

**Report of the Directors and
Financial Statements for the period ended 30 September 2015
For
REACT Group Plc
(Formerly Verdes Management Plc)**

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REACT Group Plc
(Formerly Verdes Management Plc)

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REACT Group Plc
(Formerly Verdes Management Plc)

Company Information
For the period ended 30 September 2015

| | |
|---------------------------|---|
| Directors: | G M Leates G Rummery M K Collingbourne R S Woolley |
| Secretary: | M K Collingbourne |
| Registered number: | 05454010 (England & Wales) |
| Registered office: | C/O International Registrars Limited Finsgate 5-7 Cranwood Street London EC1V 9EE |
| Auditors: | Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE |
| Nominated adviser: | SPARK Advisory Partners Limited 5 St John's Lane London EC1M 4AP |
| Brokers: | Whitman Howard First Floor Connaught House 1-3 Mount Street London, W1K 3NB |
| Website Address: | http://www.reactsc.co.uk/ |

REACT Group Plc (Formerly Verdes Management Plc)

Chairman's and Chief Executive Statement For the period ended 30 September 2015

We are pleased to present REACT Group PLC's (formerly Verdes Management PLC) annual report for the period ended 30 September 2015.

The Company was admitted to trading on AIM in August 2015 following the successful acquisition of REACT SC Holdings Ltd. and was renamed REACT Group PLC. REACT traded successfully for many years as a division of Autoclenz Holdings Ltd. In June 2015 the REACT business was transferred to a newly-formed limited company, REACT Specialist Cleaning Limited, which, following a re-organisation of the Autoclenz group, became a subsidiary of REACT SC Holdings Limited.

On 17 August 2015, REACT Group Plc acquired the entire share capital of REACT SC Holdings Limited and its subsidiary by way of a share for share exchange. As a result, the former shareholders of REACT SC Holding Limited obtained control of REACT Group Plc. Reverse acquisition accounting has been adopted as a result, the report and accounts reflect the trading activity of REACT Specialist Cleaning Limited from 24 June 2015 together with the results of REACT Group Plc from 17 August 2015.

It should be noted that REACT SC Holdings Limited and REACT Specialist Cleaning Limited were dormant from incorporation up to 24 June 2015 until REACT Specialist Cleaning Limited acquired the business and fixed assets of the REACT division from Autoclenz.

One-off expenditure included within the Consolidated Statement of Comprehensive Income were a shared based payment charge recognised for the reverse acquisition of £754,000 with the group also incurring £400,000 of acquisition and admission costs.

STRATEGY

REACT's long term strategy is twofold:

- 1) To build on existing long term relationships and to grow the business organically; and
- 2) Growth by acquisition – REACT operates in a sector which contains many small specialist companies that provide opportunities to consolidate selected quality operations under the REACT umbrella and offer a much broader range of specialist services.

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 complimentary to the skill sets that it currently offers.

As a result, post the reporting period and with a substantially stronger balance sheet the enlarged group has made two small acquisitions which we believe by the year end these acquisitions will have a positive contribution. We will continue to look for more strategic bolt on businesses that will only enhance our service offering.

KEY ACHIEVEMENTS

- A fundraising in August 2015 of £2m gross co-terminus with the acquisition of REACT SC Holdings Ltd.
- A successful start to the current trading period

REACT Group Plc **(Formerly Verdes Management Plc)**

Chairman's and Chief Executive Statement

For the period ended 30 September 2015

POST BALANCE SHEET EVENTS

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 complimentary 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 substantial amounts of goodwill, which should prove beneficial for our shareholders.

Subsequently on 26 January 2016 REACT Environmental Services was granted a Full Asbestos Removal Licence. This means that in asbestos 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 contaminants
- Hazard surveys
- Mould detection

RESULTS

The Group's results for the period ended 30 September 2015 are set out in the Consolidated Statement of Comprehensive Income. It shows an operating loss of £35,000 but this is only for a short period just after the transaction. Administrative expenses were £393,000 reflecting the costs of operating both companies for the period as detailed above.

The Group's current cash position remains strong at £1.3m at today's date post the setting up of the two subsidiaries RES and ROHSL, and is sufficient to fund more add-on acquisitions and services.

REACT Group Plc
(Formerly Verdes Management Plc)

Chairman's and Chief Executive Statement
For the period ended 30 September 2015

OUTLOOK

Since the year end the Company has traded very 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, but new clients continue to add a strong pipeline of contracts in both the public and private sectors. What we are delighted with is the number and increasing value of new tenders we are being approached on and the success with winning these.

We look forward with confidence as we have a well-funded business, with substantial organic growth and additional opportunities to acquire niche businesses that add a further offering to our ever expanding client base. At present the market capitalisation of REACT Group Plc is small but I believe that if we deliver upon the opportunities forwarded to us this will change very rapidly



G M Leates
Chairman
22 March 2016

REACT Group Plc **(Formerly Verdes Management Plc)**

Strategic Report **For the period ended 30 September 2015**

REVIEW OF BUSINESS

A review of the business of the group, together with comments on future developments is given in the Chairman's Statement on pages 2 to 4.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

Attraction and retention of key management and employees

The successful operation of the group will depend partly upon the performance and expertise of its current and future management and employees, and in particular Chris Taylor the managing director of REACT Specialist Cleaning Limited, and Grahame Rummery the Chief Executive. The loss of the services of certain of these members of the group's key management or employees, or the inability to identify, attract and retain a sufficient number of suitably skilled and qualified employees may have a material adverse effect on the group. Expansion of the group may require considerable management time which may in turn inhibit management's ability to conduct the day to day business of the Company.

Dependence on key customers

REACT generates a significant proportion of its revenues from a limited number of customers. It may prove difficult to gain new business and to achieve turnover growth from such customers. The group are aiming to mitigate this risk by growing the business through acquisition of smaller business in related fields and also attracting larger corporate customers from the private sector.

FINANCIAL AND CAPITAL RISK MANAGEMENT

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

KEY PERFORMANCE INDICATORS (KPIs)

Financial

| | Period to 30 September 2015 £'000 |
|-------------------------------|--|
| Revenue | 704 |
| Loss for the period | 1,209 |
| Loss excluding one-off items* | 55 |
| Cash as at 30 September 2015 | 1,839 |

*One-off items included within the Consolidated Statement of Comprehensive Income were the service costs of AIM listing of £754,000, and £400,000 of acquisition and admission costs.

For the period from 24 June 2015 to 30 September 2015 the company has successfully consolidated the REACT division within the group and achieved revenues of £704,000. In this period the company has incurred costs in growing the original business and absorbed costs in relation to the integration of the REACT business. At the period end the group had a cash balance of £1,839,000 and is well positioned to build on existing long term relationships and to grow the business organically and by acquisition.

REACT Group Plc
(Formerly Verdes Management Plc)

Strategic Report
For the period ended 30 September 2015

Non-financial

The board recognises the importance of KPIs in driving appropriate behaviour and enabling of Group performance. For the period to 30 September 2015 the primary KPI's were the establishment of the REACT business as a separate entity and subsequent admission to trading on the AIM market. During the period the company was admitted to AIM on 17 August 2015. The group intends to review the following non-financial KPIs going forward:

1. Customer relationships
2. Service quality and brand awareness
3. Attraction, motivation and retention of employees

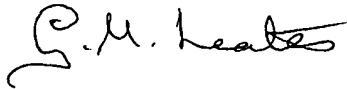
DIVIDENDS

No dividends will be distributed for the period ended 30 September 2015

FUTURE DEVELOPMENTS

The Chairman's Statement on pages 2 to 4 gives information on the future outlook of the group

ON BEHALF OF THE BOARD



G M Leates
22 March 2016

REACT Group Plc

(Formerly Verdes Management Plc)

Directors' Report

For the period ended 30 September 2015

The directors present their report and the audited financial statements of the group for the period to 30 September 2015.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was initially that of an investment holding company. The company changed its name from Verdes Management Plc on 14 August 2015.

Upon acquiring a subsidiary, the principal activity of the group became that of a specialist cleaning and decontamination service to the public sector.

DIRECTORS

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

G M Leates

G Rummery (appointed 17 August 2015)

M K Collingbourne (appointed 17 August 2015)

S Foster (resigned 3 February 2016)

A Reynolds (resigned 17 August 2015)

R S Woolley (appointed 3 February 2016)

Directors' Remuneration

The directors are entitled to receive relevant fees, as detailed in the directors' remuneration in Note 4.

Directors and their interests

The directors of the group held the following beneficial interests in the shares and share options of REACT Group Plc at 30 September 2015 and at the date of this report:

| | Issued Share Capital | | Share Warrants | |
|-----------------|--------------------------------------|--------------------|--------------------------------------|------------------------------|
| | Ordinary shares of £0.025 each | Percentage Held | Ordinary shares of £0.025 each | Warrant exercise price |
| GM Leates | 585,238 | 0.21 | 2,380,000 | £0.0168 |
| G Rummery | 14,523,809 | 5.27 | - | - |
| M Collingbourne | 1,488,096 | 0.54 | - | - |
| S Foster | - | - | - | - |
| A Reynolds | 18,571,429 | 6.74 | - | - |
| R S Woolley | - | - | - | - |

The share warrants held by GM Leates were granted on 17 August 2015 and are exercisable at £0.0168 at any time after 17 August 2016 up to 17 August 2025.

REACT Group Plc
(Formerly Verdes Management Plc)

Directors' Report
For the period ended 30 September 2015

SUBSTANTIAL SHAREHOLDINGS

Substantial shareholdings include directors as at 18 March 2016 were as follows:

| | % of shares issued |
|-------------------------|---------------------------|
| Helium Rising Stars | 22.74 |
| Mr A Reynolds | 6.74 |
| Mr G Rummery (Director) | 5.27 |
| Mr T Clingo | 5.06 |
| Mr M Ward | 5.06 |
| Mr P Foulger | 6.74 |
| Mr D Worrall | 5.06 |

FINANCIAL INSTRUMENTS

The group's exposure to financial risk is set out in note 21 to the accounts.

EVENTS AFTER THE REPORTING PERIOD

Refer to note 22 to the financial statements for further details.

PUBLICATION OF ACCOUNTS ON GROUP WEBSITE

Financial statements are published on the group's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibilities also extend to the financial statements contained therein.

GOING CONCERN

The financial statements have been prepared on the assumption that the group is a going concern. When assessing the foreseeable future, the directors have looked at the budget for the next 12 months from the date of this report, the cash at bank available as at the date of approval of this report and are satisfied that the group should be able to cover its operating losses.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

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

REACT Group Plc
(Formerly Verdes Management Plc)

Director's Report
For the period ended 30 September 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

- 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.

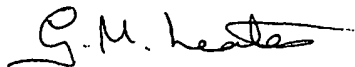
AUDITOR

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

STRATEGIC REPORT

In accordance with section 414C(1) 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 Strategic Report on pages 5 -6

ON BEHALF OF THE BOARD



G M Leates
22 March 2016

Independent Auditor's Report to The Members of REACT Group Plc For the period ended 30 September 2015

We have audited the group financial statements of REACT Group Plc for the period ended 30 September 2015, which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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 auditors 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.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 8 to 9, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's report, Strategic report and Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2015 and of the group's loss and group's and parent company's cash flows for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provision of the Companies Act 2006; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006

**Independent Auditor's Report to The Members of
REACT Group Plc
For the period ended 30 September 2015**

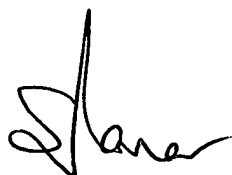
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and Strategic Report for the financial period for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the group 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.



Sanjay Parmar
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London
EC1V 9EE

Date: 22 March 2016

REACT Group Plc
(Formerly Verdes Management Plc)

Consolidated Statement of Comprehensive Income
For the period ended 30 September 2015

| | Notes | Period from 24 June 2015 to 30 September 2015 £'000 |
|--|-------|---|
| Turnover | | 704 |
| Cost of sales | | (346) |
| Gross profit | | 358 |
| Administrative expenses | 5 | (393) |
| Operating loss | | (35) |
| Non Operating Items | | |
| Service cost of AIM listing | | (754) |
| Acquisition and admission costs | | (400) |
| Loss before Income tax | 5 | (1,189) |
| Income tax | 6 | (20) |
| Loss for the period | | (1,209) |
| Other Comprehensive Income | | - |
| Total comprehensive income for the period | | (1,209) |
| Total comprehensive income attributable to the owners of the company | | (1,209) |
| Loss per share | | |
| Basic & Diluted loss per share - pence | 7 | 0.76p |

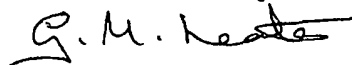
The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Consolidated Statement of Financial Position
As at 30 September 2015

| | Notes | As at 30 September 2015 £'000 |
|-------------------------------------|-------|--|
| ASSETS | | |
| Non-current assets | | |
| Intangibles | 9 | 1,488 |
| Property, plant & equipment | 10 | 161 |
| | | <hr/> 1,649 |
| Current assets | | |
| Trade and other receivables | 13 | 764 |
| Cash and cash equivalents | 14 | 1,839 |
| | | <hr/> 2,603 |
| TOTAL ASSETS | | <hr/> 4,252 <hr/> |
| EQUITY | | |
| Shareholders' Equity | | |
| Called up share capital | 15 | 689 |
| Share premium | | 4,889 |
| Reverse acquisition reserve | | (5,726) |
| Capital redemption reserve | | 3,337 |
| Merger relief reserve | | 1,328 |
| Accumulated deficit | | (1,209) |
| Total Equity | | <hr/> 3,308 <hr/> |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 16 | 924 |
| Non - current Liabilities | | |
| Deferred tax liability | 17 | 20 |
| TOTAL LIABILITIES | | <hr/> 944 <hr/> |
| TOTAL EQUITY AND LIABILITIES | | <hr/> 4,252 <hr/> |

These financial statements were approved and authorised for issue by the Board of Directors on 22 March 2016 and were signed on its behalf by:



G M Leates
Director
Company Registration no. 05454010

The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Consolidated Statement of Changes in Equity
For the period ended 30 September 2015

| | Share capital | Share Premium | Merger Relief Reserve | Capital Redemption Reserve | Reverse Acquisition Reserve | Accumulated deficit | Total equity |
|---|------------------|------------------|-----------------------------|----------------------------------|-----------------------------------|------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'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) |
| Balance at 30 September 2015 | <u>689</u> | <u>4,889</u> | <u>1,328</u> | <u>3,337</u> | <u>(5,726)</u> | <u>(1,209)</u> | <u>3,308</u> |

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

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

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

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

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

The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Consolidated Statement of Cash Flows
For the period ended 30 September 2015

| | Notes | Period from 24 June 2015 to 30 September 2015 £'000 |
|--|-------|---|
| Cash flows from operating activities | | |
| Cash utilised in operations | 1 | (205) |
| Net cash outflow from operating activities | | (205) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | | (184) |
| Acquisition, net of cash acquired | | 111 |
| Net cash inflow from investing activities | | (73) |
| Cash flows from financing activities | | |
| Share issues | | 2,117 |
| Net cash inflow from financing activities | | 2,117 |
| Increase in cash and equivalents | | 1,839 |
| Cash and cash equivalents at beginning of period | | - |
| Cash and cash equivalents at end of period | 14 | 1,839 |

The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Notes to the Consolidated Statement of Cash Flows
For the period ended 30 September 2015

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

| | Period from 24 June 2015 to 30 September 2015 £'000 |
|---|--|
| Loss before taxation | (1,189) |
| Increase in trade and other receivables | (730) |
| Increase in trade and other payables | 924 |
| Depreciation and amortisation charges | 36 |
| Service cost of AIM listing | 754 |
| | <hr/> |
| Net cash outflow from operations | (205) |
| | <hr/> |

2. Cash and Cash Equivalents

| | As at 30 September 2015 £'000 |
|---------------------------|--|
| Cash and cash equivalents | 1,839 |
| | <hr/> |

3. Non-cash transactions

On 17 August 2015 a significant non-cash transaction took place in respect of the reverse acquisition, more information on this has been disclosed within note 12. The group also acquired intangible assets as detailed in note 11 in as a result of the purchase of trade and assets from Autoclenz Limited in respect of an unincorporated division.

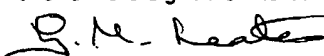
The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Company Statement of Financial Position
As at 30 September 2015

| | Notes | As at 30 September 2015 £'000 | As at 30 September 2014 £'000 |
|-------------------------------------|-------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Investments | 11 | 1,560 | - |
| Property, plant & equipment | 10 | 1 | 1 |
| | | <u>1,561</u> | <u>1</u> |
| CURRENT ASSETS | | | |
| Trade and other receivables | 13 | 240 | 23 |
| Cash and cash equivalents | 14 | 1,778 | 187 |
| | | <u>2,018</u> | <u>210</u> |
| TOTAL ASSETS | | <u><u>3,579</u></u> | <u><u>211</u></u> |
| EQUITY | | | |
| Shareholders' Equity | | | |
| Called up share capital | 15 | 689 | 3,430 |
| Share premium | | 4,889 | 2,861 |
| Merger relief reserve | | 1,328 | - |
| Capital redemption reserve | | 3,337 | - |
| Accumulated deficit | | (6,964) | (6,230) |
| Total Equity | | <u>3,279</u> | <u>61</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | 300 | 150 |
| TOTAL LIABILITIES | | <u>300</u> | <u>150</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>3,579</u></u> | <u><u>211</u></u> |

These financial statements were approved and authorised for issue by the Board of Directors on 22 March 2016 and were signed on its behalf by


G. M. Leates
Director

Company Registration no. 05454010

The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Company Statement of Changes in Equity
For the year ended 30 September 2015

| | Called up Share capital £'000 | Share Premium £'000 | Merger Relief Reserve £'000 | Capital Redemption reserve £'000 | Accumulat ed deficit £'000 | Total equity £'000 |
|--|--|---------------------------|--------------------------------------|--|----------------------------------|--------------------------|
| Balance at 1 October 2013 | 3,333 | 2,121 | - | - | (5,617) | (163) |
| Issue of ordinary shares | 90 | 785 | - | - | - | 875 |
| Share issue costs | - | (38) | - | - | - | (38) |
| Re-designate partly paid shares | 7 | (7) | - | - | - | - |
| Loss for the year | - | - | - | - | (613) | (613) |
| Balance at 1 October 2014 | 3,430 | 2,861 | - | - | (6,230) | 61 |
| Shares issued for acquisition of REACT SC Holdings Limited | 232 | - | 1,328 | - | - | 1,560 |
| Conversion of loan notes | 41 | 234 | - | - | - | 275 |
| Issues of shares during the period | 323 | 1,845 | - | - | - | 2,168 |
| Share issue expenses | - | (51) | - | - | - | (51) |
| Share buyback | (3,337) | - | - | 3,337 | - | - |
| Loss for the year | - | - | - | - | (734) | (734) |
| Balance at 30 September 2015 | 689 | 4,889 | 1,328 | 3,337 | (6,964) | 3,279 |

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

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

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

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

The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Company Statement of Cash Flows
For the year ended 30 September 2015

| | Notes | Year ended 30 September 2015 £'000 | Year ended 30 September 2014 £'000 |
|--|-------|---|---|
| Cash flows from operating activities | | | |
| Cash utilised from operations | 1 | (526) | (564) |
| Net cash outflow from operating activities | | (526) | (564) |
| Cash flows from financing activities | | | |
| Share issues | | 2,117 | 713 |
| New loan finance | | - | 305 |
| Loan repayment | | - | (305) |
| Net cash inflow from financing activities | | 2,117 | 713 |
| Increase in cash and equivalents | | 1,591 | 149 |
| Cash and cash equivalents at beginning of period | | 187 | 38 |
| Cash and cash equivalents at end of period | 14 | 1,778 | 187 |

The notes on pages 21 to 43 form part of these financial statements

REACT Group Plc
(Formerly Verdes Management Plc)

Notes to the Company Statement of Cash Flows
For the period ended 30 September 2015

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

| | Year ended 30 September 2015 £'000 | Year ended 30 September 2014 £'000 |
|--|---|---|
| Operating loss | (734) | (613) |
| (Increase) / Decrease in trade and other receivables | (217) | 22 |
| Increase in trade and other payables | 400 | 26 |
| Interest payable | 25 | - |
| Depreciation | - | 1 |
| | <hr/> | <hr/> |
| Net cash outflow from operations | (526) | (564) |
| | <hr/> | <hr/> |

2. Cash and Cash Equivalents

| | As at 30 September 2015 £'000 | As at 30 September 2014 £'000 |
|---------------------------|--|--|
| Cash and cash equivalents | 1,778 | 187 |
| | <hr/> | <hr/> |

3. Non-cash transactions

During the period, the company issued £1,560,000 of ordinary shares to acquire a subsidiary and £275,000 of ordinary shares were issued to extinguish convertible loan notes in non-cash transactions. Refer to Notes 12 and 15 for further details.

REACT Group Plc

(Formerly Verdes Management Plc)

Notes to the Financial Statements

For the period ended 30 September 2015

1. General Information

Basis of preparation and consolidation

REACT Group Plc was readmitted to the AIM – London Stock Exchange on 17 August 2015, a company incorporated and domiciled in England and Wales. Details of the registered office, the officers and advisers to the company are presented on the company information page at the start of this report. The principal activity of the group for the period is that of a specialist cleaning and decontamination service to the public sector. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

On 17 August 2015, REACT Group Plc acquired the entire share capital of REACT SC Holdings Limited and its subsidiary by way of a share for share exchange. As a result, the former shareholders of REACT SC Holding Limited obtained control of REACT Group Plc.

REACT Group Plc was a non-operating entity, and thus did not qualify as a business combination and is therefore outside the scope of IFRS 3 'Business Combinations'. In accordance with guidance given by the International Interpretations Committee, the transaction is accounted for as a share-based payment in accordance with IFRS 2 'share-based payment'.

The legal subsidiary, REACT SC Holdings Limited, was treated as the accounting acquirer and the legal Parent Company, REACT Group Plc, was treated as the accounting subsidiary. The difference in the fair value of the shares deemed to have been issued by REACT SC Holdings Limited and the fair value of REACT Group Plc identifiable net assets represents a payment for a service of a stock exchange listing for its shares and has been charged to the Statement of Comprehensive Income.

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 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.

The consolidated results for the period ended 30 September 2015 comprise the results of REACT SC Limited and its subsidiary REACT Specialist Cleaning Limited for the period ended 30 September 2015, consolidated with those of REACT Group Plc from 17 August 2015.

The assets and liabilities of the legal subsidiary, REACT Specialist Cleaning Limited are recognised and measured in the group financial statements at the pre-combination carrying amounts, without restatement of fair value. The results of the period from 24 June 2015 to 30 September 2015 are those of REACT Specialist Cleaning Limited.

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.

REACT Group Plc

(Formerly Verdes Management Plc)

Notes to the Financial Statements

For the period ended 30 September 2015

1. General Information (continued)

Basis of preparation and consolidation

There are no comparative numbers presented in the financial statements as the acquirer was incorporated in May 2015.

The comparative results of the REACT Specialist Cleaning Services business have been disclosed in the notes to the financial statements for the period to 24 June 2015 and the years to 31 December 2014 and 31 December 2013.

2. Accounting Policies

Statement of compliance

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

Basis of preparation

The financial statements have been prepared under the historical cost convention.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period under review.

Going concern

Following its review of the group's financial plans, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

New and amended standards adopted by the group

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

REACT Group Plc
(Formerly Verdes Management Plc)

Notes to the Financial Statements
For the period ended 30 September 2015

2. Accounting Policies (continued)

New Standards, amendments and interpretations issued but not effective

| Reference | Title | Summary | Application date of standard | Application date of Company |
|-----------|--|---|---|-----------------------------|
| IFRS 9 | Financial Instruments | Revised standard for accounting for financial instruments | Periods commencing on or after 1 January 2018 | 1 October 2018 |
| IFRS 10 | Consolidated financial statement | Amended by Investment Entities: Applying the Consolidation Exception | Periods commencing on or after 1 January 2016 | 1 October 2016 |
| IFRS 11 | Joint Arrangements | Amended by Accounting for Acquisitions of Interests in Joint Operations | Periods commencing on or after 1 January 2016 | 1 October 2016 |
| IFRS 12 | Disclosure of Interests in Other Entities | Amended by Investment Entities: Applying the Consolidation Exception | Periods commencing on or after 1 January 2016 | 1 October 2016 |
| IFRS 14 | Regulatory deferral accounts | Aims to enhance the comparability of financial reporting by entities subject to rate-regulations | Periods commencing on or after 1 January 2016 | 1 October 2016 |
| IFRS 15 | Revenue from contracts with customers | Specifies how and when to recognise revenue from contracts as well as requiring more informative and relevant disclosures | Periods commencing on or after 1 January 2018 | 1 October 2018 |
| IFRS 16 | Lease | IFRS 16 <i>Leases</i> published | Periods commencing on or after 1 January 2019 | 1 October 2019 |
| IAS 16 | Property, Plant and Equipment | Amended standard for accounting treatment for property, plant and equipment | Periods commencing on or after 1 January 2016 | 1 October 2016 |
| IAS 27 | Separate financial statement | Amended by Equity Method in Separate Financial Statements (Amendments to IAS 27) | Periods commencing on or after 1 January 2016 | 1 October 2016 |
| IAS 28 | Investments in Associates and Joint Ventures | Amended by Investment Entities: Applying the Consolidation Exception | Periods commencing on or after 1 January 2016 | 1 October 2016 |

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

REACT Group Plc

(Formerly Verdes Management Plc)

Notes to the Financial Statements

For the period ended 30 September 2015

2. Accounting Policies (continued...)

Merger relief reserve

The 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.

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 differences, and the carrying forward or unused tax assets and unused tax losses can be utilised.

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

REACT Group Plc

(Formerly Verdes Management Plc)

Notes to the Financial Statements

For the period ended 30 September 2015

2. Accounting Policies (continued...)

Investments

Investments in subsidiaries are held at cost less any impairment.

Financial instruments

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

Trade and other receivables

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

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

Cash and cash equivalents

Cash and cash equivalents comprised of cash at bank and in hand.

Fair values

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

Trade and other payables

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

REACT Group Plc

(Formerly Verdes Management Plc)

Notes to the Financial Statements

For the period ended 30 September 2015

2. Accounting Policies (continued...)

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 period ended 30 September 2015.

Equity instruments

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

REACT Group Plc

(Formerly Verdes Management Plc)

Notes to the Financial Statements

For the period ended 30 September 2015

2. Accounting Policies (continued...)

Share-based compensation

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

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

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

Property, plant and equipment

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

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

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

| | |
|---------------------|-----|
| Computer equipment | 30% |
| Motor Vehicles | 50% |
| Plant and Machinery | 50% |

Useful lives and depreciation method 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.

REACT Group Plc

(Formerly Verdes Management Plc)

Notes to the Financial Statements

For the period ended 30 September 2015

2. Accounting Policies (continued...)

Intangibles

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

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

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

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

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.

- **Share based payments**

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

- **Amortisation**

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

- **Customer list valuation**

Management undertook a fair value exercise on the business combination when the REACT division was purchased from Autoclenz Limited. Management identified that the customer list of the REACT business should be recognised separately and a fair value of £220,000 was determined. When assigning a fair value to the customer list management made significant judgements and at the time of the fair value exercise it is noted that alternative judgements could have been made leading to a differing fair value of the customer list.

REACT Group Plc
(Formerly Verdes Management Plc)

Notes to the Financial Statements
For the period ended 30 September 2015

3. Segmental Reporting

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

4. Employees and Directors

| Staff costs (including directors): | | Period from 24 June 2015 to 30 September 2015 |
|--|---------------|--|
| | | £'000 |
| Wages and salaries | | 272 |
| Directors Fees | | 11 |
| Social security costs | | 29 |
| Pension contributions | | 2 |
| | | <hr/> |
| | | 314 |
| | | <hr/> |
| Staff costs within cost of sales | | 190 |
| Staff costs within administrative expenses | Note 5 | 124 |
| | | <hr/> |
| | | 314 |
| | | <hr/> |

| Number of staff (including directors): | | Period from 24 June 2015 to 30 September 2015 |
|---|--|--|
| | | No. |
| The average monthly number of employees during the period was as follows: | | |
| Directors | | 3 |
| Operators and administration staff | | 25 |
| | | <hr/> |
| | | 28 |
| | | <hr/> |

| Directors' emoluments: | | Period from 24 June 2015 to 30 September 2015 |
|-------------------------------|--|--|
| | | £'000 |
| Directors' remuneration | | 17 |
| | | <hr/> |
| Total emoluments | | 17 |
| | | <hr/> |

Details of emoluments received by Directors of the group for the period to 30 September 2015 were as follows:

| | Salaries £'000 | Fees £'000 | Total £'000 |
|------------------|---------------------------|-----------------------|------------------------|
| G Leates | 4 | - | 4 |
| S Foster | 1 | 3 | 4 |
| G Rummery | - | 4 | 4 |
| MK Collingbourne | - | 5 | 5 |
| Total | 5 | 12 | 17 |

REACT Group Plc
(Formerly Verdes Management Plc)

Notes to the Financial Statements
For the period ended 30 September 2015

5. Expenses – analysis by nature

| | | Period from 24 June 2015 to 30 September 2015 £'000 |
|--|---------------|--|
| Staff costs | Note 4 | 124 |
| Auditor remuneration - audit fees (company only £15,000) | | 20 |
| Auditor remuneration – non audit fees | | 1 |
| Depreciation on property, plant and equipment (£16,000 with cost of sales) | | 8 |
| Travel expenses | | 22 |
| Consultancy | | 14 |
| Legal and professional | | 103 |
| Other expenses | | 101 |
| | | <hr/> |
| Administrative expenses | | 393 |
| Service cost of AIM Listing | | 754 |
| Acquisition and admission costs | | 400 |
| | | <hr/> |
| Total administrative expenses and one-off items | | 1,547 |
| | | <hr/> <hr/> |

Admission costs relate to the admission to AIM in June 2015 and included costs relating to the reverse acquisition.

Included within the admission expenses are one-off non-audit fees of £45,000 in relation to the admission to trading on AIM.

REACT Group Plc
(Formerly Verdes Management Plc)

Notes to the Financial Statements
For the period ended 30 September 2015

6. Income Tax

**Period from 24
June 2015 to 30
September 2015
£'000**

| | | |
|------------------------|----------------|-------|
| Corporation tax charge | | - |
| Deferred tax charge | Note 17 | 20 |
| | | <hr/> |
| Total taxation | | 20 |
| | | <hr/> |

Analysis of tax expense:

| | |
|---|---------|
| Loss on ordinary activities before income tax | (1,189) |
| | <hr/> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in UK of 20% | (238) |
| Effects of: | |
| Depreciation and amortisation not deductible for tax | 5 |
| Expenses not deductible for tax purposes | 234 |
| Capital allowances | (22) |
| Increase in net losses carried forward | 21 |
| | <hr/> |
| Corporation tax charge | - |
| | <hr/> |

The group has estimated excess management expenses of £697,000.

The tax losses have resulted in a deferred tax asset of approximately £139,000 which has not been recognised as it is uncertain whether future taxable profits will be sufficient to utilize the losses.

7. Loss per Share

Basic loss per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the period.

Reconciliations are set out below:

| | Loss £'000 | Weighted average Number of shares | Loss per-share Pence |
|--|-----------------------|--|---------------------------------|
| Basic and diluted EPS | | | |
| Loss attributable to ordinary shareholders | (1,209) | 158,435,066 | 0.76 |
| | <hr/> | <hr/> | <hr/> |

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 September 2015 there were 2,580,000 outstanding share warrants which are potentially dilutive.

REACT Group Plc **(Formerly Verdes Management Plc)**

Notes to the Financial Statements **For the period ended 30 September 2015**

8. Company's result for the period

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement account. The result for the parent company for the period was a loss of £734,000 (2014: loss of £614,000).

9. Intangible assets

| Group | Purchased goodwill £'000 | Customer List acquired £'000 | Total £'000 |
|--|-----------------------------|------------------------------------|----------------|
| Cost | | | |
| At 24 June 2015 | - | - | - |
| Acquisitions through business combinations | 1,280 | 220 | 1,500 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2015 | 1,280 | 220 | 1,500 |
| | <hr/> | <hr/> | <hr/> |
| Accumulated Amortisation and impairment | | | |
| At 24 June 2015 | - | - | - |
| Amortisation charge for the period | - | 12 | 12 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2015 | - | 12 | 12 |
| | <hr/> | <hr/> | <hr/> |
| Carrying amount | | | |
| At 30 September 2015 | 1,280 | 208 | 1,488 |
| | <hr/> | <hr/> | <hr/> |

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

The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flow forecasts. Purchased goodwill has been allocated for impairment testing purposes to the individual businesses acquired which are also the cash-generating units ("CGU") identified. The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors covering a two year period. 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 16.67% per annum will be applied to the cash flow projections, after taking into consideration the group's cost of borrowings, the expected rate of return and various risks relating to the CGU. The group has not assessed the goodwill for impairment in the current period due to the acquisition date being close to the reporting date, the directors do not believe there have been any indicators of impairment between the acquisition date and the reporting date. Going forward goodwill will be assessed annually for impairment. At the year end, based on these assumptions there is no indication of impairment of the value of goodwill.

REACT Group Plc
(Formerly Verdes Management Plc)

Notes to the Financial Statements
For the period ended 30 September 2015

9. Intangible assets (continued)

Purchased goodwill

On 24 June 2015 the company entered in to an Asset Purchase Agreement with Autoclenz Limited pursuant to which the company agreed to acquire the business and fixed assets of the REACT Specialist Cleaning Services Division from Autoclenz Limited for total consideration of £1,650,735. The company settled £1,500,000 of the consideration by the allotment of 1,499,999 ordinary shares of £1 each in its capital to Autoclenz Limited. The balance of £150,735 was settled in cash and has been allocated to the fair value of tangible fixed assets acquired. £220,000 of the consideration has been allocated to the fair value of customer lists acquired with a resulting goodwill of £1,280,000 for intangible assets that do not qualify for separate recognition. The goodwill includes customer loyalty, staff know how, reputation and relationships with contractors and suppliers.

Details of the price and consideration are as set out below:

| | £'000 |
|-------------------------------------|--------------|
| 1,500,000 ordinary shares of £1.00 | 1,500 |
| Cash for additional tangible assets | 150 |
| | <hr/> 1,650 |

Details of the fair value of identifiable assets and liabilities acquired and goodwill as at 24 June 2015 are as follows:

| | Book Value £'000 | Adjustment £'000 | Fair value £'000 |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Intangible fixed assets | - | 220 | 220 |
| Tangible fixed assets | 150 | - | 150 |
| Trade and other receivables | - | - | - |
| Cash | - | - | - |
| Trade and other payables | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total net assets | 150 | 220 | 370 |
| Goodwill | | | 1,280 |
| | | | <hr/> 1,650 |

The consolidated income statement for the period includes the results from 24 June 2015 onwards when the business was acquired. Whilst there are results for REACT specialist cleaning services business for many years of trading; its basis as the accounting acquirer only occurs from the incorporation of REACT Specialist Cleaning Limited as any results previously are reportable under Autoclenz Limited for which the group has no interest in. The results of the division are presented below for 1 January 2015 to 24 June 2015, the year to December 2014 and the year to 31 December 2013. In addition the division's balance sheet at the end of each reporting period is shown.

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Notes to the Financial Statements
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9. Intangible assets (continued)

REACT specialist cleaning services business:

| INCOME STATEMENT | Period 1 January 2015 to 24 June 2015 | Year ended 31 December 2014 £'000 | Year ended 31 December 2013 £'000 |
|--|--|--|--|
| Revenue | 872 | 1,557 | 1,565 |
| Cost of sales | (272) | (516) | (552) |
| Gross profit | 600 | 1,041 | 1,013 |
| Administrative expenses | (365) | (634) | (689) |
| Operating profit | 235 | 407 | 324 |
| Costs incurred centrally | (76) | (146) | (142) |
| Other income | - | 20 | 14 |
| Profit on ordinary activities before taxation | 159 | 281 | 196 |
| Taxation | (32) | (56) | (40) |
| Profit for the year | 127 | 225 | 156 |
| STATEMENT OF FINANCIAL POSITION | As at 24 June 2015 £'000 | As at 31 December 2014 £'000 | As at 31 December 2013 £'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 111 | 93 | 65 |
| | 111 | 93 | 65 |
| Current assets | | | |
| Trade and other receivables | 932 | 450 | 331 |
| Cash and cash equivalents | - | - | - |
| | 932 | 450 | 331 |
| Total assets | 1,043 | 543 | 396 |
| Equity | | | |
| Retained earnings | 552 | 425 | 200 |
| Total equity | 552 | 425 | 200 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 491 | 118 | 196 |
| Total equity and liabilities | 1,043 | 543 | 396 |

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Notes to the Financial Statements
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10. Property, plant and equipment

| Group | Vehicles £'000 | Plant and machinery £'000 | Total £'000 |
|------------------------------------|---------------------------|--|------------------------|
| Cost | | | |
| At 24 June 2015 | - | - | - |
| On acquisition | | 3 | 3 |
| Additions | 171 | 13 | 184 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2015 | 171 | 16 | 187 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At 24 June 2015 | - | - | - |
| On acquisition | | 2 | 2 |
| Depreciation charge for the period | 23 | 1 | 24 |
| | <hr/> | <hr/> | <hr/> |
| At 30 September 2015 | 23 | 3 | 26 |
| | <hr/> | <hr/> | <hr/> |
| Carrying amount | | | |
| At 30 September 2015 | 148 | 13 | 161 |
| | <hr/> | <hr/> | <hr/> |

| Company | Fixtures, fittings & equipment £'000 | Total £'000 |
|--|---|------------------------|
| Cost | | |
| At 1 October 2013 | 2 | 2 |
| Additions | 1 | 1 |
| | <hr/> | <hr/> |
| At 30 September 2014 & 30 September 2015 | 3 | 3 |
| | <hr/> | <hr/> |
| Depreciation | | |
| At 1 October 2013 | 1 | 1 |
| Depreciation charge for the period | 1 | 1 |
| | <hr/> | <hr/> |
| At 30 September 2014 | 2 | 2 |
| | <hr/> | <hr/> |
| Depreciation charge for the period | - | - |
| | <hr/> | <hr/> |
| At 30 September 2015 | 2 | 2 |
| | <hr/> | <hr/> |
| Carrying amount | | |
| At 30 September 2015 | 1 | 1 |
| At 30 September 2014 | 1 | 1 |
| | <hr/> | <hr/> |

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Notes to the Financial Statements
For the period ended 30 September 2015

11. Investment in subsidiary undertakings

Company

| | £'000 |
|----------------------------------|--------------|
| Cost | |
| At 1 October 2013 | 500 |
| Disposals | (500) |
| | <hr/> |
| At 1 October 2014 | - |
| Additions | 1,560 |
| | <hr/> |
| At 30 September 2015 | 1,560 |
| | <hr/> |
| Impairment | |
| At 1 October 2013 | 500 |
| Disposals | (500) |
| | <hr/> |
| At 1 October 2014 | - |
| Impairment charge for the period | - |
| | <hr/> |
| At 30 September 2015 | - |
| | <hr/> |
| Carrying amount | |
| At 30 September 2015 | 1,560 |
| At 30 September 2014 | - |
| | <hr/> |

As at 30 September 2015, the company held the following subsidiaries:

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

During the period the group and the above subsidiaries were undertook a reverse acquisition and the REACT specialist cleaning services business, an unincorporated division of Autoclenz Limited, was acquired as a result of a hive down.

The principal reason for this acquisition was that the REACT specialist cleaning services business had been assessed as having significant potential to increase shareholder value.

REACT Group Plc **(Formerly Verdes Management Plc)**

Notes to the Financial Statements **For the period ended 30 September 2015**

12. Reverse acquisition accounting

Reverse acquisition of REACT SC Holdings Limited and its subsidiary REACT Specialist Cleaning Limited

On 17 August 2015, the parent company REACT Group Plc acquired the entire share capital of REACT SC Holdings Limited and its subsidiary REACT Specialist Cleaning Limited by way of a share for share exchange.

On 17 August 2015, REACT Group Plc issued 92,857,142 shares for each of the £0.50 shares of REACT SC Holdings Limited. All of the REACT SC Holdings Limited shareholders exchanged their shares for shares in REACT Group Plc. The 92,857,142 shares issued were issued at £0.0168 giving an investment of £1,560,000.

The legal subsidiary, REACT SC Holdings Limited, was treated as the accounting acquirer and the legal parent company, REACT Group Plc, was treated as the accounting subsidiary. The difference in fair value of the shares deemed to have been issued by REACT SC Limited and the fair value of REACT Group Plc identifiable net assets represents a payment for a service of a stock exchange listing for its shares has been charge to the Statement of Comprehensive Income as a share-based payment of £754,030.

The reverse acquisition reserve represents the balance that arose from the reverse takeover acquisition on 17 August 2015. The balance of £5,726,310 is made up as follows:

| Account | £'000 |
|--|-----------------------|
| REACT SC Holdings Limited share capital | 125 |
| REACT Specialist Cleaning Limited share capital | 1,500 |
| Accumulated loss of REACT Group Plc up to 17 August 2015 | (6,420) |
| Investment | (1,560) |
| REACT SC Holdings Limited investment | (125) |
| Deemed share-based payment | 754 |
| Reverse acquisition reserve | <u>(5,726)</u> |

REACT Group Plc had also incurred £55,301 acquisition-related expenditure pre-reverse.

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Notes to the Financial Statements
For the period ended 30 September 2015

13. Trade and other Receivables

Current

| | Group 2015 £'000 | Company 2015 £'000 | Company 2014 £'000 |
|------------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Trade receivables | 572 | - | - |
| Amounts owed by group undertakings | - | 160 | - |
| Unpaid share capital | 29 | 29 | - |
| Other receivables | 8 | 48 | 17 |
| Prepayments and accrued income | 155 | 3 | 6 |
| | <u>764</u> | <u>240</u> | <u>23</u> |

14. Cash and Cash Equivalents

| | Group 2015 £'000 | Company 2015 £'000 | Company 2014 £'000 |
|------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Cash and bank balances | <u>1,839</u> | <u>1,778</u> | <u>187</u> |

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Notes to the Financial Statements
For the period ended 30 September 2015

15. Called Up Share Capital

| | 2015 £'000 | 2014 £'000 |
|---|---------------|---------------|
| Issued share capital comprises: | | |
| Ordinary shares of 0.25p – 275,407,753 | 689 | - |
| Ordinary shares of 0.01p – 929,953,462 | - | 93 |
| Deferred 'B' shares of £0.009 each – 66,214,920 | - | 596 |
| Deferred 'C' shares of £0.0009 each – 666,680,735 | - | 600 |
| Deferred shares of £0.065 each – 32,938,000 | - | 2,141 |
| | <u>689</u> | <u>3,430</u> |

On 14 August 2015 the 929,953,462 existing ordinary shares of £0.0001 each were consolidated into 37,198,139 new ordinary shares of £0.0025 each.

On 17 August 2015 104,166,666 ordinary shares of £0.0025 each were issued at £0.0168 each for cash in a share placing and 23,063,056 ordinary shares of £0.0025 each were issued at £0.0168 each for cash in an open offer.

On 17 August 2015 92,857,142 ordinary shares of £0.0025 each were issued at £0.0168 each as consideration to acquire REACT SC Holdings Limited.

On 18 August 2015 16,369,047 ordinary shares of £0.0025 each were issued at £0.0168 each upon the conversion of £275,000 of convertible loan notes.

On 27 August 2015 1,753,703 ordinary shares of £0.0025 each were issued at £0.0168 each for cash in an open offer.

On 17 August 2015 the company acquired its own deferred shares with a nominal value of £3,336,917 through a share buyback. The deferred shares were subsequently cancelled and their value credited to a capital redemption reserve.

The ordinary shares are non-redeemable and provide holders with one vote per share on a vote at a company meeting. They also provide one equal right per share in any ordinary dividend declared and one equal right per share in the distribution of any surplus due to the ordinary shareholders on a winding up.

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Notes to the Financial Statements
For the period ended 30 September 2015

16. Trade and other payables

Current:

| | Group 2015 £'000 | Company 2015 £'000 | Company 2014 £'000 |
|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Trade payables | 314 | 3 | 33 |
| Accrued expenses | 399 | 297 | 112 |
| Other payables | 179 | - | - |
| Social security and other taxes | 32 | - | 5 |
| | <u>924</u> | <u>300</u> | <u>150</u> |

17 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 20%, the movement on the deferred tax liability is as shown below:

| Group | 2015 £'000 |
|---|-----------------------|
| At 24 June 2015 | - |
| Deferred tax on capital allowance timing difference | <u>20</u> |
| At 30 September 2015 | <u><u>20</u></u> |

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

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Notes to the Financial Statements

For the period ended 30 September 2015

18. Related Party Disclosures

Group

During the period to 30 September 2015 the group was charged £2,500 by Iridian Consulting Services Limited for director services provided by S Foster. At the period end, the group owed £1,667 to Iridian Consulting Services Limited, a company controlled by S Foster.

During the period to 30 September 2015 the group was charged £5,000 by Morrison Kingsley Consultants Limited for director services provided by M Collingbourne. At the period end, the group owed £2,500 to Morrison Kingsley Consultant Limited, a company controlled by M Collingbourne.

During the period to 30 September 2015 the group was charged £3,654 by Autoclenz Limited for director services provided by G Rummery.

Included within acquisition and admission costs for the period is £120,753 invoice by Autoclenz Limited in respect of recharge of their acquisition and admission costs to be borne by the group. At the period end, the group owed £123,000 to Autoclenz Limited, a company in which G Rummery is also a director.

Company only

During the period to 30 September 2015 the company was charged £20,000 (2014: £9,000) by Iridian Consulting Services Limited for director services provided by S Foster. At the year end, the company owed £1,667 (2014: £Nil) to Iridian Consulting Services Limited, a company controlled by S Foster.

During the year to 30 September 2015 the company was charged £5,000 by Morrison Kingsley Consultants Limited for director services provided by M Collingbourne. At the year end, the company owed £2,500 to Morrison Kingsley Consultant Limited, a company controlled by M Collingbourne.

During the year to 30 September 2015 the company was charged £3,654 by Autoclenz Limited for director services provided by G Rummery. At the year end, the company owed £3,000 to Autoclenz Limited, a company in which G Rummery is also a director.

During the year to 30 September 2015 the company was charged £18,667 (2014: £2,167) and £28,430 by Reyco Limited for director services and consultancy fees provided by A Reynolds, respectively. The company was also charged a £6,250 termination fee by Reyco Limited in respect of the termination of Adam Reynolds as a non-executive director. At the year-end a balance of £Nil (2014: £2,000) was due to Reyco Limited, a company controlled by A Reynolds.

19. Ultimate Controlling Party

No one shareholder has control of the company.

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Notes to the Financial Statements
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20. Warrants

On 14 August 2015 the company cancelled the existing warrants which had been issued to GM Leates and on 17 August 2015 the company issued warrants to GM Leates to subscribe for 2,380,000 new ordinary shares in the company exercisable at a price of 1.68p per £0.0025 ordinary share, exercisable after 12 months. The warrants have a 10 year exercise period ending on 17 August 2025, and lapse in the event that GM Leates ceases to be Chairman of the company.

On 17 August 2015, the existing warrants in issue were consolidated in the ratio of 25:1 as part of the share reorganisation.

No warrants were exercised in the period.

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

| | Number of warrants 2015 No. | Weighted average remaining contractual life | Average exercise price 2015 £ |
|--|--|--|--|
| Outstanding at 14 May 2015 | - | - | - |
| Outstanding as at 14 August 2015 upon reverse acquisition | 5,000,000 | 0.75 | 0.0200 |
| Effects of reorganisation* | (4,800,000) | 0.75 | 0.5000 |
| Granted during the period | 2,380,000 | 10 | 0.0168 |
| Outstanding at 30 September 2015 | 2,580,000 | 9.28 | 0.1938 |
| Exerciseable at 30 September 2015 | 200,000 | 0.75 | 0.0200 |

*After the share consolidation on 17 August 2015.

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

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

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

No charge has been recognised during the period for the share based payments over the vesting period.

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Notes to the Financial Statements

For the period ended 30 September 2015

21. Financial Risk Management Objectives and Policies

The group's financial instruments comprise cash balances and receivables and payables that arise directly from its operations.

The main risks the group faces are liquidity risk, capital risk and foreign currency risk.

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

Interest risk

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

Credit risk

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

Liquidity risk

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

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

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

Capital risk

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

22. Post Balance Sheet Events

On 17 November 2015 the group acquired certain capital equipment, for £8,000, from two separate businesses which have previously operated in these fields, and recruited a specialist in each area. The group has created two new wholly-owned subsidiaries: REACT Environmental Services Ltd ("RES") and REACT Occupational Hygiene Services Ltd ("ROHSL"), which will be able to offer managed services relating to asbestos and occupational hygiene to the group's growing client portfolio.