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React Group PLC - REAT Interim Results
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React Group PLC
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REACT Group plc ("React" or the "Company")

INTERIM RESULTS FOR THE 6 MONTHS ENDED 31 MARCH 2017

Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR).

REACT Group Plc announces its half year results for the period ended 31 March 2017.

This has been a period of consolidation and reassessment of the business, with the closure of EPUK and concentration on improving the core business React Specialist Cleaning Ltd and the other businesses within the group, React Occupational Hygiene Ltd ("ROHSL") and React Environmental Services Ltd ("RES").

Financial Results

The Group results for the period ending 31 March 2017 are set out in the Consolidated Statement of Comprehensive Income. Turnover for the period was £1.27m against £1.178m in the previous half year to March 2016. The loss for the 6 months to 31 March 2017 stood at £0.192 million of which £0.028 million was attributable to the closing down costs associated with EPUK. The cash balance at 31 March stood at £0.847 million (2016: £1.385m).

Strategy

Following the disappointing performance of EPUK resulting in its closure, announced in December, the Company is now concentrating on improving the performance of its remaining businesses within the Group. The Company does not intend making any further acquisitions in the foreseeable future. As part of the strategy to build on the core business, React Specialist Cleaning, two new salespeople have been recruited to drive for more new sales, but we expect it will take time to see the benefit of that investment. ROHSL has been restructured and sales are now improving. The weakest of the three businesses is RES, which despite being awarded a new two year asbestos licence, which is a major win for a new licence holder, continues to perform below expectations and its future within the Group remains under review.

Current Trading

By concentrating on the three remaining businesses the overall performance of the Group has begun to improve, driven by React Specialist Cleaning Ltd and ROHSL. In addition to working for longstanding clients React Specialist Cleaning Ltd, via a major Facilities Management ("FM") company, secured work at a major London hospital to supply labour to clean wards, operating

theatres and public areas on a daily/nightly basis, involving approximately 20 members of staff.

ROHSL was restructured and sales are now coming through at the level we anticipated and the team has built a relationship with a nationwide dental practice to provide a range of services, which seems to be becoming a good steady flow of sales and profit.

Asbestos is proving a difficult business to grow. Our sales are much slower than we had originally hoped, however the team continue to work at building a sales pipeline.

A new administrative computer system is being installed, which will give a higher level of visibility and improve our controls going forward across all the businesses.

Outlook

Our marketplace is shifting with a number of our customers moving to a more FM managed service. We have retained most of the business but at a lower margin, and in some cases have increased sales. The Company has added some prestigious new clients and continues to work to add sales and control costs to enable it to continue to improve its financial performance in the second half of the year.

G.M. Leates
Chairman

28 June 2017

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REACT Group Plc

Consolidated Statement of Comprehensive Income For the six months ended 31 March 2017

Note	6 months ended 31 March 2017 £'000	6 months ended 31 March 2016 £'000	Year to 30 September 2016 £'000
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Continuing Operations			
Revenue	1,270	1,178	2,432
Cost of Sales	<u>(934)</u>	<u>(648)</u>	<u>(1,419)</u>
Gross Profit	336	530	1,013
Administrative expenses	<u>(500)</u>	<u>(560)</u>	<u>(1,159)</u>
Operating loss	(164)	(30)	(146)
Income tax expense	-	-	(1)
Loss for the period from continuing operations	<u>(164)</u>	<u>(30)</u>	<u>(147)</u>
Loss for the period from discontinued operations	<u>(28)</u>	-	<u>(141)</u>
Loss for the period	(192)	(30)	(288)
Other Comprehensive Income	-	-	-
Loss for the financial period attributable to equity holders of the company	<u>(192)</u>	<u>(30)</u>	<u>(288)</u>
Loss per share for loss attributable to the equity holders of the company (pence) on continuing activities			
Basic and diluted loss per ordinary share			
From continuing operations	(0.06p)	(0.01p)	(0.05p)
From discontinuing operations	4 (0.01p)	-	(0.05p)

REACT Group Plc**Consolidated Statement of Financial Position
As at 31 March 2017**

	Note	As at 31 March 2017 £'000	As at 31 March 2016 £'000	As at 30 September 2016 £'000
Assets				
Non-current assets				
Intangibles		1,444	1,466	1,444
Property, plant and equipment		<u>173</u>	<u>237</u>	<u>252</u>
		<u>1,617</u>	<u>1,703</u>	<u>1,696</u>
Current assets				
Trade and other receivables		1,069	624	788
Cash and cash equivalents		847	1,385	931

		1,916	2,009	1,719
Total assets		3,533	3,712	3,415
Equity				
Shareholders' Equity				
Called-up equity share capital	5	689	689	689
Share premium account		4,889	4,889	4,889
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		30	5	22
Accumulated losses		(1,689)	(1,239)	(1,497)
Total Equity		2,858	3,283	3,042
Liabilities				
Current liabilities				
Trade and other payables		654	409	352
Non-current liabilities				
Deferred tax liability		21	20	21
Total liabilities		675	429	373
Total Liabilities and Equity		3,533	3,712	3,415

REACT Group Plc**Consolidated Statement of Cash Flows
For the six months ended 31 March 2017**

	Note	6 months ended 31 March 2017 £'000	6 months ended 31 March 2016 £'000	Year to 30 September 2016 £'000
Net cash used in operating activities		(78)	(317)	(698)
Net cash from investing activities				
Purchases of property, plant and equipment		(6)	(137)	(210)
Net cash outflow from investing activities		(6)	(137)	(210)
Net cash from financing activities				
Net proceeds from issue of equity shares		-	-	-

Net increase in cash, cash equivalents and overdrafts	(84)	(454)	(908)
Cash, cash equivalents and overdrafts at beginning of period	931	1,839	1,839
Cash, cash equivalents and overdrafts at end of period	<u>847</u>	<u>1,385</u>	<u>931</u>
Reconciliation of operating loss to net cash outflow from operating activities	6 months ended 31 March 2017	6 months ended 31 March 2016	Year to 30 September 2016
	£'000	£'000	£'000
Operating loss from continuing activities	(192)	(30)	(288)
Depreciation and amortisation	90	86	163
Share based payments	8	5	22
Operating cash flows before movements in working capital	<u>(94)</u>	<u>61</u>	<u>(103)</u>
(Increase)/decrease in receivables	(281)	140	(24)
Increase/(decrease) in payables	297	(518)	(571)
Net movement in working capital	<u>16</u>	<u>(378)</u>	<u>(595)</u>
Net cash outflow from operating activities	<u>(78)</u>	<u>(317)</u>	<u>(698)</u>

REACT Group Plc**Consolidated Statement of Changes in Equity
Six months ended 31 March 2017**

	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 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	<u>689</u>	<u>4,889</u>	<u>1,328</u>	<u>3,337</u>	<u>(1,239)</u>	<u>(5,726)</u>	<u>5</u>	<u>3,283</u>
Options issued in the period	-	-	-	-	-	-	17	17
Loss for the period	-	-	-	-	(258)	-	-	(258)

At 30 September 2016	689	4,889	1,328	3,337	(1,497)	(5,726)	22	3,042
Options issued in the period	-	-	-	-	-	-	8	8
Loss for the period	-	-	-	-	(192)	-	-	(192)
At 31 March 2017	689	4,889	1,328	3,337	(1,689)	(5,726)	30	2,858

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 period ended 30 September 2016. The interim financial information for the six months to 31 March 2017, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 28 June 2017.

The unaudited interim financial information for the period ended 31 March 2017 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 2016 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 period ended 30 September 2016 and are those expected to be applied for the year ending 30 September 2017.

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 has been calculated on the loss on ordinary activities after taxation of £192,000 (30 September 2016: £288,000; 31 March 2016 £30,000) using the weighted average number of ordinary shares in issue during the period being 275,407,753 (30 September

2016: 275,407,753; 31 March 2016: 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 2017 there were 19,104,464 (30 September 2016: 19,104,464; 31 March 2016: 19,104,464) outstanding share warrants and options which are potentially dilutive.

5. Called up Share Capital

The issued share capital as at 31 March 2017 was 257,407,753 Ordinary Shares of 0.25 pence per share (30 September 2016: 257,407,753 Ordinary Shares of 0.25 pence per share as per the audited accounts; 31 March 2016: 257,407,753).

There were no share issues during the interim period or the comparative periods.

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.

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.

£8,000 (March 2016: £5,000) has been recognised during the period for the share based payments over the vesting period.

7. Post balance sheet events

There were no post balance sheet events.

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

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