Report of the Directors and

Financial Statements for the year ended 30 September 2022

For

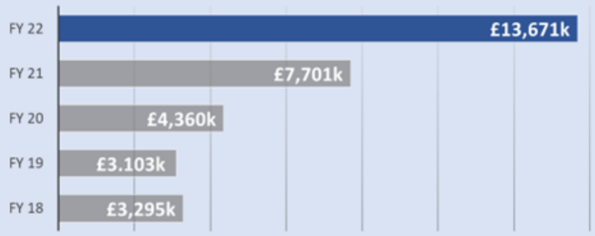
REACT Group PLC

Company Number: 05454010

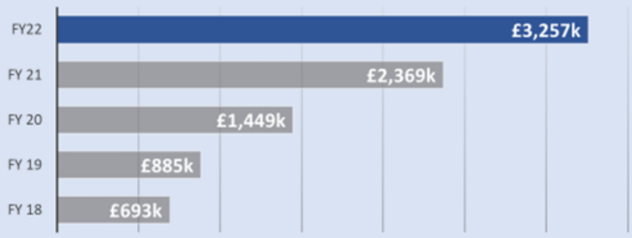
CONTENTS & FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

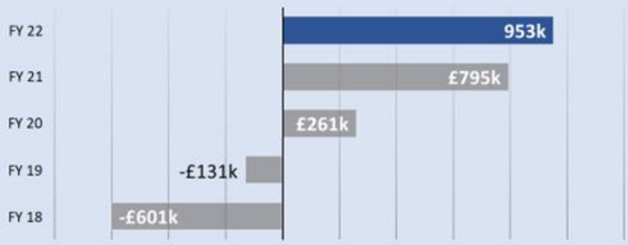
Revenue
£13.7m
+78%



Gross Profit
£3.3m
+36%



Adjusted
EBITDA[1]
£1m
+20%



Recuring Revenue
83%

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

Introduction

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

The Group carries out specialist contract cleaning across the UK focused on markets with non-discretionary requirements, complex demands and/or nationwide fulfilment. The business operates through three distinct divisions in commercial windows & cladding, hygiene & maintenance and, emergency & decontamination. Our primary objective is to maintain and/or rapidly return our customers' property to safe, clean, operational use and do this through regular specialist cleaning and/or emergency response to potentially harmful incidents.

The core business includes one of the largest nationwide commercial window cleaning businesses providing an essential service for an array of blue chip customers; regular cleaning regimes in the health service, the education sector, on parts of the rail network and the highways; emergency call-out work to respond to trauma, anti-social behaviour, and other hazardous incidents across a range of sectors including working for some of the industry's largest facilities management ("FM") firms; and specialist ad hoc work such as dealing with void clearances, fly tipping, pigeon guano clearance, and graffiti.

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

REACT has recently added a unique nationwide commercial window cleaning business which provides a competitive national ecosystem of more than 300 'local' service partners. Each operator is trained, audited and certified to a high standard with rigorous safety standards.

REACT's emergency call out business is one of the very few specialists with full coverage of mainland Great Britain operating to a call-out time of less than 4 hours; essential for our larger customers that rely on a consistently high-quality standard and an urgent response to provide their own customers with minimum interruption of service.

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

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

Our strategy is to continuously improve the value of our portfolio of services to our customers and thereby further strengthen the financial model of our business by maintaining strong margins and improving the long-term recurring nature of our income.

Executive Chairman's Statement
For the year ended 30 September 2022

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

The acquisition of LaddersFree in May 2022 creates yet another step-change in the make-up of the Group's business, augmenting the unique strengths of REACT's emergency cleaning services, Fidelis's contract cleaning and facilities management services with LaddersFree, one of the largest commercial window cleaning businesses in the UK. As a result, the Group has strengthened its capability across a number of important specialist cleaning disciplines and has materially improved its financial operating model through the addition of a high-margin, working capital-light, rich seam of long-term contracted recurring revenues.

Details of the Group's performance is set out in reviews by the Chief Executive and the Chief Financial Officer. For the year ended 30 September 2022 (FY 22), Adjusted EBITDA[1] on a consistent accounting basis was £953,000, up +20% on the prior year, (2021: £795,000), on sales revenue of £13.70 million, up +78% on the prior year (2021: £7.70 million).

The Group performance represents strong like-for-like organic growth of c.17% enhanced by the acquisition of LaddersFree in May 2022, which contributed to the second half of the financial year.

Each segment of the business provides opportunities and challenges, yet together they provide a unique value proposition; that of a unique business providing a broad spectrum of specialist cleaning services, to a consistently high standard across all locations in the UK. This creates potential for upsell and cross-sell, providing customers that require a quality solution delivered across multiple locations at a cost-effective price with a solution that is difficult to otherwise solve. An example of this demonstrated by the recent contract win announcement of c.£800k per year to provide services from all three segments of the business through a coordinated programme to a large fast-service food chain across all its sites in the UK.

The financial model of the REACT Group has evolved from one of a predominantly project orientated business with high margin but inconsistent revenue flows to one that now has greater than 80% of its revenues contracted and recurring alongside a balanced margin that remains above market average. To this we add a consistent ability to generate organic growth and with it, scale.

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

Mark Braund
Chairman
7 February 2023

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

Chief Executive Officer's Report and Strategic Review

I am pleased to report excellent progress in FY22.

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

We have materially improved our value proposition and our go to market strategy.

We have made good progress in the reported period. Since the acquisition of Fidelis in FY21, we have succeeded in growing the business organically and have been awarded a number of new contracts both large and small.

Organic growth for the Group during the period on a like-for-like basis was 17%. As we have grown we have added additional sales resource, specifically two senior sales people, one of whom, Sam Haywood, has been recently promoted to Group Sales Director.

The acquisition of LaddersFree has provided a step-change in performance; a profitable, working capital-light business, with an impressive client base, with almost all of its revenue being contracted and recurring. With LaddersFree we see a material opportunity to improve our go to market model, leveraging the channels it sells and delivers through to provide additional value add services to Customers.

A great example of this is the post period announcement of a multi-year contract awarded to the Group worth £800k per year to provide a twice yearly deep cleaning service to all the UK sites of a well know fast service food outlet, announced on 5th January 2023.

Like many others in this business environment, and despite the strong performance, the business has witnessed certain headwinds, which are being addressed. The reactive business slowed down coming out of the prior year, FY21, which continued through to the beginning of H2 22. We believe it to have been a post Covid issue, a combination of two factors; opportunistic competition that had temporarily entered the market to deal with demand for decontaminations and, customer budget-fatigue where budgets had been spent and in many cases over-spent during the worst period of the pandemic. We are pleased to report that much of this disruption has disappeared, demand has risen again as we returned to more normal levels of reactive business towards the end of the year.

Importantly we continue to refine and improve the financial model of our business, focusing sales and acquisitions on the growth of profitable long term recurring revenue contracts.

The business model has advanced significantly form of 3-4 years ago, which was predominantly reactive, less profitable and with little in the way of recurring revenue contracts, to a business where our recurring revenues in FY22 were c83% of total Group revenue.

With a full year of contribution from LaddersFree included in the new financial year we anticipate this to improve further to greater than 86%.

As we develop our unique proposition, we continue to build a number of compelling customer case studies in our most important market sectors. These help verify the quality of our work and provide reassurance to new customers who place trust in our capability.

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

Strategy

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

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

We continue to invest in sales and marketing to engage with the large addressable market for our services. This includes further developing our use of the right sales and marketing tools.

The successful acquisition of LaddersFree presents further opportunities for the Group to grow;

1. By applying the Group's disciplined outbound sales & marketing engine to the core LaddersFree business, which had previously grown with limited outbound sales & marketing effort prior to acquisition.
2. By cross-selling and up-selling within the Group's extended list of customers (including those of LaddersFree) the range of specialist cleaning services that the Group can uniquely deploy on a nationwide basis.

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

Key Performance Indicators (KPIs)

Financial: The key financial indicators are as follows:

	2022	2021
Revenue	£13.67m	£7.70m
Gross margin	23.8%	30.8%
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	£410,000	£378,000
(Loss)/Profit from continuing operations before acquisition and restructuring costs	(£158,000)	£806,000
Acquisition and restructuring costs	£543,000	£417,000
(Loss)/Profit from continuing operations after acquisition and restructuring costs	(£701,000)	£389,000
Cash and cash equivalents	£979,000	£633,000

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

The Group reports three main areas of business; firstly, Contract Maintenance, where the Company delivers regular cleaning regimes, (such as in the healthcare, education, retail and public transport sectors); secondly Contract Reactive, where the Company is the first responder to an on-call emergency response service operating under a formal contract or framework agreement, typically 24-hours a day, 7-days per week, 365-days of the year. These two areas together are recurring in nature, have continued to grow at pace and represented c83% of revenue in FY22.

The third area is Ad Hoc, where REACT provides a solution to one-off situations outside a framework agreement, such as for fly tipping, void clearance, and decontaminations.

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

Contract maintenance represents strong recurring revenue and income streams from typically long-term contracts. This is a key area of strategic growth for the Group, one from which most of our organic growth during the period has come from. It remains our focus as we continue to drive long-term value and resilience in our financial operating model.

Non-financial: The Board continues to monitor and improve customer relationships, the motivation and retention of employees as well as service quality and brand awareness.

Outlook

Momentum from the final few months of the previous year has continued into the new financial year, and despite the usual slow down across the festive period, the first quarter has delivered a record performance for the Group.

Our value proposition has materially expanded and improved, as has our access to market.

We are ambitious, aiming to continue our drive towards a high-performance culture placing our colleagues and customers at the heart of our business. Our go to market model continues to evolve. We continue to develop a strong data base of prospective customers using highly efficient sales & marketing tools.

Through our focused efforts and competitive service proposition the business remains committed to leveraging both existing relationships and new ones to help underpin our ambitious growth strategy and upward trend of sustainable profitability. We believe the Group is well placed to deliver another exciting year of growth.

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

Finally, and on behalf of the Board, I wish to thank all of my colleagues across the Group, including our new colleagues from LaddersFree, for their dedication, hard work and tenacity. Our performance as a team is a reflection of their commitment and talent. I very much look forward to working with them in 2023 and beyond.

Shaun D Doak
Chief Executive Officer
7 February 2023

Chief Financial Officer's Report

Revenue and profitability

Revenue for year ended 30 September 2022 was £13.7m, +78% up on the prior year (2021: £7.7m). The current year figures include a full 12 months' results from Fidelis, (2021: 6 months) and 4½ months' results from LaddersFree following its acquisition in May 2022. Taking into account the performance of both trading companies for the full prior year period, this represents like-for-like organic growth of approximately +17%.

These revenues generated a gross profit contribution of £3.3m, up +37% on the prior year (2021: £2.4m). On a like-for-like basis, there was a reduction in gross profit of approximately (8)% which is due to a change in the mix of work, as the group is focusing more on winning longer term Contract Maintenance work, rather than relying on higher margin (but less predictable) Ad Hoc work.

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

Adjusted EBITDA on a consistent accounting basis was £953,000, up +20% on the prior year (2021: £795,000). Adjusted EBITDA is a non-IFRS measure and means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs. The directors believe that adjusted EBITDA and adjusted measures of earnings per share provide shareholders with a meaningful representation of the underlying earnings arising from the Group's core business.

The acquisition costs include the costs incurred in the acquisition of LaddersFree and write-backs relating to the latest calculation of deferred consideration for the acquisition of Fidelis. As part of the annual review of goodwill values, it was decided that an impairment of the purchased goodwill of Fidelis would be prudent and this goodwill has been impaired by £567,000.

Reconciliation of Profit before Tax to Adjusted EBITDA

	2022 £'000	2021 £'000
(Loss)/Profit before Interest and Tax	(511)	114
Depreciation & Amortisation	921	264
EBITDA	410	378
Acquisition costs/write backs	(24)	323
Impairment charge	567	-
Restructuring costs	-	94
Adjusted EBITDA	953	795

Cash flow

Net cash at the year end totalled £979,000 (2021: £633,000). During the year, consideration payments were made relating to both the Fidelis and LaddersFree acquisitions. In addition to the funds raised from the share issue in May 2022, the group also secured a 5 year £1.0m loan. Together with the invoice discounting facility that is still in place, the Group now has sufficient flexibility to deal with both normal fluctuations in business working capital and to fund the future deferred consideration payments relating to the two acquisitions. The terms of both deals include the payment of deferred consideration amounts subject to certain financial performance hurdles being met.

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

Chief Financial Officer's Report (continued)

Taxation

The Group has reported a taxable loss but, has confidence that there will be sufficient future taxable profits in the foreseeable future to utilise its historic tax losses. It has retained its deferred tax asset of £0.3m (2021: £0.3m).

Statement of financial position

The Group's balance sheet has strengthened with net assets at the year end of £8,339,000 (2021: £2,788,000). The net assets of LaddersFree at the point of acquisition totalled £2,655,000.

A. Pankhurst

Andrea Pankhurst
Chief Financial Officer
7 February 2023

Corporate Governance Statement

The Board strongly believes in the value and importance of good corporate governance and its accountability to all of REACT's stakeholders, including shareholders, staff, customers and suppliers. In the statement below, we explain our approach to governance, and how the Board operates. The Chairman's role is to lead the Board, with ultimate responsibility for overseeing the Company's approach to corporate governance.

REACT has chosen to adhere to the Quoted Company Alliance's ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies (revised in April 2018).

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

Board Composition and Compliance

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent. The board remained unchanged during the year. Robert Gilbert and Michael Joyce continued as non-executive directors and both are considered by the Board to be independent. Mark Braund continued as Executive Chairman and Shaun Doak and Andrea Pankhurst also continued as CEO and CFO respectively throughout the year, as well as fulfilling roles as directors of all three trading companies.

Board Evaluation

Performance of the directors is reviewed informally by the Chairman on an ongoing basis and action taken to address any issues arising as appropriate.

Shareholder Engagement

Shareholders are encouraged to attend the Annual General Meetings on either a virtual or in-person basis and are provided with contact details for the Company on all announcements made via RNS.

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

The Board also has ultimate responsibility for reviewing and approving the Annual Report and Accounts and confirms that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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

Principle 1: "Establish a strategy and business model which promotes long-term value for shareholders".

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

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

The core business includes one of the largest nationwide commercial window cleaning businesses providing an essential service for an array of blue chip customers; regular cleaning regimes in the health service, the education sector, on parts of the rail network and the highways; emergency call-out work to respond to trauma, anti-social behaviour, and other hazardous incidents across a range of sectors including working for some of the industry's largest facilities management ("FM") firms; and specialist ad hoc work such as dealing with void clearances, fly tipping, pigeon guano clearance, and graffiti.

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

REACT has recently added a unique nationwide commercial window cleaning business which provides a competitive national ecosystem of more than 300 ‘local’ service partners. Each operator is trained, audited and certified to a high standard with rigorous safety standards.

REACT’s emergency call out business is one of the very few specialists with full coverage of mainland Great Britain operating to a call-out time of less than 4 hours; essential for our larger customers that rely on a consistently high-quality standard and an urgent response to provide their own customers with minimum interruption of service.

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

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

Our strategy is to continuously improve the value of our portfolio of services to our customers and thereby further strengthen the financial model of our business by maintaining strong margins and improving the long-term recurring nature of our income.

Principle 2: “Seek to understand and meet shareholder needs and expectations.”

The Board believes it is important to provide shareholders with clear and transparent information on the Group's activities, strategy and financial position. Responsibility for investor relations rests with the Chairman whose contact details are provided on the website; shareholders are also encouraged to attend Annual General Meetings on either a virtual or in-person basis, and time is set aside specifically to allow questions from attending members to be addressed by the Board.

A range of corporate information (including all REACT Group announcements) is also available to shareholders, investors and the public on our website.

The Company provides shareholders with direct access to the Annual General Meeting and live investor presentations via the Investor Meet Company, a digital platform that provides free, direct access to each event. These sessions also include a Q&A element.

The Company’s broker arranges meetings with the Company’s institutional and other larger shareholders at appropriate intervals during the year.

The Board is keen to ensure that the voting decisions of Shareholders are reviewed and monitored and that approvals sought at the Company’s AGM are as much as possible within the recommended guidelines of the QCA Code.

During the year, the Board appointed Singer Capital Markets Advisory LLP to the combined role of Nominated Adviser and Broker.

Principle 3: “Take into account wider stakeholder and social responsibilities and their implications for long term-success”

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards its employees, customers and suppliers and to take into account, where practicable, the social, environmental and economic impact of its activities on its stakeholders.

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

Corporate Governance Statement (continued)

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

Principle 4: "Embed effective risk management, considering both opportunities and threats, throughout the organisation."

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

Dependence on key customers

REACT generates a material proportion of its revenues and gross profit contribution from a finite number of customers, however the mix continues to improve and as a result, we have continued to reduce this dependency.

A combination of focusing on strategically valuable customers and the acquisition of Fidelis has grown the active customer base from 213 at the end of FY21 to 1,085 at the end of FY22.

Expanding our reach and contracted business with existing customers is a key part of our strategy. We have been successful in doing this during the period, especially in the health, rail, retail and highways sectors. We also succeeded in expanding our contracted business with several FM companies.

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

Attraction and retention of key management and employees

The successful operation of the Group will depend upon the performance and expertise of its management and employees. Having previously restructured and refocused the business we made a small number of targeted hires.

We have successfully integrated the team from LaddersFree into the overall operating strategy for the Group, this has provided a larger platform from which we are evolving and in some cases expanding key roles in the business and are working through development plans for others. We enter the new financial year with a solid team aiming to continuously improve.

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

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

Impact of Brexit

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

Health and safety
Given the nature of the business our operators are often working in challenging conditions. As a consequence, the Group takes its responsibilities with regard to the health and safety of its employees very seriously. Working practices are continually kept under review to ensure that they remain appropriate for our business and that the high standards expected are maintained throughout the Group.

Future funding requirements
The Group is reporting its second annual trading profit in the year ended 30 September 2022. It has funded the costs of the Fidelis acquisition from its own cash reserves and these transactions are the main factor in the reduction of cash balance to £0.63m (2020: £1.78m). Fidelis had negotiated a CBIL loan prior to the acquisition and at the year end, the remaining balance of this loan was £67,000. Since April 2020, REACT has had an invoice discounting facility in place and this facility provides flexibility for the Group to deal with normal business working capital fluctuations. Based on the trading outlook for the next 12 months, it is not anticipated that any further funding will be required. However, the Board will continue to regularly monitor the Group's performance and its overall cash position.

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

Interest risk
The Group is exposed to interest risk in relation to its invoice discounting Facility and its 5 year loan.

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

Liquidity risk
Liquidity risk is the risk that Group will encounter difficulty in meeting the obligations associated with financial liabilities. The responsibility for liquidity risks management rest with the Board of Directors, which has established appropriate liquidity risk management framework for the management of the Group's short term and long-term funding risks management requirements.

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

Health and safety
Given the nature of the business our operators are often working in challenging conditions. As a consequence, the Group takes its responsibilities with regard to the health and safety of its employees very seriously and has in place experienced, well trained resources updating and implementing policies and practices aimed at ensuring the well-being of its employees.

Principle 5: "Maintain the board as a well-functioning, balanced team led by the chair."
The members of the board have a collective responsibility and legal obligation to promote the interests of the Group, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

Corporate Governance Statement (continued)

During the year ended 30 September 2022, the Board continued to benefit from the ongoing support of its two independent non-executive Directors; Rob Gilbert, with his sales and marketing experience and Michael Joyce with senior financial expertise. Mark Braund, Shaun Doak and Andrea Pankhurst continued in their roles of Executive Chairman, CEO and CFO respectively throughout the year.

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

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

During the year ended 30 September 2022 the Board held 6 scheduled meetings. The primary duty of the Board is to act in the best interests of the Company, its shareholders and its stakeholders at all times.

Audit Committee
The Audit Committee meets at least once a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of REACT Group PLC. This committee consists of Michael Joyce non-executive Director (who chairs the committee) and Mark Braund, Executive Chairman.

Remuneration Committee
The Remuneration Committee meets not less than once each year. The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of REACT Group PLC. This committee consists of non-executive Director, Michael Joyce (who chairs the committee) and Mark Braund, Executive Chairman.

Nominations Committee
The Nominations Committee assists the Board in meeting its responsibilities for ensuring that the Board retains an appropriate balance of skills to support the strategic objectives of the Group, has a formal, rigorous and transparent approach to the appointment of Directors and maintains an effective framework for succession planning. This committee consists of non-executive Director, Michael Joyce (who chairs the committee) and Mark Braund, Executive Chairman.

Principle 6: "Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities."
The Board currently comprises a part-time Executive Chairman, two independent non-executive Directors, as well as two full-time executive directors, being the CEO and CFO. The skills and experience of the Board are set out on the company website.

The Board is kept abreast of developments of governance and AIM regulations. The Company's lawyers provide updates on governance issues and the Company's NOMAD provides AIM Rules training to new directors as well as apprising the Board as a whole of updates and guidance published regarding the AIM rules and other regulatory matters.

All Directors have access to the Company's NOMAD, registrars, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

The Company is mindful of the issue of gender balance although Board appointments are made with the primary aim of ensuring that the candidate offers the required skills, knowledge and experience.

Corporate Governance Statement (continued)

Principle 7: "Evaluate board performance based on clear and relevant objectives, seeking continuous improvement."

Performance of the Directors is reviewed informally by the Chair on an ongoing basis and action taken to address any issues arising as appropriate.

The Board meets formally at least 6 times a year with ad hoc Board meetings as the business demands. There is a strong flow of communication between the Directors. The Agenda is set with the consultation of all Directors, with consideration being given to both standing Agenda items and the strategic and operational needs of the business. Papers are circulated in advance of the meetings, giving Directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up.

The composition of the Board continues to be monitored, in particular the balance of executive and non-executive Directors. The Board as a whole is mindful of the need for considering succession planning.

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

The Directors have access to the Company's NOMAD and auditors as and when required. They are also able, at the Company's expense, to obtain advice from external bodies if required.

Principle 8: "Promote a corporate culture that is based on ethical values and behaviours."

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise Shareholder value. The Company maintains and regularly reviews a staff handbook that includes clear guidance on what is expected of every employee of the company. As noted above the Company also has detailed Corporate Social Responsibility Policy in place which outlines our commitment to our social responsibilities and provides guidance for employees.

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

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

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

Principle 9: "Maintain governance structures and processes that are fit for purpose and support good decision making by the board."

The Board provides strategic leadership for the Group and is continuously improving and evolving its corporate governance framework. The purpose is to ensure the delivery of long-term Shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans.

The Executive Chairman has overall responsibility for corporate governance and in promoting high standards throughout the business as well as the management of the day to day operations. It is the role of the independent non-executive Directors to contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinising the performance of management, providing constructive challenge to the Executive management and ensuring that the Group is operating within the governance and risk framework approved by the Board. They also review and challenge the financial information produced by the executive management.

The matters reserved for the board are:

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

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

Principle 10: "Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders"

See investor relations activities described above in relation to Principle 2.

Mark Braund
Executive Chairman
7 February 2023

Directors' Report
For the year ended 30 September 2022

The Directors present their report and the audited financial statements of the Group for the year to 30 September 2022.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW AND RESULTS FOR THE YEAR

In accordance with section 414C(11) of the Companies Act 2006 the Group chooses to report the review of the business, the future outlook and the risks and uncertainties faced by the Group in the Executive Chairman's Statement (page 3) and the Chief Executive Officer's Report and Strategic Review (pages 4 -6) and the Chief Financial Officer's Report (pages 7-8). No dividend is payable in respect of the year (2020: £Nil).

DIRECTORS

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

M A Braund
S D Doak
A E Pankhurst
R J Gilbert
M R S Joyce

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

The Directors of the Group (at 30 September 2022) held the following beneficial interests in the shares, share options and share warrants of REACT Group PLC at 30 September 2022.

DIRECTORS' BENEFICIAL INTERESTS AS AT 30 SEPTEMBER 2022

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of 0.25p each	Percentage Held	Ordinary shares of 0.25p each	Warrant exercise price	Ordinary shares of 0.25p each	Options Exercise price
M A Braund	1,725,731	0.16%	19,939,537	£0.0030	8,500,000	£0.0025
S D Doak	150,560	0.01%	-	-	18,693,316	£0.0030
A E Pankhurst	463,458	0.04%	-	-	2,077,038 3,400,000	£0.0030 £0.0025
R J Gilbert	740,185	0.07%	-	-	830,814	£0.0030
M R S Joyce	3,850,000	0.37%	-	-	830,814	£0.0030

Since the year end, there have been no changes to either the Directors on the Board but there have been changes to these beneficial interests and as at 7 February 2023, the holdings are shown below.

Directors' Report
For the year ended 30 September 2022 (continued)

DIRECTORS' BENEFICIAL INTERESTS AS AT 7 FEBRUARY 2023

	Issued Share Capital		Share Warrants		Share Options	
	Ordinary shares of 0.25p each	Percentage Held	Ordinary shares of 0.25p each	Warrant exercise price	Ordinary shares of 0.25p each	Options Exercise price
M A Braund	2,183,958	0.21%	19,939,537	£0.0030	25,583,950	£0.0025
S D Doak	150,560	0.01%	-	-	18,693,316 17,083,950	£0.0030 £0.0025
A E Pankhurst	463,458	0.04%	-	-	2,077,038 15,501,131	£0.0030 £0.0025
R J Gilbert	740,185	0.07%	-	-	830,814	£0.0030
M R S Joyce	5,000,000	0.47%	-	-	830,814	£0.0030

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

SIGNIFICANT SHAREHOLDINGS
Significant shareholdings as at 30 September 2022 and 3 February 2023 were as follows:

	30 September 2022	***3 February 2023***
Octopus Investments Nominees Limited	15.56%	15.44%
Canaccord Genuity Group Inc	9.84%	9.77%
Helium Rising Stars Fund	9.27%	9.20%
CRUX Asset Management	6.35%	6.31%
Mr Jason Korinek	3.97%	2.64%
Mr Justin Korinek	3.97%	2.64%
Harwood Capital LLP	3.80%	3.78%
Miton UK MicroCap Trust PLC	3.71%	3.69%

FINANCIAL INSTRUMENTS
The Group's exposure to financial risk is set out in note 24 to the accounts.

PUBLICATION OF ACCOUNTS ON GROUP WEBSITE
Financial statements are published on the Group's website. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibilities also extend to the financial statements contained therein.

EVENTS AFTER THE REPORTING PERIOD
Announced 5th January 2023, the Group was awarded a significant contract worth c.£800k per year to perform deep cleaning, window and façade cleaning across c.350 mainland UK locations for a prestigious high-street fast service food chain.

Directors' Report
For the year ended 30 September 2022 (continued)

GOING CONCERN
The financial statements have been prepared on the assumption that the Group is a going concern. When assessing the foreseeable future, the Directors have looked at the budget for the next 12 months from the date of this report, the cash at bank available as at the date of approval of this report and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have, as required by the AIM Rules for Companies of the London Stock Exchange, elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the company financial statements have been prepared in accordance with IFRS as adopted by the European Union subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of the information.

AUDITOR
The directors, having been notified of the cessation of the partnership known as Dains LLP, resolved that Dains Audit Limited be appointed as successor auditor with effect from 1 April 2022. Dains Audit Limited have expressed their willingness to continue in office as auditors and will be proposed for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

A. Pankhurst

On behalf of the Board
Andrea Pankhurst
7 February 2023

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2022

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 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, notes to the consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows, notes to the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as complexity of operations and the degree of estimation and judgement in the financial results.

The Group financial statements are a consolidation of five reporting units, comprising the Group's operating businesses and holding companies.

We performed audits for group purposes of the complete financial information of REACT Group plc, REACT Specialist Cleaning Limited, Fidelis Contract Services Ltd, LaddersFree Ltd and REACT SC Holdings Limited reporting units, which were individually financially significant and accounted for 100% of the Group's total revenue and assets.

Independent Auditor's Report to The Members of REACT Group PLC For the year ended 30 September 2022 (continued)

Our approach to the audit (continued)

Key audit matters

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

Key audit matters	How our scope addressed this matter
Impairment of goodwill and other intangible assets The group has goodwill, other intangibles, property plant and equipment and right of use assets of £10.192m. In accordance with accounting standards, goodwill is not amortised, but is subject to an annual impairment review through assessment of the value in use. Furthermore the group has recorded a loss for the year. Therefore we consider there is a risk of impairment. Management have concluded that an impairment of £567k to the Fidelis goodwill is deemed necessary.	We have tested the judgements made by management in undertaking the impairment tests which included identifying the cash generating units, assessing the reasonableness of the discount rate used, comparing the forecasts to information used to assess going concern and challenging the robustness of the key assumptions. Nothing has come to our attention that suggests that the impairment conclusions reached by management are not appropriate.
Business combination During the year, the group acquired the entire issued share capital of Laddersfree Limited. The directors have to make a number of judgements concerning the purchases consideration, given that an element of the consideration is contingent, and the separately identifiable intangibles and resulting goodwill on consolidation.	We carried out a review of the fair values of the assets and liabilities acquired. We reviewed managements calculations, used to estimate the value used to estimate the value of the customer contracts, including the customer retention rates, contract terms and we compared these to post acquisition actual events. We reviewed management; assessment of the contingent consideration to be paid by considering post acquisition performance of the acquired entity. Nothing has come to our attention that causes us to believe that the business combination is not accounted for appropriately.

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2022 (continued)

Key audit matters	How our scope addressed this matter
Revenue recognition There is a rebuttable presumption that revenue recognition gives rise to a risk of material misstatement. Revenue recognition is therefore regarded as a key audit matter.	We have assessed the Group's revenue accounting policy to ensure revenue is recognised at the point when the satisfaction of performance obligations is fulfilled. We have documented and evaluated the revenue processes within the Group to ensure that the capture of revenue data is accurate and within the correct accounting period. We have specifically tested the completeness of revenue, tracing a sample of customer orders to invoice. Nothing has come to our attention to suggest that revenue is not recognised appropriately.

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.

We apply the concept of materiality, both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

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	£310,000 (30 September 2021: £105,000).	£203,000 (30 September 2021: £65,000).
How we determined it	Based on 2% (30 September 2021: 1%) of annualised Group revenue	Based on 2% of Company gross assets
Rationale for benchmark applied	We believe that revenue is the primary measure used by shareholders in assessing the performance of the Group.	We believe that gross asset value is the primary measure used by shareholders in assessing the performance of the Company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £71,000 and £278,000. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £15,500 (Group audit) (30 September 2021: £5,250) and £10,150 (Company audit) (30 September 2021: £3,100) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2022 (continued)

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

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

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

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

We have reviewed the disclosures prepared by the Directors set out in Note 2 and consider them to be appropriate.

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

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

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Independent Auditor’s Report to The Members of REACT Group PLC For the year ended 30 September 2022 (continued)

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors’ report.

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

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

Responsibilities of Directors
As explained more fully in the Directors’ responsibilities statement set out on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group’s and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Independent Auditor's Report to The Members of REACT Group PLC
For the year ended 30 September 2022 (continued)

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

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

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

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

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

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

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

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

7 February 2023

Consolidated Statement of Comprehensive Income
For the year ended 30 September 2022

	Notes	2022 £'000	2021 £'000
Continuing Operations			
Revenue		13,671	7,701
Cost of sales		(10,414)	(5,332)
Gross profit		3,257	2,369
Other operating income		-	19
Administrative expenses	6	(3,768)	(2,274)
Acquisition and restructuring income/costs included in administrative expenses	6	(543)	(417)
Operating (loss)/profit		(511)	114
Finance (cost)/income	7	(56)	16
Corporation tax (charge)/credit	8	(134)	259
(Loss)/Profit for the year		(701)	389
Other comprehensive Income		-	-
Total comprehensive (loss)/profit for the year attributable to the equity holders of the company		**(701)**	**389**
Basic and diluted earnings per share - pence	9		
Basic (loss)/earnings per share		(0.09)p	0.08p
Diluted (loss)/earnings per share		(0.09)p	0.07p

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

Consolidated Statement of Financial Position
As at 30 September 2022

	Notes	2022	2021
ASSETS		**£'000**	**£'000**
Non-current assets			
Intangible assets – Goodwill	**11**	4,209	1,940
Intangible assets – Other	**11**	5,680	1,028
Property, plant & equipment	**12**	203	176
Right-of-use assets	**12**	100	95
Deferred tax asset	**19**	244	244
		10,436	3,483
Current assets			
Stock		11	12
Trade and other receivables	**14**	4,254	2,099
Cash and cash equivalents	**16**	979	633
		5,244	2,744
TOTAL ASSETS		15,680	6,227
EQUITY			
Shareholders' Equity			
Called-up equity share capital	**17**	2,624	1,270
Share premium account		10,905	6,028
Reverse acquisition reserve		(5,726)	(5,726)
Capital redemption reserve		3,337	3,337
Merger relief reserve		1,328	1,328
Share-based payments		44	23
Accumulated losses		(4,173)	(3,472)
Total Equity		8,339	2,788
LIABILITIES			
Current liabilities	**18**		
Trade and other payables		4,391	2,598
Lease liabilities within one year		57	54
Corporation tax		271	80
		4,719	2,732
Non-current liabilities	**18**		
Lease liabilities after one year		53	49
Other creditors after one year		2,569	658
		2,622	707
TOTAL LIABILITIES		7,341	3,439
TOTAL EQUITY AND LIABILITIES		15,680	6,227

These financial statements were approved and authorised for issue by the Board of Directors on 7 February 2023 and were signed on its behalf by:

A. Pankhurst

Andrea Pankhurst
Director

Company Registration no. 05454010

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

REACT Group PLC

Consolidated Statement of Changes in Equity
For the year ended 30 September 2022

	Share capital	Share Premium	Merger Relief Reserve	Capital Redemption Reserve	Reverse Acquisition Reserve	Share-Based Payments	Accumulated Deficit	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2020	1,246	5,852	1,328	3,337	(5,726)	15	(3,861)	2,191
Issue of shares	24	176	-	-	-	-	-	200
Share-based payments	-	-	-	-	-	8	-	8
Effect of adoption of IFRS16	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	389	389
At 30 September 2021	1,270	6,028	1,328	3,337	(5,726)	23	(3,472)	2,788
Issue of shares	1,354	4,877	-	-	-	-	-	6,231
Share-based payments	-	-	-	-	-	21	-	21
Effect of adoption of IFRS16	-	-	-	-	-	-	-	-
(Loss)/Profit for the year	-	-	-	-	-	-	(701)	(701)
At 30 September 2022	2,624	10,905	1,328	3,337	(5,726)	44	(4,173)	8,339

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

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

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

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

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

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

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

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

Consolidated Statement of Cash Flows
For the year ended 30 September 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash (utilised)/generated by operations	1	(773)	432
Net cash (outflow)/inflow from operating activities		(773)	432
Cash flows from financing activities			
Proceeds of share issue		6,500	200
Expenses of share issue		(269)	-
Lease liability payments		(80)	(39)
Bank loans		902	67
Interest paid		(56)	-
Net cash inflow from financing activities		6,997	228
Cash flows from investing activities			
Disposal of fixed assets		20	6
Capital expenditure		(115)	(71)
Acquisition of subsidiary		(7,776)	(1,930)
Exceptional acquisition costs paid		(543)	(200)
Net cash outflow from investing activities		(8,414)	(2,195)
(Decrease)/Increase in cash, cash equivalents and overdrafts		(2,190)	(1,535)
Cash, cash equivalents and overdrafts at beginning of year		633	1,783
Cash on acquisition of subsidiaries		2,536	385
Cash, cash equivalents and overdrafts at end of year	2	979	633

Notes to the Consolidated Statement of Cash Flows
For the year ended 30 September 2022

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

	2022 £'000	2021 £'000
(Loss)/Profit after taxation	(701)	389
Decrease/(Increase) in stocks	1	(12)
(Increase) in trade and other receivables	(2,155)	(1,010)
Increase in trade and other payables	374	655
Depreciation and amortisation charges	921	264
Impairment charge	567	-
Finance costs/(income)	56	(16)
Tax charge/(credit)	134	(259)
Acquisition assets acquired (excluding cash)	119	95
Exceptional acquisition costs	(24)	323
Loss/(Profit) on disposal of fixed assets	(6)	(5)
Share based payment	21	8
Tax paid	(80)	-
Net cash (outflow)/inflow from operations	(773)	432

2. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	979	633

Company Statement of Financial Position
As at 30 September 2022

	Notes	2022	2021
ASSETS		**£'000**	**£'000**
Non-current assets			
Investments	**13**	174	174
Property, plant and equipment	**12**	42	4
Right-of-use assets	**12**	26	52
Deferred tax asset	**19**	152	152
		394	382
CURRENT ASSETS			
Trade and other receivables	**14**	10,174	2,879
Cash and cash equivalents	**16**	4	22
		10,178	2,901
TOTAL ASSETS		10,572	3,283
EQUITY			
Shareholders' Equity			
Called up share capital	**17**	2,624	1,270
Share premium		10,905	6,028
Merger relief reserve		1,328	1,328
Capital redemption reserve		3,337	3,337
Share-based payments		44	23
Accumulated deficit		(8,764)	(8,841)
Total Equity		9,474	3,145
LIABILITIES			
CURRENT LIABILITIES	**18**		
Trade and other payables		264	84
Lease liabilities within one year		9	28
		273	112
Non-current liabilities			
Lease liabilities after one year	**18**	17	26
Other creditors after one year		808	-
TOTAL LIABILITITES		1,098	138
TOTAL EQUITY AND LIABILITIES		10,572	3,283

These financial statements were approved and authorised for issue by the Board of Directors on 7 February 2023 and were signed on its behalf by:

A. Pankhurst

Andrea Pankhurst
Director
Company Registration no. 05454010

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

REACT Group PLC

Company Statement of Changes in Equity
For the year ended 30 September 2022

	Called up Share capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital redemption reserve £'000	Share-based payments reserve £'000	Accumulated deficit £'000	Total equity £'000
At 1 October 2020	1,246	5,852	1,328	3,337	15	(10,175)	1,603
Issue of shares	24	176	-	-	-	-	200
Share-based payments	-	-	-	-	8	-	8
Profit for the year	-	-	-	-	-	1,334	1,334
At 30 September 2021	1,270	6,028	1,328	3,337	23	(8,841)	3,145
Issue of shares	1,354	4,877	-	-	-	-	6,231
Share-based payments	-	-	-	-	21	-	21
Profit for the year	-	-	-	-	-	77	77
At 30 September 2022	2,624	10,905	1,328	3,337	44	(8,764)	9,474

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

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

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

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

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

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

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

Company Statement of Cash Flows
For the year ended 30 September 2022

	Notes	2022 £'000	2021 £'000
Net cash (utilised)/generated by operations	**1**	(7,117)	(1,603)
Cash flows from financing activities			
Proceeds of share issue		6,500	200
Expenses of share issue		(269)	-
Lease liability payments		(27)	(21)
Loan		969	-
Finance costs		(24)	
Net cash inflow from financing activities		7,149	179
Cash flows from investing activities			
Capital expenditure		(50)	-
Net cash outflow from investing activities		(50)	-
(Decrease)/Increase in cash and equivalents		(18)	(1,424)
Cash and cash equivalents at beginning of year		22	1,446
Cash and cash equivalents at end of year	**2**	4	22

Notes to the Company Statement of Cash Flows
For the year ended 30 September 2022

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

	2022 £'000	2021 £'000
Profit for the year	77	1,334
(Increase)/Decrease in trade and other receivables	(7,297)	(1,681)
Increase in trade and other payables	19	22
Release of Provision against amounts owed by group companies	-	(1,152)
Depreciation and amortisation charges	39	34
Finance costs/(income)	24	(16)
Tax (credit)/charge	-	(152)
Share-based payment	21	8
Net cash (outflow)/inflow from operations	(7,117)	(1,603)

2. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	4	22

Notes to the Financial Statements
For the year ended 30 September 2022

1. General Information

Basis of preparation and consolidation

The Company is a public company, limited by shares, based in the United Kingdom and incorporated in England and Wales. Details of the registered office, the officers and advisors to the Company are presented on the Company Information page at the start of this report.

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

The functional and presentational currency of the Group is pounds sterling. The figures presented have been rounded to the nearest one thousand pounds.

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

2. Accounting Policies

Statement of compliance

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

Basis of preparation

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

Going concern

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

2. **Accounting Policies** (continued)

New, amended standards, interpretations not adopted by the Group

The following Adopted IFRSs have been issued but have not been applied by the Group in these Financial Statements. The full impact of their adoption has not yet been fully assessed; however, management do not expect the changes to have a material effect on the Financial Statements unless otherwise indicated:

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

Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfy a performance obligation.

The Group recognises revenue in the accounting period in which its services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenues exclude intra-group sales and value added taxes and represent net invoice value less estimated rebates, returns and settlement discounts. The net invoice value is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied.

Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

2. Accounting Policies (continued)

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

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

Investments

Investments in subsidiaries are held at cost less any impairment.

Financial assets and liabilities

The Group classifies its financial assets at inception into three measurement categories; 'amortised cost', 'fair value through other comprehensive income' ('FVOCI') and 'fair value through profit and loss' ('FVTPL'). The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction cost that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all of the risks and rewards of ownership. In transaction in which the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The group derecognises a financial liability when its contractual obligation is discharged, cancelled or expired.

Impairment

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective experience (such as significant financial difficulty of obligor, breach of contract, or it becomes probable that debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of loss is recognised in the Statement of Comprehensive Income.

2. Accounting Policies (continued)

Cash and cash equivalents

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

Leases

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

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

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

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

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

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

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

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

Stock

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

Trade and other receivables

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

2. Accounting Policies (continued)

Trade and other payables

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

Impairment of non-financial assets

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

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

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

Capital management

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

The Group manages its capital structure through adjustments that are dependent on economic conditions. In order to maintain or adjust the capital structure, the company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders. There were no changes to the objectives, policies or processes during the year ended 30 September 2022.

Equity instruments

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

Share-based compensation

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

2. Accounting Policies (continued)

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

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

Property, plant and equipment

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

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

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

Leasehold property	20%
Vehicles	20% - 25%
Fixtures, fittings & equipment	20% - 50%
Right of use assets	20% – 25%

Useful lives and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

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

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

Intangibles

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

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

2. Accounting Policies (continued)

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

The customer list will be amortised over a period of 4 years. An impairment review will be conducted each year and will look at significant changes in the turnover received from major customers.

Employee benefit costs

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

- **Estimated impairment of goodwill and other intangible assets**

  The Directors have carried out a detailed impairment review in respect of goodwill and other intangible assets. 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.

  As at 30 September 2022 management judged that an impairment was required in respect of the goodwill arising on the acquisition of Fidelis. A write-down of £567,000 is considered prudent in light of the medium-term growth outlook for this business.

- **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.

- **Trade receivables provision**

  Estimate Trade receivables are initially recognised at invoiced value. Where specific amounts remain outstanding or disputed beyond their agreed settlement date management, having reviewed all commercial documentation, proof of delivery and credit risk of the customer, apply judgement as to the likelihood of the future settlement. This judgement will be influenced by the passage of time, the documentation available and previous experience of collection of past due invoices with that customer and the Group's customer base in general.

  In addition, where the Group has historic experience of a rate of loss against a specific group of receivables (or where circumstances are indicative of a likely future change in the rate of estimated loss) then a change in that estimated loss rate would alter the impairment provision recognised.

3. Segmental Reporting

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

	2022				2021			
	Contract Maintenance Work £'000	Contract Reactive Work £'000	Ad Hoc Work £'000	Total £'000	Contract Maintenance Work £'000	Contract Reactive Work £'000	Ad Hoc Work £'000	Total £'000
Revenue	8,939	2,499	2,233	13,671	3,992	1,587	2,122	7,701
Cost of Sales	(6,809)	(2,007)	(1,598)	(10,414)	(3,101)	(1,072)	(1,159)	(5,332)
Gross Profit	2,130	492	635	3,257	891	515	963	2,369
Other Operating Income	-	-	-	-	17	1	1	19
Administrative Expenses	(2,171)	(703)	(894)	(3,768)	(814)	(557)	(903)	(2,274)
Operating (Loss)/Profit for the year	(41)	(211)	(259)	(511)	94	(41)	61	114
Adjusted EBITDA[1]	866	30	57	953	660	(290)	425	795
Total Assets	14,257	486	938	15,681	2,327	1,366	2,534	6,227
Total Liabilities	(6,767)	(230)	(445)	(7,442)	(1,340)	(707)	(1,392)	(3,439)

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

4. Business Combinations during the period

On 11 May 2022, the Group acquired 100% of the issued share capital and voting rights of LaddersFree Ltd ('LaddersFree'), an established nationwide commercial window, gutter and cladding cleaning business headquartered in Devon providing services to customers across the entire UK. The acquisition is expected to diversify the group's service offering and reduce costs through economies of scale.

LaddersFree was acquired for an initial consideration of £5.65m, payable as £4.65m cash and £1.0m through the issue of new ordinary shares, with contingent consideration of up to £2.85m payable subject to LaddersFree fulfilling certain profit criteria. Surplus cash balances on acquisition totalled £2.54m.

The fair value of the acquired customer list and customer contracts has been assessed as at 30 September 2022. The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the value of the workforce of LaddersFree which cannot be recognised as an intangible asset. The fair value of the contingent consideration arrangement was estimated calculating the present value of the future expected cash flows.

Acquisition costs of £455,000 are not included as part of the consideration transferred and have been recognised as an expense in the Consolidated Statement of Comprehensive Income.

a) **Subsidiaries acquired**

Name	LaddersFree Ltd
Principal activity	Commercial window, gutter and cladding cleaning services
Date of acquisition	11 May 2022
Proportion of voting equity interests Acquired	100%
Consideration transferred	£10,885,584

		£'000
b)	**Consideration transferred**	
	Cash	7,186
	Equity issued	1,000
	Contingent consideration arrangement (included in Other Creditors)	2,700
	Total consideration transferred	10,886
c)	**Assets and liabilities recognised on the date of acquisition**	
	Separately identifiable intangible assets arising on business combination	5,395
	Non-current assets	13
	Current assets	3,308
	Non-current liabilities	-
	Current liabilities	(666)
	Net assets acquired	8,050
d)	**Goodwill arising on acquisition**	
	Consideration transferred	10,886
	Fair value of identifiable net assets acquired	(8,050)
	Goodwill acquired	2,836
e)	**Net cash outflow on acquisition**	
	Consideration paid in cash	7,186
	Less: cash balances acquired	(2,536)
		4,650

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

The acquired business contributed revenues of £1,629,000 and net profit of £585,000 to the group for the period from 11 May 2022 to 30 September 2022.

If the acquisition had occurred on 1 October 2021, pro-forma revenue and net profit contributions to the Group for the year ended 30 September 2022 would have been £4,042,000 and £1,075,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and the subsidiary.

Notes to the Financial Statements
For the year ended 30 September 2022

5. Employees and Directors

	2022 £'000	2021 £'000
Wages and salaries	7,196	4,449
Social security costs	494	287
Pension contributions	69	54
Share based payments	21	8
	7,780	4,798

The average monthly number of employees :

	No.	No.
Directors	5	5
Operators and administration staff	307	281
	312	286

The number of directors to whom retirement benefits were accruing under money purchase schemes	3	3
The number of directors who exercised share options during the year	-	-
The number of directors who received share options during the year	-	2

Details of emoluments received by Directors of the Group for the year ended 30 September 2022 were as follows:

	Salaries £'000	Other £'000	Share based payment £'000	2022 £'000	2021 £'000
M Braund	89	5	15	109	101
R Gilbert	24	-	-	24	25
M Joyce	30	-	-	30	42
S Doak	87	26	1	114	97
A Pankhurst	67	19	5	91	72
G Leates	-	-	-	-	56
Total	297	50	21	368	393

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

Notes to the Financial Statements
For the year ended 30 September 2022

6. Administrative expenses

	2022 £'000	2021 £'000
Auditor remuneration		
– audit fees (Company £5,000; 2021 : £4,000)	34	32
– other services	1	23
Staff costs (note 5)	7,780	4,798
Less staff costs included in cost of sales	(6,227)	(3,559)
Recruitment	13	4
Legal and professional fees (incl AIM related costs)	175	107
Property costs	138	119
Travel expenses	62	28
Insurance	89	72
Marketing	113	116
Provision against bad debts and accrued income	-	(72)
Other expenses	127	27
Depreciation & amortisation	921	264
Acquisition costs	(24)	315
Goodwill impairment	567	
	3,769	2,274

There were £543,000 acquisition, impairment and restructuring costs included in administrative expenses during the year (2021: £417,000)

	2022 £'000	2021 £'000
Restructuring costs relating solely to the exit costs of two former senior employees	-	94
Acquisition costs - LaddersFree	455	-
Acquisition costs - Fidelis	(525)	323
Acquisition costs - other	46	-
Goodwill impairment	567	-
	543	417

7. Finance Costs

	2022 £'000	2021 £'000
Lease liability interest on:		
- Land and buildings	3	(16)
- Other	2	(1)
Other interest expense	51	1
	56	**(16)**

Notes to the Financial Statements
For the year ended 30 September 2022

8. Income Tax

	2022 £'000	2021 £'000
Current tax charge	(134)	-
Deferred tax credit	-	259
Tax credit/(charge)	(134)	259

Analysis of tax expense:

	2022 £'000	2021 £'000
(Loss)/Profit on ordinary activities before income tax	(567)	130
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2021: 19%)	(108)	25
Effects of:		
Fixed asset differences	21	(4)
Amortisation and depreciation not deductible for tax	-	-
(Decrease)/Increase in net losses carried forward	221	(280)
Corporation tax charge/(credit)	134	(259)

The Group has estimated excess management expenses carried forward of £1.3m (2021: £1.3m) and trading losses of approximately £0.9m (2021: £0.6m) available to use against future profits. The tax losses have resulted in a deferred tax asset of approximately £0.3m (2021: £0.3m) being as the positive trading outlook for the Group means that there is likely to be sufficient future taxable profits to utilise the losses. The remaining losses of £884,000 resulting in a deferred tax asset of £221,000 have not been recognised in order to be prudent.

Notes to the Financial Statements
For the year ended 30 September 2022

9. Earnings per Share (basic and adjusted)

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

	2022	2021
	£'000	£'000
Net (loss)/profit for year	(701)	389
Adjustments:		
Interest	56	(16)
Depreciation & amortisation	921	264
Tax	134	(259)
Adjusted profit for the year	410	378

	Number	Number
Weighted average shares in issue for basic earnings per share	718,622,464	503,348,752
Weighted average dilutive share options and warrants	62,247,272	62,247,272
Average number of shares used for dilutive earnings per share	780,869,736	565,596,024
	Pence	Pence
Basic (loss)/earnings per share	(0.09)p	0.08p
Diluted (loss)/earnings per share	(0.09)p	0.07p
Adjusted basic earnings per share	0.06p	0.08p
Adjusted diluted earnings per share	0.05p	0.07p

10. Company's result for the year

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement account. The result for the parent company for the year was a profit of £77,000 (2021: profit of £1,334,000).

11. Intangible assets

Group	Goodwill £'000	Customer List £'000	Total £'000
Cost			
At 1 October 2020	1,280	-	1,280
Additions	1,766	1,175	2,941
Disposals	-	-	-
As at 30 September 2021	3,046	1,175	4,221
Additions	2,836	5,395	8,231
Disposals	-	-	-
As at 30 September 2022	**5,882**	**6,570**	**12,452**
Amortisation and impairment			
As at 1 October 2020	1,106	-	1,106
Amortisation charge for the year	-	147	147
Disposals	-	-	-
As at 30 September 2021	1,106	147	1,253
Amortisation charge for the year	-	743	743
Impairment charge	567	-	567
Disposals	-	-	-
As at 30 September 2022	**1,673**	**890**	**2,563**
Carrying amount			
As at 1 October 2020	174	-	174
As at 30 September 2021	1,940	1,028	2,968
As at 30 September 2022	**4,209**	**5,680**	**9,889**

The goodwill relates to intangible assets that do not qualify for separate recognition on the acquisition of LaddersFree during the year, Fidelis during the prior year and previously, the REACT specialist cleaning services business, an unincorporated division of Autoclenz Limited.

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

As at 30 September 2022 management judged that an impairment was required in respect of the goodwill of Fidelis. A write-down of £567,000 is considered prudent in light of the medium-term growth outlook for this business.

Notes to the Financial Statements
For the year ended 30 September 2022

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 nil 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)	5
Terminal value growth rate	0
Discount rate	15

12. Property, Plant and equipment

Group	Leasehold property £'000	Vehicles £'000	Fixtures, fittings & equipment £'000	Right-of-Use Assets £'000	Total £'000
Cost					
At 1 October 2020	21	149	115	40	325
Acquisition	-	56	67	-	123
Additions	2	42	27	37	108
IFRS16 implementation	-	-	-	85	85
Disposals	-	(55)	-	-	(55)
At 30 September 2021	23	192	209	162	586
Acquisition	-	-	47		47
Additions	-	-	115	-	115
IFRS16 implementation	-	-	-	87	87
Disposals	(21)	(25)	(98)	(52)	(196)
At 30 September 2022	**2**	**167**	**273**	**197**	**639**
Depreciation					
At 1 October 2020	12	114	74	13	213
Acquisition	-	6	34	-	40
Depreciation charge for the year	5	26	32	54	117
Disposals	-	(54)	-	-	(54)
At 30 September 2021	17	92	140	67	316
Acquisition	-	-	25	-	25
Depreciation charge for the year	5	28	63	82	178
Disposals	(21)	(25)	(85)	(52)	(183)
At 30 September 2022	**1**	**95**	**143**	**97**	**336**
Net book value					
At 1 October 2020	9	35	41	57	142
At 30 September 2021	6	100	69	95	270
At 30 September 2022	**1**	**72**	**130**	**100**	**303**

Notes to the Financial Statements
For the year ended 30 September 2022

Company	Leasehold property £'000	Fixtures, fittings & equipment £'000	Right-of-Use Assets £'000	Total £'000
Cost				
At 1 October 2020	21	-	21	42
Additions	-	-	37	37
IFRS16 implementation	-	-	30	30
Disposals	-	-	-	-
At 30 September 2021	21	-	88	109
Additions	-	50	-	50
Disposals	(21)	-	(51)	(72)
At 30 September 2022	-	50	37	87
Depreciation				
At 1 October 2020	12	-	7	19
Depreciation charge for the year	5	-	29	34
Disposals	-	-	-	-
At 30 September 2021	17	-	36	53
Depreciation charge for the year	4	8	26	38
Disposals	(21)	-	(51)	(72)
At 30 September 2022	-	8	11	19
Net book value				
At 30 September 2020	9	-	14	23
At 30 September 2021	4	-	52	56
At 30 September 2022	-	42	26	68

13. Investment in subsidiary undertakings

Company	
Cost	
At 1 October 2021	1,560
Additions	-
At 30 September 2022	1,560
Impairment	
At 1 October 2021	1,386
Impairment charge for the year	-
At 30 September 2022	1,386
Carrying amount	
At 30 September 2021	174
At 30 September 2022	174

As at 30 September 2022, the company held the following subsidiaries:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of equity interest of ordinary shares
REACT SC Holdings Limited	Holding company	United Kingdom	100%
REACT Specialist Cleaning Limited (held indirectly by REACT SC Holdings Limited)	Specialist cleaning & decontamination services	United Kingdom	100%
Fidelis Contract Services Ltd (held indirectly by REACT SC Holdings Limited)	Commercial cleaning, hygiene & support services	United Kingdom	100%
LaddersFree Ltd (held indirectly by REACT SC Holdings Limited)	Commercial window, gutter and cladding cleaning services	United Kingdom	100%

Notes to the Financial Statements
For the year ended 30 September 2022

14. Trade and other receivables

Current	Note	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade receivables		3,522	1,702	-	-
Provision for impairment	**15**	(5)	(5)	-	-
Net trade receivables		3,517	1,697	-	-
Amounts owed by Group undertakings		-	-	10,138	2,846
Prepayments and accrued income		702	378	9	13
Other debtors		35	24	27	19
		4,254	2,099	10,174	2,878

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

15. Provision for impairment of receivables

Provision for impairment of receivables Relating to debt over 3 months past due	Group 2022 £'000	Group 2021 £'000
Opening provision	5	42
Amounts released in the year	-	(36)
Amounts utilised in the year	-	(1)
Closing provision	5	5

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

As at 30 September 2022, excluding balances provided for by the impairment provision, £560,000 (2021: £174,000) of trade receivables were past their due settlement date but not impaired. The ageing analysis of these trade receivables is as follows:

	2022 £'000	2021 £'000
Up to 3 months past due	175	87
3 to 6 months past due	96	27
Over 6 months past due	289	60
	560	174

The expected credit loss is respect of debt not due and past due is considered immaterial.

Notes to the Financial Statements
For the year ended 30 September 2022

16. Cash and cash equivalents

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash and bank balances	979	633	4	22

17. Called Up Share Capital

	2022 £'000	2021 £'000
Issued share capital comprises:		
1,049,672,691 (2021: 508,006,026) Ordinary shares of 0.25p each	2,624	1,270

458,333,332 Ordinary shares of 0.25p were issued on 6 May 2022 at a price of 1.2p per share. This transaction resulted in an increase of £1,146,000 to the Company's share capital and an increase of £4,085,000 to its share premium (net of expenses).
83,333,333 Ordinary shares of 0.25p were issued on 18 May 2022 at a price of 1.2p per share. This transaction resulted in an increase of £208,000 to the Company's share capital and an increase of £792,000 to its share premium.

18. Trade and other payables

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Current:				
Trade payables	1,284	378	34	35
Accrued expenses	664	639	39	21
Social security and other taxes	852	523	30	23
Lease liability <12 months	57	54	9	28
Other creditors	1,430	991	-	5
Loans	161	67	161	-
Corporation tax payable	271	80	-	-
	4,719	2,732	273	112
Non-current:				
Lease Liability >12 months	53	49	17	26
Loans	808	-	808	
Other liabilities >12 months - Deferred Consideration	1,761	658	-	-
Deferred Tax	-	-	-	-
	2,622	707	825	26
	7,341	3,439	1,098	138

Notes to the Financial Statements
For the year ended 30 September 2022

19. Deferred Tax

Deferred tax is provided, using the liability method, on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021:19%), the movement on the deferred tax liability is as shown below:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
At 1 October	244	-	152	-
Income credit	-	259	-	152
Liability acquired	-	(15)	-	-
At 30 September	244	244	152	152

The deferred taxation asset is made up as follows:

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Accelerated capital allowances	(32)	(5)	-	-
Tax losses carried forward	262	110	-	-
Other short-term timing differences	14	139	152	152
	244	244	152	152

20. Related Party Disclosures

Group and company

During the year ended 30 September 2022, the Group made purchases of £44,000 from companies controlled by directors (2021: £35,000)

21. Ultimate Controlling Party

No one shareholder has control of the company.

22. Warrants

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

	Number of warrants		Average exercise price	
	2022	**2021**	**2022**	**2021**
	No.	No.	£	£
Outstanding at the beginning of the year	19,939,537	19,939,537	0.0030	0.0030
Granted during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at the end of the year	19,939,537	19,939,537	0.0030	0.0030

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

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

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

£1,167 (2021: £1,167) has been recognised during the year for the share warrants over the vesting period.

23. Share options

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

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

	Number of options		Average exercise price	
	2022	2021	2022	2021
	No.	No.	£	£
Outstanding at the beginning of the year	42,307,735	45,125,593	0.0029	0.0038
Granted during the year	-	11,900,000	-	0.0025
Surrendered during the year	-	(11,963,781)	-	0.0030
Lapsed during the year	-	(2,754,077)	-	0.0168
Outstanding at the end of the year	42,307,735	42,307,735	0.0029	0.0029

The Options shall vest and become capable of exercise in specified quantities if the mid-market price (as derived from the AIM Appendix of the Daily Official List and as certified in writing by the Company's stockbrokers) equals or exceeds a series of defined Share Hurdle Prices between £0.004 and £0.0280 for 5 consecutive business days at any time or times during the vesting period. £21,040 (2021: £7,752) has been recognised during the year for the share-based payments over the vesting period.

24. Financial risk management, objectives and policies

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

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

Interest risk

The Group is exposed to interest risk in relation to its Invoice Discounting Facility and its 5 year loan.

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, 16% of debtors included in trade receivables are past their due dates. Included in trade receivables are provisions of £5,000.

Liquidity risk

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

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

During the year under review, the Group has made use of borrowing in the form of its Invoice Discounting facility and a 5 year loan. 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.

Notes to the Financial Statements
For the year ended 30 September 2022

25. Lease liabilities

At 30 September 2022, the maturity of the Group's gross contractual undiscounted cashflows due on the Group's lease liabilities (excluding short-term and low-value leases) is set out below:

	2022	2022	2022	2021
Group	**Land and Buildings**	**Other**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Discounted future cash flows;				
Not later than one year	(25)	(32)	(57)	(54)
Later than one year and not later than five years	(36)	(17)	(53)	(49)
Later than five years	-	-	-	-
Total discounted future cash flows at 30 September	(61)	(49)	(110)	(103)

Company	**Land and Buildings**	**Other**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Discounted future cash flows;				
Not later than one year	-	(9)	(9)	(28)
Later than one year and not later than five years	-	(17)	(17)	(26)
Later than five years	-	-	-	-
Total discounted future cash flows at 30 September	-	(26)	(26)	(54)

REACT Group PLC

Company Information

Directors:	Robert Gilbert Michael Joyce Shaun Doak Andrea Pankhurst Mark Braund
Company Secretary:	Andrea Pankhurst
Registered number:	05454010 (England & Wales)
Registered office:	Holly House Shady Lane Birmingham B44 9ER
Auditors:	Dains Audit Limited 15 Colmore Row Birmingham B3 2BH
Nominated Adviser & Broker:	Singer Capital Markets Advisory LLP 1 Bartholomew Lane London EC2N 2AX
Financial PR & IR:	IFC Advisory
Website Address:	www.reactplc.co.uk