

## **REACT Group PLC**

### **INTERIM RESULTS FOR THE 6 MONTHS ENDED 31 MARCH 2019**

REACT Group plc is beginning to experience the benefits of recent restructuring, reporting an increase in turnover alongside rationalisation of the cost base and better debt collection, all of which has contributed to the reporting of improved financial results when compared on a like-for-like basis to the same period in the previous financial year, ending 31 March 2018.

We are delighted with the progress made on key appointments; the post-period appointment of Shaun Doak as Managing Director is the next step in developing the Company's sales and operational management strategy. Shaun's appointment is complemented by the arrival of Andrea Pankhurst as Group Financial Controller and the non-executive Board appointments of Michael Joyce, (BSc, ACA) and Rob Gilbert, all of whom joined the Company during the period.

#### **Financial review**

The financial performance of the Company is improving; revenues rose to £1.59m, up 8% on the prior year (£1.47m, 2018); gross profit rose to £419,000 up 23% (£340,000, 2018) and gross margins increased 330-bps to 26.4% (23.1%, 2018), as we improved resource scheduling and began to focus on more specialist work that produces higher margin. Administrative costs were £478,000, (£633,000 before the release of last year end's work in progress ("WIP") provision), a reduction of 5% (£667,000, 2018).

The overall operating loss of the Group for the period is £59,000 (loss of £327,000, 2018), an improvement of 82%. The Group loss of £59,000 includes net exceptional income of £107,000, which itself includes the release of £155,000 of the prior year's WIP provision, representing items now invoiced and paid.

In the previous year end accounts to 30 September 2018, the Company made provisions totalling £338,000, of which £268,000 was attributable to WIP and £70,000 of bad debt exposure. In the first six months of this financial year £155,000 of the WIP provision has been invoiced and paid. The remaining balance of WIP continues to be worked through, some has been invoiced awaiting payment and some has been written off as bad debt. The cash position at the period end was £446,000 (£464,000, 2018).

#### **Strategy**

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

Our strategy is to grow business in specialist markets that attract higher margins. We have a number of customers and prospects from both the Private and Public sectors who value the quality of service REACT Group provides; they in turn have potential for greater volumes of business geographically and for the additional services we provide.

We have cut ties with some organisations that have frustrated reasonable payment arrangements and/or are unwilling to acknowledge the value our services at an appropriate price. We believe the opportunity for growth with a number of both large and medium sized organisations, some of whom are already customers, is material; this is where the sales and business development efforts of REACT are now focused, whilst at the same time continuously improving operational quality and cost control.

### **Outlook**

Through restructuring and strategic focus REACT is beginning to position itself well for future development. With the restructuring largely behind us and an experienced management team now in place, the focus is on building a scalable business producing profit and generating cash.

Gill Leates  
Executive Chairman  
28 June 2019

## REACT Group PLC

### Consolidated Statement of Comprehensive Income For the six months ended 31 March 2019

	Note	6 months ended 31 March 2019 £'000	6 months ended 31 March 2018 £'000	Year ended 30 September 2018 £'000
<b>Continuing Operations</b>				
<b>Revenue</b>		1,588	1,470	3,295
Cost of Sales		<u>(1,169)</u>	<u>(1,130)</u>	<u>(2,602)</u>
<b>Gross Profit</b>		419	340	693
Administrative expenses		(478)	(667)	(2,644)
Exceptional income/(costs) included in administrative expenses		107	(91)	(1,337)
<b>Operating loss</b>		(59)	(327)	(1,951)
Income tax credit		-	21	21
Loss for the period from continuing operations		<u>(59)</u>	<u>(306)</u>	<u>(1,930)</u>
<b>Loss for the period</b>		(59)	(306)	(1,930)
Other Comprehensive Income		-	-	-
<b>Loss for the financial period attributable to equity holders of the company</b>		<u>(59)</u>	<u>(306)</u>	<u>(1,930)</u>
<b>Basic and diluted loss per share</b>	<b>4</b>			
From continuing operations		<u>(0.01p)</u>	<u>(0.11p)</u>	<u>(0.67p)</u>

## REACT Group PLC

### Consolidated Statement of Financial Position As at 31 March 2019

	As at 31 March 2019 £'000	As at 31 March 2018 £'000	As at 30 September 2018 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangibles	174	1,378	174
Property, plant and equipment	80	182	116
	<u>254</u>	<u>1,560</u>	<u>290</u>
<b>Current assets</b>			
Trade and other receivables	994	888	1,141
Cash and cash equivalents	446	464	423
	<u>1,440</u>	<u>1,352</u>	<u>1,564</u>
<b>Total assets</b>	<u><u>1,694</u></u>	<u><u>2,912</u></u>	<u><u>1,854</u></u>
<b>Equity</b>			
<b>Shareholders' Equity</b>			
Called-up equity share capital	1,039	689	1,039
Share premium account	4,926	4,889	4,926
Reverse acquisition reserve	(5,726)	(5,726)	(5,726)
Capital redemption reserve	3,337	3,337	3,337
Merger relief reserve	1,328	1,328	1,328
Share based payments	20	22	20
Accumulated losses	(3,922)	(2,241)	(3,863)
<b>Total Equity</b>	<u>1,002</u>	<u>2,298</u>	<u>1,061</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	692	614	793
<b>Total liabilities</b>	<u>692</u>	<u>614</u>	<u>793</u>
<b>Total Liabilities and Equity</b>	<u><u>1,694</u></u>	<u><u>2,912</u></u>	<u><u>1,854</u></u>

## REACT Group PLC

### Consolidated Statement of Cash Flows For the six months ended 31 March 2019

	6 months ended 31 March 2019 £'000	6 months ended 31 March 2018 £'000	Year ended 30 September 2018 £'000
<b>Net cash generated from/ (used in) operating activities</b>	14	(150)	(625)
<b>Cash flows from financing activities</b>			
Proceeds of share issue	-	-	420
Expenses of share issue	-	-	(33)
Other loans	-	-	69
Other loan repayments	-	-	(21)
<b>Net cash inflow from financing activities</b>	-	-	435
<b>Net cash from investing activities</b>			
Purchases of property, plant and equipment	9	(17)	(18)
<b>Net cash outflow from investing activities</b>	9	(17)	(18)
<b>Net increase / (decrease) in cash, cash equivalents and overdrafts</b>	23	(167)	(208)
<b>Cash, cash equivalents and overdrafts at beginning of period</b>	423	631	631
<b>Cash, cash equivalents and overdrafts at end of period</b>	446	464	423

## REACT Group PLC

### Reconciliation of operating loss to net cash outflow from operating activities

	6 months ended 31 March 2019 £'000	6 months ended 31 March 2018 £'000	Year ended 30 September 2018 £'000
Operating loss from continuing activities	(59)	(327)	(1,951)
Depreciation and amortisation	29	79	1,350
Loss/(Profit) on disposal of fixed assets	(3)	10	10
<b>Operating cash flows before movements in working capital</b>	<b>(33)</b>	<b>(238)</b>	<b>(591)</b>
(Increase)/decrease in receivables	165	(128)	(649)
Increase/(decrease) in payables	(118)	216	615
<b>Net movement in working capital</b>	<b>47</b>	<b>88</b>	<b>(34)</b>
<b>Net cash inflow / (outflow) from operating activities</b>	<b>14</b>	<b>(150)</b>	<b>(625)</b>

## REACT Group PLC

### Consolidated Statement of Changes in Equity Six months ended 31 March 2019

	Share Capital	Share Premium	Merger Relief Reserve	Capital Redemption Reserve	Accumulated Deficit	Reverse Acquisition Reserve	Share Based Payments Reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2016	689	4,889	1,328	3,337	(1,497)	(5,726)	22	3,042
Loss for the period	-	-	-	-	(192)	-	-	(192)
At 31 March 2017	689	4,889	1,328	3,337	(1,689)	(5,726)	22	2,850
Loss for the period	-	-	-	-	(246)	-	-	(246)
At 30 September 2017	689	4,889	1,328	3,337	(1,935)	(5,726)	22	2,604
Loss for the period	-	-	-	-	(306)	-	-	(306)
At 31 March 2018	689	4,889	1,328	3,337	(2,241)	(5,726)	22	2,298
Issue of shares	350	70	-	-	-	-	-	420
Share issue expenses	-	(33)	-	-	-	-	-	(33)
Loss for the period	-	-	-	-	(1,624)	-	-	(1,624)
On lapse of options	-	-	-	-	2	-	(2)	-
At 30 September 2018	1,039	4,926	1,328	3,337	(3,863)	(5,726)	20	1,061
Loss for the period	-	-	-	-	(59)	-	-	(59)
At 31 March 2019	1,039	4,926	1,328	3,337	(3,922)	(5,726)	20	1,002

## **REACT Group PLC**

### **Notes to the interim financial statements**

#### **1. Basis of preparation**

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 30 September 2018. The interim financial information for the six months ended 31 March 2019, which complies with IAS 34 'Interim Financial Reporting' were approved by the Board of Directors on 27 June 2019.

The unaudited interim financial information for the six months ended 31 March 2019 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 September 2018 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

#### **2. Principal Accounting Policies**

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2018 and are those expected to be applied for the year ending 30 September 2019. There are no IFRSs or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the Group.

#### **3. Segmental Reporting**

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

#### **4. Loss per Share**

The loss per ordinary share has been calculated on the loss on ordinary activities after taxation of £59,000 (30 September 2018: £1,930,000; 31 March 2018 £306,000) using the weighted average number of ordinary shares in issue during the period being 415,407,753 (30 September 2018: 287,298,164; 31 March 2018: 275,407,753).

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 31 March 2019 there were 5,134,077 (30 September 2018: 5,134,077; 31 March 2018: 18,904,564) outstanding share warrants and options which are potentially dilutive.

*Copies of this Interim Report are available from the Company Secretary, 115 Hearthcote Road, Swadlincote, Derbyshire DE11 9DU and on the Company's website [www.reactsc.co.uk/react-group-plc](http://www.reactsc.co.uk/react-group-plc)*