



react
GROUP PLC
beyond the everyday

(Formerly Verdes Management Plc)

Interim Results

for the 6 months ended 31 March 2016

Chairman's Statement

For the period ended 31 March 2016

Interim Results

REACT Group Plc ("REACT" or "the Company") announces its half year results for the period ended 31 March 2016

I am pleased to announce the maiden interims of REACT Group Plc for the period ending 31 March 2016. After successfully raising £2 million in August 2015, this half year has been a period of growth both organically and, with a stronger balance sheet, through acquisition. The management has done a tremendous job integrating the new businesses with all their associated licences and accreditations into the overall framework of the Group and supporting them as they start adding new business to the Company.

Financial Results

The Group results for the period ending 31 March 2016 are set out in the in the Consolidated Statement of Comprehensive Income. Turnover for the period was £1.178million and gross profit was £0.53 million. Earnings before interest, tax, depreciation and amortisation "EBITDA" for the six months to 31 March 2016 stood at £0.056million. The cash position of the Group remains strong at £1.385 million and is sufficient to fund more add-on acquisitions and services. The core business is trading well and fully able to absorb the start-up costs of the new businesses

Strategy

The strategy remains to grow the Company both organically and by acquisition. This has been a half year of growing the core Specialist deep cleaning business with both existing and new clients, and adding a number of niche businesses through the acquisition of either specialised accredited personnel or small companies for which we have not paid any goodwill, but which have the specialist knowledge and licences that enhance the overall services offered by the REACT Group and which will not have to be outsourced in the future. This will enhance the long term financial outlook by growing businesses with good prospects but without huge financial outlay and risk on initial acquisition.

In total three new businesses have been added to the Group; REACT Occupational Hygiene Services Ltd, REACT Environmental Services, and most recently EPUK Ltd. as a post balance sheet event.

In November 2015 we were delighted to announce that within REACT we had created two new wholly owned subsidiaries: REACT Environmental Services Ltd ("RES"), and REACT Occupational Hygiene Services Ltd ("ROHSL"), which will be able to offer a wider and complementary range of managed services to our growing client portfolio. REACT acquired certain capital equipment, for a small sum, from two separate businesses which had previously operated in these fields, and recruited a specialist in each area. Therefore, these businesses have been set up very cost effectively, without paying for goodwill, which should prove beneficial for our shareholders.

Subsequently, on 26 January 2016 RES was granted a Full Asbestos Removal Licence. This means that RES can offer the following asbestos related services:

Asbestos

- Full Asbestos Removal – Licensed and Non-licensed
- Asbestos surveys
- Soil contamination
- Full reinstatement after removal

The other subsidiary, ROHSL, can offer the following services:

- Indoor air quality testing
- Occupational exposure monitoring
- Acoustic surveys
- Biological contaminates
- Hazard surveys
- Mould detection

Both businesses have been successfully integrated in the Group. We will still look to add other service businesses to the portfolio where they are considered to have a strong opportunity to grow in their own right and enhance the overall services that we can offer our existing and new clients.

In the many years that REACT has operated in the extreme specialist cleaning area, it has built up an in depth knowledge of the niche areas that require expertise that it would find complementary to the skill sets that it currently offers. With a substantially stronger balance sheet, the enlarged Group will continue to look for more strategic bolt on businesses that will only enhance our service offering.

Chairman's Statement (continued)

For the period ended 31 March 2016

Post Balance Sheet Event

EPUK was acquired on 26 April 2016 for initial consideration of £10k with deferred consideration of £155k as disclosed within note 7. It provides specialist consultancy services in the provision of environmental waste cleaning and control. EPUK has a similar client base to that of REACT Specialist Cleaning Limited in that it acts for a number of UK police forces and companies in the railway sector, with a particular specialist knowledge in Japanese Knotweed eradication, plus licences and accreditations in the areas of Bio-recovering and cleaning, which will be of major benefit to the Group going forward. In the year to March 2015 EPUK had revenues of £268,000, and net EBITDA of £20,000. The board of REACT believes that once established within the Group, turnover can be increased and with economies of scale the EBITDA margins will be brought into line with other companies in the Group.

Since the period end the Group has traded well, consolidating and growing the original business and absorbing the start-up costs of the two new acquisitions. Long standing clients continue to remain an important part of the business and new clients continue to add a strong pipeline of contracts in both the public and private sectors. The board is confident that the management will continue to grow this business strongly both organically and use its well funded base to continue to add niche businesses that will enhance the overall offering to the Company's expanding base.

G M Leates
Chairman
03 June 2016

Key Achievements

- A successful interim trading period, with a robust start to the current trading period
- Setting up two new subsidiaries in the period REACT Occupational Hygiene Services Ltd, REACT Environmental Services Ltd,
- Acquisition of EPUK Ltd after the interim reporting period as disclosed within note 7
- EBITDA of £0.056 million

Outlook

The trading outlook remains robust, the Group has a strong long term client list including 39 out of the 43 police federations in the UK. With greater regulation coming into all areas of Health & Safety, the Company's high level of accreditations and the new ones acquired in asbestos disposal, environmental testing, drug disposal and many others continue to make this Group be increasingly considered in a wider range of contract applications.

Consolidated Statement of Comprehensive Income

For the period ended 31 March 2016

| | 6 months ended 31 March 2016 £'000 | Period from 24 June 2015 to 30 September 2015 £'000 |
|---|---|---|
| Note | | |
| Revenue | 1,178 | 704 |
| Cost of Sales | (648) | (346) |
| Gross Profit | 530 | 358 |
| Administrative expenses | (560) | (393) |
| Operating loss | (30) | (35) |
| Service cost of AIM listing | - | (754) |
| Acquisition and admission costs | - | (400) |
| Loss on ordinary activities before taxation | (30) | (1,189) |
| Income tax expense | - | (20) |
| Loss for the financial year attributable to equity holders of the company | (30) | (1,209) |
| Loss per share for loss attributable to the equity holders of the company (pence) on continuing activities | | |
| Basic and diluted loss per ordinary share | 4 (0.01p) | (0.76p) |

Consolidated Statement of Financial Position

As at 31 March 2016

| | Note | As at 31 March 2016 £'000 | As at 30 September 2015 £'000 |
|-------------------------------------|------|------------------------------------|--|
| Assets | | | |
| Non-current assets | | | |
| Intangibles | | 1,466 | 1,488 |
| Property, plant and equipment | | 237 | 161 |
| | | 1,703 | 1,649 |
| Current assets | | | |
| Trade and other receivables | | 624 | 764 |
| Cash and cash equivalents | | 1,385 | 1,839 |
| | | 2,009 | 2,603 |
| Total assets | | 3,712 | 4,252 |
| Equity | | | |
| Shareholders' Equity | | | |
| Called-up equity share capital | 5 | 689 | 689 |
| Share premium account | | 4,889 | 4,889 |
| Reverse acquisition reserve | | (5,726) | (5,726) |
| Capital redemption reserve | | 3,337 | 3,337 |
| Merger relief reserve | | 1,328 | 1,328 |
| Share based payments | | 5 | – |
| Accumulated losses | | (1,239) | (1,209) |
| Total Equity | | 3,283 | 3,308 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 409 | 924 |
| Non-current liabilities | | | |
| Deferred tax liability | | 20 | 20 |
| Total liabilities | | 429 | 944 |
| Total Liabilities and Equity | | 3,712 | 4,252 |

Consolidated Statement of Cash Flows

For the period ended at 31 March 2016

| | 6 months ended 31 March 2016 £'000 | Period from 24 June to 30 September 2015 £'000 |
|---|---|---|
| Note | | |
| Net cash used in operating activities | (317) | (205) |
| Net cash from investing activities | | |
| Purchases of property, plant and equipment | (137) | (184) |
| Acquisition, net of cash acquired | – | 111 |
| Net cash outflow from investing activities | (137) | (73) |
| Net cash from financing activities | | |
| Net proceeds from issue of equity shares | – | 2,117 |
| Net increase in cash, cash equivalents and overdrafts | (454) | 1,839 |
| Cash, cash equivalents and overdrafts at beginning of period | 1,839 | – |
| Cash, cash equivalents and overdrafts at end of period | 1,385 | 1,839 |

Reconciliation of operating loss to net cash outflow from operating activities

| | 6 months ended 31 March 2016 £'000 | Period from 24 June to 30 September 2015 £'000 |
|---|---|---|
| Note | | |
| Operating loss from continuing activities | (30) | (1,189) |
| Service cost of AIM listing | – | 754 |
| Depreciation and amortisation | 86 | 36 |
| Share based payments | 5 | – |
| Operating cash flows before movements in working capital | 61 | (399) |
| Decrease in receivables | 140 | (730) |
| Increase/(decrease) in payables | (518) | 924 |
| Net movement in working capital | (378) | 194 |
| Net cash outflow from operating activities | (317) | (205) |

Consolidated Statement of Changes in Equity

Period ended 31 March 2016

| | Share Capital £'000 | Share Premium £'000 | Merger Relief Reserve £'000 | Capital Redemption Reserve £'000 | Accumulated Deficit £'000 | Reverse Acquisition Reserve £'000 | Share Based Payments Reserve £'000 | Total Equity £'000 |
|---|---------------------------|---------------------------|--------------------------------------|---|---------------------------------|--|--|--------------------------|
| Balance at 24 June 2015 | - | - | - | - | - | - | - | - |
| Shares issued on asset purchase agreement | 1,500 | - | - | - | - | - | - | 1,500 |
| Reverse acquisition | 2,203 | 3,095 | 1,328 | - | - | (5,726) | - | 900 |
| Shares issued | 323 | 1,845 | - | - | - | - | - | 2,168 |
| Share issue expenses | - | (51) | - | - | - | - | - | (51) |
| Share buyback | (3,337) | - | - | 3,337 | - | - | - | - |
| Loss for the period | - | - | - | - | (1,209) | - | - | (1,209) |
| At 30 September 2015 | 689 | 4,889 | 1,328 | 3,337 | (1,209) | (5,726) | - | 3,308 |
| Options issued in the period | - | - | - | - | - | - | 5 | 5 |
| Loss for the period | - | - | - | - | (30) | - | - | (30) |
| At 31 March 2016 | 689 | 4,889 | 1,328 | 3,337 | (1,239) | (5,726) | 5 | 3,283 |

Notes to the Interim Financial Statements

For the period ended 31 March 2016

1. Basis of preparation

These consolidated interim financial 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 period ended 30 September 2015. The interim financial information for the six months to 31 March 2016, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 6 June 2016.

The unaudited interim financial information for the period ended 31 March 2016 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the period ended 30 September 2015 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.

There are no comparative results presented in the interim financial statements as the acquirer was incorporated in May 2015. The comparative results of React Specialist Cleaning Services business have been disclosed in the latest statutory financial statements and can be obtained as per note 8 of these interim financial statements.

2. Principal Accounting Policies

The principal accounting policies adopted are consistent with those of the annual financial statements for the period ended 30 September 2015 and are those expected to be applied for the year ending 30 September 2016.

New and amended standards adopted by the group

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

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 have been calculated on the loss on ordinary activities after taxation of £30,000 (30 September 2015: £1,209,000) using the weighted average number of ordinary shares in issue during the period being 275,407,753 (30 September 2015: 158,435,066).

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 2016 there were 19,104,464 (30 September 2015: 2,580,000) outstanding share warrants and options which are potentially dilutive.

5. Called up Share Capital

The issued share capital as at 31 March 2016 was 257,407,753 Ordinary Shares of 0.25 pence per share (30 September 2015: 257,407,753 Ordinary Shares of 0.25 pence per share as per the audited accounts).

There were no share issues during the interim period. During the period to 30 September 2015 238,209,614 Ordinary Shares of 0.25 pence per share were issued.

6. Share Options

On 30 November 2015 the company issued EMI options for 16,524,464 new ordinary shares in the company exercisable at a price of 1.68p per £0.025 ordinary share, exercisable after 3 years. The options have a 10 year exercise period ending on 29 November 2025.

Notes to the Unaudited Financial Statements (continued)

For the period ended 31 March 2016

No options were exercised in the period.

The fair value of the share options issued in the current period on 20 November 2015 with an exercise price of 1.68p is 0.38p and was derived using the Black Scholes model. The following assumptions were used in the calculations:

| | |
|---------------------------|----------|
| Share price at grant date | 1.68p |
| Risk-free rate | 0.25% |
| Volatility | 30% |
| Expected life | 10 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.

£5,000 has been recognised during the period for the share based payments over the vesting period.

7. Post balance sheet events

After the period end the Group acquired EPUK Limited for an initial consideration of £10,000, with a deferred consideration of up to £155,000 being payable once liabilities have been settled. The initial consideration will be settled in cash.

8. Availability

Copies of this Interim Report are available from the Company Secretary, Finsgate 5-7 Cranwood Street, London, EC1V 9EE, and on the Company's website www.reactplc.co.uk



React Group Plc bring together all the services and skills
you need to provide a safe workplace



www.react-env.co.uk



www.reactsc.co.uk



www.rohsl.co.uk



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