

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

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

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

2. Accounting Policies (continued)

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

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

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

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

Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period. During the year ended 30 September 2018 the depreciation rates used were reviewed and, based on this review, the estimated useful lives of motor vehicles and plant, machinery and equipment were extended to 4 years and 5 years respectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss in the period in which the asset is derecognised.

Intangibles
Purchased goodwill represents the excess of the cost of acquisition over the company's interest in the fair value of the identifiable assets and liabilities of a business acquired at the date of acquisition.

Purchased goodwill is recognized as an asset, reviewed for impairment at least annually and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Purchased goodwill is deemed to have an indefinite useful life due to the expectation of the acquired business to operate in perpetuity, so is not amortised.

Customer list represents the value placed on the retained customer list at the acquisition date. The value recognises that customers, although contracted to the company are not under an obligation to use the company services.

The customer list will be amortised over a period of 5 years. An impairment review will be conducted each year and will look at significant changes in the turnover received from major customers.

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

2. Accounting Policies (continued)

Exceptional items

Exceptional items are material items of income or expenses which have arisen in the normal course of business but are not expected to re-occur on a regular basis.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

The resulting accounting estimates will, by definition, differ from the related actual results.

- **Estimated impairment of goodwill**
  The directors have carried out a detailed impairment review in respect of goodwill. The Group assesses at each reporting date whether there is an indication that an asset maybe impaired, by considering the net present value of discounted cashflow forecasts which have been discounted at 15%. The cashflow projections are based on the assumption that the Group can realise projected sales.

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

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

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

- **Bad debt provision**
  We perform ongoing credit evaluations of our customers and grant credit based on past payment history and industry conditions. Customer payments are closely monitored and a provision for doubtful debts is established based on management's assessment of the expected collectability of all accounts receivable.

3. Segmental Reporting

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

4. Employees and directors

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

The average monthly number of employees :		
	No.	No.
Directors	3	4
Operators and administration staff	58	33
	61	37

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

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

Notes to the Financial Statements
For the year ended 30 September 2018

5. Administrative expenses

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

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

6. Income Tax

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

Notes to the Financial Statements
For the year ended 30 September 2018

Analysis of tax expense:

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

The Group has estimated excess management expenses carried forward of £1.4m (2017: £1.1m) and trading losses of £0.7m (2017: £0.3m) available to use against future profits. The tax losses have resulted in a deferred tax asset of approximately £0.4m (2017: £0.3m) which has not been recognised as it is uncertain whether future taxable profits will be sufficient to utilise the losses.

7. Loss per Share

Basic loss per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the year being 287,298,164 (2017: 275,407,753)

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

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 September 2018 there were 2,380,000 (2017: 2,380,000) outstanding share warrants and 2,754,077 (2017: 16,524,464) options which are potentially dilutive.

8. Company's result for the period

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement account. The result for the parent company for the period was a loss of £2,811,000 (2017: loss of £207,000).

9. Intangible assets

Group	Purchased Goodwill £'000	Customer List Acquired £'000	Total £'000
Cost			
At 1 October 2017	1,280	220	1.500
Amortisation and impairment			
As at 1 October 2017	-	100	100
Amortisation charge for the year		44	44
Impairment charge for the year	1,106	76	1,182
As at 30 September 2018	1,106	220	1,326
Carrying amount			
As at 30 September 2018	174	-	174
As at 30 September 2017	1,280	120	1,400

The purchased goodwill relates to intangible assets that do not qualify for separate recognition on the acquisition of the REACT specialist cleaning services business, an unincorporated division of Autoclenz Limited.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flow forecasts. Purchased goodwill has been allocated for impairment testing purposes to the individual businesses acquired which are also the cash-generating units ("CGU") identified. The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors. The projections are based on the assumption that the company can realise projected sales. A prudent approach has been applied with no residual value being factored into these calculations. If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. A pre-tax discount rate of 15% per annum has been applied to the cashflow projections, taking into consideration the expected rate of return and various risks relating to the CGU.

As a result of this annual review, it was decided that given the current trading performance of the business and the short/medium term outlook, it would be prudent to fully impair the value of the Acquired Customer List and partially impair the carrying value of the Purchased Goodwill .

The key assumptions used in the estimation of the revised value of Purchased Goodwill are set out below. The values assigned to the key assumptions represent management's assessment of future revenues and cash flows of the CGU. The most recent financial results and forecast approved by management for the next five years were used and a terminal growth rate thereafter. The projected results were discounted at a rate which is a prudent evaluation of the time value of money and the risks specific to the CGU.

Key assumptions used:

	%
Average revenue growth rate (of next five years)	9
Terminal value growth rate	0
Discount rate	15

Notes to the Financial Statements
For the year ended 30 September 2018

10. Plant and equipment

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

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

Notes to the Financial Statements
For the year ended 30 September 2018

11. Investment in subsidiary undertakings

Company

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

As at 30 September 2018, the company held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest of ordinary shares
REACT SC Holdings Limited	Holding company	United Kingdom	100%
REACT Specialist Cleaning Limited (held indirectly by REACT SC Holdings Limited)	Specialist cleaning & decontamination services to the public sector	United Kingdom	100%
REACT Occupational Health Services Limited*	Dormant	United Kingdom	100%
REACT Environmental Services Limited*	Dormant	United Kingdom	100%

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

12. Trade and other receivables

Current

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

13. Cash and cash equivalents

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

14. Called Up Share Capital

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

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

15. Trade and other payables

Current:

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

16 Deferred Tax

Deferred tax is provided, using the liability method, on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%, the movement on the deferred tax liability is as shown below:

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

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

17. Related Party Disclosures

Group and company

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

18. Ultimate Controlling Party

No one shareholder has control of the company.

19. Warrants

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

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

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

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

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

20. Share options

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

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

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

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

21. Financial risk management, objectives and policies

The Group's financial instruments comprise cash balances and receivables and payables that arise directly from its operations. The main risks the Group faces are liquidity risk, capital risk and foreign currency risk.

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

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

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

As at the year end, 17% of debtors included in trade receivables are past their due dates. Included in trade receivables are provisions of £339,000.

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

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

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

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

22. Discontinued operations

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

The trading results of the discontinued operations were as follows:

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

23. Lease commitments

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

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