

CROMA SECURITY SOLUTIONS GROUP PLC
REPORT AND FINANCIAL STATEMENTS
30 June 2015

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COMPANY INFORMATION

Directors	S J F Morley (Executive Chairman) R M Fiorentino (Group Chief Executive) A Tetley FCA (Finance Director) C N McMicking (Non-Executive) Lord J W E Percy (Non-Executive) A N Hewson MA FCA CF (Non-Executive)
Secretary	A Tetley
Registered office	Unit 6 Fulcrum 4 Solent Way Whiteley Fareham Hampshire PO15 7FT
Registered number	03184978
Nominated advisers and brokers	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Registered independent statutory auditors	Grant Thornton UK LLP 110 Queen Street Glasgow G1 3BX
Solicitors	Shepherd & Wedderburn LLP 1 Exchange Crescent Edinburgh EH3 8UL
Registrars	Neville Registrars Limited 18 Laurel Lane West Midlands B63 3DA
Principal Bankers	Lloyds Banking Group plc PO Box 1000 London BX1 1LT Svenska Handelsbanken AB 3 Thomas More Square London E1W 1WY
Website	http://www.cssgroupplc.com/

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

I have pleasure in reporting to shareholders, Croma Security Solutions Group's (CSSG) final results for the year to 30 June 2015, which show the Group delivering on its core strategy and investing to bring new revenue streams online.

We have seen pleasing levels of full service contract wins, and our core sales effort has been directed to reinforcing our ability to be the security systems adviser of choice to larger corporates and High Net Worth individuals.

We have also spent time and money focussing our brand and the message we are promoting, and have renewed our communications strategy to ensure that we are identifiable as market leading security providers and innovators. High service levels, seamless management of diverse security strands, and an overall focus on quality remain key.

Croma Vigilant has enjoyed a record year; the excellent start, as part of the security team for the Glasgow Commonwealth Games 2014, was used as a springboard for more and more profitable contracts, and the company has reported record levels of turnover and operating profit. The geographical base has broadened, with good client wins in London and the South East as well as in Scotland and the North. This is in large part a result of absolute determination to maintain the highest standards at all times, and to refuse to cut corners on the delivery of service.

Croma Security Systems and Croma Locksmiths have had a more challenging year and have found continuing pressure on margin and a stretch of procurement times. Overall activity is comparable to prior years but is taking more time and effort to deliver. Total has strengthened the sales team and continues to reach out to its target market.

Croma Security Systems was delighted to be able to deliver a significant contract in Saudi Arabia, which involved all aspects of physical and electronic security systems. This was on time and on budget, and demonstrated the company's ability to operate overseas as well as at home. Croma Security Systems has also secured the successful renewal of two major long term contracts, with Hilton Group and Odeon cinemas.

FastVein™ is now being actively marketed as an "out-of-the-box" product for time and attendance, as well as a bespoke solution for access control. Reception is encouraging and the Board feels that the market for this product will prove strong both in UK and abroad. The Board has appointed representatives overseas and will continue to develop the functionality of the suite.

During the year as well as the complex multi-faceted project in the Middle East, the Group was able to deliver a number of pure FastVein™ installations in the UK. These have been well received and have led to further orders. The Board has invested in engineers and software developers to hasten the delivery date as well as boosting install capacity.

The focus of the Group remains that of delivering sustained organic growth by concentrating on a unique offering to the security market. Our aim is to offer a total, vertically integrated security service to clients who demand the most exacting service and technology. The security market remains fragmented and presents a clear opportunity for an integrated provider.

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2015

Strategy and Objectives

The Business Model

The Group's objectives are;

- to deliver market leading full service security offerings to the top end of the corporate and personal markets. This will be achieved by maintaining quality of service as a priority, focussing efforts on clients who will appreciate our differentiated offering, and leveraging our brand and client base.
- to produce consistent growth in clients and financial performance, by maintaining our margins and managing our costs. Acquisitions will be pursued only when they can be seen clearly to add value to the Group without imposing excessive burdens of operational consolidation.
- to develop and bring to market new technologies where feasible.
- to deliver meaningful shareholder returns.

Each company has Key Performance Indicators which are monitored and reported to the executive directors on a monthly basis. These are discussed on pages 10 and 11.

The Group's longer term objectives are to grow our core offerings in the UK and abroad until we are the security provider of choice to leading large corporates, to expand our service offering to include e-security, and to develop specific high-end national projects.

2014/15 has seen the Group press forward with its plans for organic growth. Profitability has been maintained and gains consolidated, although the overall performance masks a small divergence in the subsidiaries' fortunes, as discussed below. The Group is now delivering the results which were forecast at the time of the acquisition.

Growth of the Group over the last three years has been purely organic, and whilst not as fast as originally hoped it has resulted in a strong, debt-free balance sheet. The Board are now looking at the various opportunities that exist for growth by acquisition, and the Company is ready to acquire businesses which can add to the Group's service offering and profitability.

The maintenance and expansion of solutions to the present client base is fundamental. The Group continues to develop historical clients, some of whom currently use a diverse range of contractors, in order to bring all their needs under one roof when this makes good business sense for both parties.

The Group is also looking at expanding overseas, and has opened a branch office in Abu Dhabi, as well as appointing representatives in Southern Africa, Scandinavia, and the Kingdom of Saudi Arabia. We see these markets as being key to the delivery of our services.

Performance of each company is discussed below:

Croma Vigilant

Croma Vigilant had another successful year; Turnover has grown by 14% to £12.50M from £10.96M, on top of 11% in 2014, and operating profit for the company has increased to £0.57M (2014: £0.42M). The focus on delivering a quality premium service is being recognised by clients who place value on a reliable and effective security provider who can act as a partner to them in all aspects of physical security.

Croma Vigilant continues to operate in the upper echelon of the manned guarding market with the delivery of its manned guarding, key holding and commissionaire services and is the largest revenue contributor to CSSG plc.

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2015 (continued)

The year began strongly for the Company with the delivery of security services to Commonwealth Games Glasgow 2014. This contract lasted until the end of August 2014 and generated revenues of £0.8M overall (£0.5M in this financial period) at very good margins. Importantly, the service delivery was found to be faultless and Croma Vigilant was the only operator amongst a total pool of ten companies that incurred no penalties or fines for poor or non-performance.

This growing reputation for quality of service lead into further client wins, and the Company's client base is growing as quickly in London and the south east as it is in Scotland and northern England. The sales effort has been reinforced to target large corporates as ideal clients.

Quality of service is demonstrated by the high levels of client retention, and whilst the Company, like all operators, has seen margins continue to come under pressure it has held the line in refusing to compromise on service delivery.

Croma Vigilant is an integral part of the Group, with the skill set across all trading companies allowing the Group to handle all types of security manning and hardware requirements. The Group will always try to demonstrate a full range of capabilities and clients are finding considerable benefits in the unified approach.

Croma Security Systems

Croma Security Systems has found trading conditions difficult and has found client lead times to be stretching and client budgets remaining tight. Turnover for the year has fallen 16% to £2.15M (2014: £2.57M), with operating profit down to £0.28M (2014: £0.41M).

Croma Security Systems has invested in a significantly increased sales effort which is starting to achieve good recognition and results. The message of an integrated security system, with or without a biometric identity system, is remaining attractive to discerning clients, but the much-trumpeted boost in the wider economy has not been immediately apparent.

Croma Security Systems have brought new products and solutions to the market this year, notably Croma Air alarm systems and a broader range of CCTV cameras.

Croma Biometric – *FastVein™*

Development of the *FastVein™* suite of products has reached another milestone, with the release of the *FastVein™* Time and Attendance product, and out-of-the-box time and attendance system based around Croma Biometric's technology. It is quickly deployed, easy to manage and its output reports can be easily tailored to customer requirements. *FastVein™* is attracting strong interest across UK and Europe, and solutions have been delivered in UK and the Middle East. Development of new modules will continue as the current system is marketed.

Croma Locksmiths

Croma Locksmiths has gone through a change of emphasis during the year, with a continued move towards commercial clients and a concurrent de-emphasis of consumers, and a parallel reduction in shop floor space and increase in mobile services. Turnover has declined by 8% to £1.18M (2014: £1.28M) but margin has increased to give an overall improvement of operating profit of 11% to £0.15M (2014: £0.14M).

Locksmiths will be pursuing a strategy of geographical expansion this coming year, either by opening new stores or acquiring existing businesses. There certainly seems to be opportunity for further consolidation in the sector.

Outlook and Priorities

The Group remains focussed on driving growth organically, predominantly in the UK, unless opportunities for acquisition present themselves. An enhanced sales team straddling the entire Group is in place and awareness of the Croma brand within the target market is increasing.

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2015 (continued)

Following the successful relaunch of Croma Group's web presence earlier in the year the Group is actively promoting its services through email, social media, and exhibitions.

Croma Vigilant has seen strong evidence that the high quality of their service offering is being well received and that intelligent and discerning companies will pay a premium for a reliable and effective guarding service.

Croma Security Systems is predominantly focussed on providing integrated and reliable security systems to the mid market. Corporate clients represent the company's best opportunities and best returns in terms of turnover and margin. Last year the company announced a new service offering of low cost domestic alarms. This has proved successful and will continue, but the take up was slower than anticipated and the project will be afforded a lower priority than previously.

FastVein™ Time and Attendance is now being sold, both directly to customers and via resellers. The executive team will look to build on the advances already made, both in technical capability and in brand recognition, to increase market share at home and abroad, and will channel resources to our international resellers and a recently established branch in Abu Dhabi.

The Board views the coming year with optimism tinged with caution. The economic recovery has not yet filtered all the way through to the corporate market, especially SMEs, and CSSG will need to maintain its high energy sales drive to secure continued growth. The Board is aiming to maintain the dividend policy begun at the beginning of the year.

Group Financials

The financial results of the Group are satisfactory. They show a Group that is pursuing a core strategy with some success, but certainly with more to do.

Group turnover increased broadly ahead of expectations to £15.8M from £14.8M. This is growth of 7% this year, and 19% over the last two years. This improvement was driven by Croma Vigilant, which has delivered new contracts at better than previous margins. It has however been offset by a reduction in turnover at both Croma Security Systems and Croma Locksmiths, both of which generate higher margins. Overall, Gross Profit has been broadly steady at £3.61M (2014: £3.66M). Ongoing cost control has allowed us to show a small improvement in operating profit to £0.39M. This result has been affected by exceptional costs relating to ongoing FastVein™ development (£0.13M) and a marketing and rebranding campaign during the year (£0.06M). This is in line with expectations.

The other important development of the last year was the payment of the Group's first dividend in January 2015, of 0.3p per share. The Board is aiming to maintain this dividend policy and will, when appropriate, increase the annual dividend per share paid.

	2015	2014
	£'000	£'000
Revenue	15,830	14,813
Gross Profit	3,610	3,663
EBITDA	657	621
EPS	2.40	2.16
Net Assets	9,195	8,879
Cashflow	(60)	222

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2015 (continued)**

Revenue

Revenue growth has been driven by Croma Vigilant, with a very strong set of results for 2015, a 14% increase. On the other hand, revenue for Croma Security Systems has decreased by 16%, and Locksmiths by 8%.

Gross Margin

Group Gross Margin has decreased to 22.8% (2014; 24.7%). This fall was due to the shift in sales mix towards low margin guarding work and away from high margin installation work. This trend is anticipated to reverse in 2016.

The drive to control overhead expense has seen Earnings before interest, tax, depreciation and amortisation (EBITDA) grow despite reduced Gross Profit. The Board now feels it is running a lean and efficient operation.

Included in the net assets are intangible assets of £6.9M (2014:£7.0M).

Overall cashflow has been negative, but this is after repayment of £0.17M of debt. Operating cashflow was positive at £0.28M.

Risk Management

The Board has put in place a framework of identified risks and risk management processes.

Area of Risk

Specific Risk Management Process

Economic & Regulatory

The Group operates in a highly regulated sector and must at all times adhere to the highest levels of best practice.

The Group is audited by relevant regulatory bodies to validate control procedures.

The Group is actively involved in research and development of new security technologies which will need to comply with legislative requirements.

Internal review of processes monitors ongoing compliance. FastVein™ has been assessed by the Centre for Protection of National Infrastructure (CPNI).

Operational Risk

There is a risk of a shortfall of trained engineers/planners.

The Group maintains an ongoing review of staffing and manning levels.

There is a risk of subcontractors not maintaining the high standards of the group.

All subcontractors are assessed in accordance with Security Industry Authority (SIA) requirements.

Financial

The Group has set policies which mitigate financial risk without impacting on competitiveness and flexibility.

The Group's financial position is reviewed by the Board each month.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2015 (continued)**

Area of Risk	Specific Risk Management Process
Credit Risk	<p>The risk that clients will not pay on time, increasing cash requirements.</p> <p>All clients are subject to initial and ongoing credit checks, and ongoing credit control.</p> <p>Debtor days are monitored.</p>
Liquidity Risk	<p>The risk that the Group has insufficient cash to meet obligations as they fall due.</p> <p>The Group maintains sufficient cash or cash equivalents to meet 45 days of forecast liabilities.</p>
Fair Value Risk	<p>The risk that assets and liabilities on the Group's Balance sheet are misstated.</p> <p>The Group keep the Fair Value of all long term assets and liabilities under review to identify any potential alterations required.</p>

Statement of Corporate Governance

The Directors recognise the importance of sound corporate governance. As a company whose shares are traded on the London Stock Exchange (Alternative Investment Market) (AIM), the Company is not obliged to comply with the corporate governance regime as set out in the UK Corporate Governance Code, but it does support the principles of the Code. It intends to comply with the Quoted Companies Alliance's Corporate Governance Guidelines for Smaller Quoted Companies insofar as it is reasonably practicable for a public company of its size and nature. The directors have adopted a code of conduct for dealings by directors and employees which complies with the AIM Rules and are committed to maintaining the highest standards of corporate governance.

The company is subject to the UK City Code on Takeovers and Mergers.

Information Summary

CSSG is governed by the Board of Directors, comprising The Chairman, The Chief Executive, Finance Director, and three Non-Executive Directors.

The Board meets monthly in person or by telephone to review monthly management accounts, sales and operations developments and personnel and HR matters. In addition, the Board will review strategy and the business plan on a half yearly basis.

Roles

The Group adheres to the requirements of the Code to keep the roles of Chairman and Chief Executive separate.

Chairman – Sebastian Morley. Mr Morley is responsible for the overall direction of the Group, for ensuring the Board operates efficiently, and is responsible for shareholder relations and for Corporate Governance.

In addition, Mr Morley oversees the daily operations of Vigilant Security Limited, the Group's manned guarding arm.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2015 (continued)**

Chief Executive – Roberto Fiorentino. Mr Fiorentino is responsible for overseeing the implementation of the Group’s strategy, and for delivering the coordinated service approach which is the Group’s Unique Selling Point.

In addition, Mr Fiorentino oversees daily operations of Cromia Security and Cromia Locksmiths, and is leading the development and launch of the Group’s biometric identity product FastVein™.

Finance Director – Alexander Tetley. Mr Tetley is responsible for overall financial strategy and for ensuring timely production of management and statutory information.

In addition, Mr Tetley is company secretary and implements all matters of corporate governance as directed by the Chairman.

Non-Executive Directors

Nick Hewson. Mr Hewson is Chairman of the Audit committee and a member of the Remuneration committee.

Charles McMicking. Mr McMicking is Chairman of the Remuneration committee and a member of the Audit committee.

Lord James Percy. Lord James Percy is a member of both the Audit committee and the Remuneration committee.

Matters Reserved for the Board

The Board reserves formulation, dissemination and implementation of strategy. It also handles stakeholder relations, dividend policy, and oversight of cash management.

Other operational matters are devolved to Directors and managers, with the exception of investment – level decisions involving material balances which require Board consideration.

All directors have access to the Group Secretary and any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Group.

Board Meetings

Directors’ attendance at Board and committee meetings during the year to 30 June 2015 was as follows:

	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
SJ Morley	10	10	–	–	–	–
RM Fiorentino	9	10	–	–	–	–
A Tetley	10	10	–	–	–	–
AN Hewson	9	10	2	2	1	1
CN McMicking	10	10	2	2	1	1
Lord James Percy	7	10	1	2	1	1

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2015 (continued)

Internal control

The Board is responsible for maintaining an appropriate system of internal controls to safeguard the shareholders' investment and Group assets.

The directors continue to review the financial reporting procedures and internal controls of the Group companies to ensure they are robust enough to deliver timely, detailed reporting that will allow accurate monitoring of the Group's performance.

Internal financial control procedures undertaken by the Board include:

- review of monthly financial reports and monitoring performance
- approval of all significant expenditure including all major investment decisions review and
- approval of treasury policy.

The Board in the context of the Group's overall strategy undertakes risk assessment and the review of internal controls. The review covers the key business, operational, compliance and financial risks facing the Group. In arriving at its judgement of what risks the Group faces, the Board has considered the Group's operations in the light of the following:

- the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective
- the threat of such a risk becoming a reality
- the Group's ability to reduce the incidence and impact of risk on its performance
- the cost and benefits to the Group of operating the relevant controls.

The Board has reviewed and is satisfied with the operation and effectiveness of the Group's system of internal control for the financial year and the period up to the date of approval of these financial statements.

Relations with shareholders

Communication with shareholders is given a high priority by the Board and the directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at the Annual General Meeting during which the Board is available to discuss issues affecting the Group.

Corporate governance committee

The Board meet regularly and cover audit and remuneration committee matters as they arise from time to time.

Audit committee matters

The terms of reference of the Audit Committee are to assist themselves as directors in discharging their individual and collective legal responsibilities for ensuring that:

- the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position;
- the Group's published financial statements represent a true and fair reflection of this position;

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2015 (continued)**

- and the external audit, which the law requires in order to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

The external auditors attend the audit committee meeting and as such it provides them with a direct line of communication to the directors.

Key Performance Indicators

Indicator	Performance
Croma Vigilant	
Sales	Sales were ahead of budget throughout the year, following the successful bid for new contracts in the summer of 2014. Performance is monitored by the Operations director and business development manager reporting to the Chairman.
Gross margin	Gross Margin remains a highly relevant measure in a low margin industry. Margin was boosted early in the year with some short term contracts and over the year in total came in ahead of budget at 13%. This was in line with the Directors' best case forecasts.
Customer retention	The company managed to retain all bar one customer during the year, which is a testament to good service and value. Retention of customers nearing the end of their contract is a priority of the operations director.
Cash	Croma Vigilant has been cash generative for the year, showing cash inflows of £0.2M, after repayment of borrowings of £0.17M. Special emphasis has been placed on working capital management with debtor days reducing to 43.
Croma Security	
Sales	Croma Security has had a challenging year with project lead times stretching across the industry. Sales have fallen 16%. The company has delivered a successful design and install project in the Kingdom of Saudi Arabia which has greatly helped the Group's plans to expand into the region.
Customer retention	Customer Retention rate is monitored monthly. The company monitors client satisfaction through surveys and website feedback. Customer retention has remained steady at 85%.
Engineers	The Engineering pool is now settling down after a period of transition. The engineer market is very active and engineer retention and remuneration is constantly monitored.
Cash	Croma Security has continued to generate cash and has been cash positive throughout the year.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2015 (continued)**

Croma Locksmiths

Sales	CSS Locksmith sales are monitored weekly for shop sales, and monthly for commercial sales. The year has seen a continued move towards commercial work and a reduction in domestic, against a fall in turnover of 8% (2014 growth of 8%).
Shop footfall	Shop footfall is slowing down as competition increases. The company is employing active sales techniques to meet this change in consumer practice.
Competitive environment	The company has seen a steady increase in relatively low skilled competitors, and is focussing on higher skilled higher value work.

Croma Biometrics

Order pipeline	FastVein™ Time and Attendance has been completed as a standalone “out-of-the-box” product and is now being marketed to enthusiastic customers.
Module development	The development of a series of web-based modules is ongoing, with the intention of making a standardised suite of products with little or no requirement for specialist client tailoring. This development is considered to be on schedule.

Finally, it only remains for me to extend heartfelt thanks to all the employees of CSSG, whose unstinting hard work has delivered another good set of results, a growing reputation for excellence and most importantly a happy ship.

S J F Morley
Chairman

4 November 2015

BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2015

Sebastian Morley – Executive Chairman

Having enjoyed a successful military career, Sebastian worked with organisations in the surveillance and security sector before he established Vigilant in 2001. Sebastian joined the Board on the acquisition of Vigilant Security (Scotland) Limited in February 2006 and became Group Chairman in 2012.

Roberto Fiorentino – Chief Executive Officer

Roberto has been involved in the security industry for over 30 years and has been responsible for a number of ground breaking technological advances within the electronic security sector, including the installation of High Security Master Key Locking systems, Vehicle Alarm Systems, Access Control, CCTV with transmission systems, CCTV and, most recently, Video Analytics.

Alexander Tetley – Finance Director

Alexander is a fellow of the Institute of Chartered Accountants in England & Wales. He was in practice with Grant Thornton and Baker Tilly, and before that served in the Scots Guards. Alexander oversees the financial affairs of the Group and its operating subsidiaries.

Nick Hewson MA FCA CF – Non-Executive Director

Nick has been on the Board of a number of listed companies since 1986, more recently in a non-executive capacity. Nick has concentrated on grooming and growing smaller businesses in the public and private arenas, and has a particular interest in low carbon and carbon reduction initiatives in business. He has been an investor in Croma since the very early days of the Group's corporate life. Nick is also a Non-Executive Director of Redrow plc.

Charles McMicking – Non-Executive Director

Charles is Chairman of RailSimulator.com and director of Coburg Capital and F4G Software. Charles has specialised in financing and developing dynamic fast-growth companies, and was previously Head of Private Equity at Noble Group.

Lord James Percy – Non-Executive Director

Lord James is a published author with previous experience in the shipping industry and the manufacture and sale of super yachts, and now works with J Barbour and Sons. Lord James is Colonel of the 5th Battalion Royal Regiment of Fusiliers and a member of the Moorland Association, as well as former Chairman of the Countryside Foundation for Education.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

The Directors submit their report and the audited annual financial statements of Croma Security Solutions Group PLC and its subsidiary undertakings for the year ended 30 June 2015.

Principal activity

The Group's principal activities are the provision of manned guarding and asset protection (Croma Vigilant); CCTV security, fire and alarm systems (Croma Security Systems); Identity management and access control (Croma Biometrics); Locksmithing Keys, Locks and Safes (Croma Locksmiths).

Results and dividends

The profit for the year after taxation, was £0.36M (2014: £0.32M).

During the year a dividend of 0.3p per share was proposed and paid. (2014: Nil)

Directors

The directors who have held office since 1 July 2014 and up to the date of signing of these financial statements are as follows:

Executive directors:

S J F Morley
R M Fiorentino
A Tetley

Non-executive directors:

A N Hewson
C McMicking
Lord James Percy

The non-executive directors sit on the remuneration committee and on the audit committee.

The directors in office at 30 June 2015 had the following beneficial interest in the ordinary shares of the Company:

	2015	2014
S J F Morley	535,000	535,000
R M Fiorentino	3,750,000	3,750,000
A Tetley	–	–
A N Hewson	189,855	189,855
C McMicking	46,000	46,000
Lord James Percy	279,500	279,500

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2015

Apart from the interests of the directors referred to above, the Company has received the following notifications of holdings of more than 3 per cent of the ordinary share capital of the Company as at 30 June 2015:

State Street Nominees Limited	9.6%
Fitel Nominees Limited	7.6%
HSBC Global Custody Nominee (UK) Limited	7.0%
Goldman Sachs Securities	5.4%
Brewin Nominees	5.3%
Chase Nominees Limited	4.4%
Platform Securities	4.3%
Rathbone Securities	3.0%

Research and development

Research and development expenditure, including the element of wages and salaries relating to research and development, amounted to £42,659 (2014: £143,043). Following the successful development of FastVein™ Time and Attendance the directors have taken advantage of the provisions of IAS 38 and capitalised relevant costs within the balance sheet of CSS Total Security Limited of £84,905.

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

The Group's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Political and charitable donations

The Group made no charitable or political donations during the year (2014: £nil).

Environmental policy

The Group recognises the importance of environmental responsibility. The nature of its activities has a minimal effect on the environment but where it does the Group aims to act responsibly and is aware of its obligations at all times.

Dividends

An interim dividend of 0.3p was declared on 3 December 2014 and paid on 12 January 2015. The total cost was £0.045M.

Auditors

A resolution proposing the re-appointment of Grant Thornton UK LLP will be put to the shareholders at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2015

Statement of disclosure to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

So far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
a) They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and b) to establish that the company's auditors are aware of that information.

By order of the Board

A Tetley

Secretary

4 November 2015

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2015**

Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Group and Parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed 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 and the Group will continue in business.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Signed on behalf of the Board

A Tetley

Director

4 November 2015

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2015**

We have audited the group financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, and the related notes and accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16 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 and express an opinion on 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC (continued)**

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:

- 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

Other matter

We have reported separately on the parent company financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2015.

Andrew Howie

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
GLASGOW

4 November 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

Continuing operations:

	Notes	2015 £	2014 £
Revenue	3	15,828,689	14,813,444
Cost of sales	4	(12,218,705)	(11,150,460)
Gross profit		3,609,984	3,662,984
Administrative expenses		(3,245,587)	(3,347,618)
Other operating income	3	26,578	21,453
Operating profit		390,975	336,819
Analysed as:			
Earnings before interest, tax, depreciation, amortisation and impairment		656,668	620,863
Depreciation	13	(80,821)	(99,172)
Amortisation of intangible assets	12	(184,872)	(184,872)
Operating profit		390,975	336,819
Finance expenses	5	(32,138)	(32,235)
Profit before tax		358,837	304,584
Tax	8	(845)	15,973
Profit for the year from continuing operations		357,992	320,557
Total comprehensive Profit for the year attributable to owners of the parent		357,992	320,557
Earnings per share	1		
Basic and diluted earnings per share (pence)			
– Earnings from continuing operations		2.40	2.16
– Diluted Earnings per share (pence)		2.40	2.16

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 £	2015 £	2014 £	2014 £
Assets					
Non-current assets					
Goodwill	11	5,866,961		5,866,961	
Other Intangible assets	12	1,041,323		1,141,290	
Property, plant and equipment	13	331,718		329,356	
			<u>7,240,002</u>		<u>7,337,607</u>
Current assets					
Inventories	14	237,169		222,958	
Trade and other receivables	15	2,420,729		2,485,885	
Cash and cash equivalents	17	839,373		899,693	
			<u>3,497,271</u>		<u>3,608,536</u>
Total assets			<u>10,737,273</u>		<u>10,946,143</u>
Liabilities					
Non-current liabilities					
Deferred tax	21	(244,033)		(299,474)	
Trade and other payables	18	(39,956)		(5,263)	
			<u>(283,989)</u>		<u>(304,737)</u>
Current liabilities					
Trade and other payables	18	(1,258,440)		(1,596,053)	
Borrowings	18	—		(166,682)	
			<u>(1,258,440)</u>		<u>(1,752,735)</u>
Total liabilities			<u>(1,542,429)</u>		<u>(2,067,472)</u>
Net assets			<u>9,194,844</u>		<u>8,878,671</u>
Issued capital and reserves attributable to owners of the parent					
Share capital	22		743,307		743,307
Share premium	23		5,230,276		5,230,276
Merger reserve	23		2,139,454		2,139,454
Retained earnings	23		653,927		340,533
Undistributable Reserves	23		422,322		422,322
Share Options	23		5,558		2,779
Total equity			<u>9,194,844</u>		<u>8,878,671</u>

These financial statements were approved and authorised for issue by the Board of directors on 4 November 2015 and signed on their behalf by:

S J F Morley
Director

Croma Security Solutions Group plc – Company Number: 03184978.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2015 £	2014 £
Cash flows from operating activities			
Profit before taxation		358,837	304,584
Depreciation, amortisation and impairment		265,693	284,044
(Profit)/Loss on sale of plant and equipment		(2,119)	8,103
Net changes in working capital	26	(285,495)	37,286
Financial expenses		32,138	32,235
Corporation tax paid		(83,460)	–
Net cash generated from operations		<u>285,594</u>	<u>666,252</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(133,419)	(49,589)
Proceeds on disposal of property, plant and equipment		48,517	14,100
Net cash used in investing activities		<u>(84,902)</u>	<u>(35,489)</u>
Cash flows from financing activities			
Hire purchase loan repayments		(34,645)	(23,742)
Repayments of invoice discounting facility		(166,682)	(358,107)
Dividends paid		(44,598)	–
Interest paid		(15,087)	(27,079)
Net cash used in financing activities		<u>(261,012)</u>	<u>(408,928)</u>
Net (decrease)/increase in cash		<u>(60,320)</u>	<u>221,835</u>
Cash and cash equivalents at beginning of period		899,693	677,858
Cash and cash equivalents at end of the period	26	<u><u>839,373</u></u>	<u><u>899,693</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

Attributable to Owners of the Parent

	Share Capital £	Share premium £	Merger Reserve £	Retained earnings £	Undistri- butable reserve £	Other Reserves £	Total Equity £
At 1 July 2013	743,307	5,230,276	2,139,454	19,976	422,322	–	8,555,335
Profit for the year	–	–	–	320,557	–	–	320,557
Share Option scheme Issuance	–	–	–	–	–	2,779	2,779
At 30 June 2014	743,307	5,230,276	2,139,454	340,533	422,322	2,779	8,878,671
Profit for the year	–	–	–	357,992	–	–	357,992
Dividends paid	–	–	–	(44,598)	–	–	(44,598)
Share Option scheme charge	–	–	–	–	–	2,779	2,779
At 30 June 2015	743,307	5,230,276	2,139,454	653,927	422,322	5,558	9,194,844

The following notes form part of the primary financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. Accounting Policies

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (“adopted IFRSs”).

Going concern

The Group’s activities are funded by a combination of long term equity capital, and short term invoice discounting and bank overdraft facilities. The day to day operations are funded by cash generated from trading and primarily invoice discounting facilities.

In considering the ability of the Group to meet its obligations as they fall due, the Board have considered the expected trading and cash requirements of the Group until November 2016.

The Board remains positive about the retention of customers and outlook of its main trading operations. The Board’s profit and cash flow projections suggest that the Group will meet its obligations as they fall due with the use of existing uncommitted invoice discounting facilities. The invoice discounting and overdraft facilities were reviewed in November 2014 and June 2015 respectively, and were renewed until June 2016 when the Board are confident the facility will be continued based on current and forecast trading of the Group.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries (“the Group”) as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Segment reporting

At 30 June 2015 the directors consider there to be four operating segments namely ‘Croma Vigilant’ which comprises the business of Vigilant Security (Scotland) Limited; ‘Croma Security Systems’ which comprises the business of CSS Total Security Limited; ‘Croma Locksmiths’, which comprises the business of CSS Locksmiths Limited and Croma Biometrics which comprises the business of Photobase Limited.

The operating segments identified above are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group’s activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. Accounting Policies (continued)

- Keyholding income is recognised in equal instalments over the period of the contract.
- Sale of goods is recognised at the point that they are delivered to client's premises on signature of a goods received note.
- Maintenance fees are recognised over the term of the contract. Where a maintenance fee is not itemised in the contract but is still provided as part of the contractual arrangement, an apportionment is taken as the maintenance amount, based upon its fair value. The value of this amount is held as deferred income under 'Accruals and deferred income' in the balance sheet.
- The fair value of any revenues associated with the sale of software licences is recognised over the period of the licence.

Cost of sales

Cost of sales are the direct costs relating to customer generated revenue and comprise direct labour payroll costs, other costs associated with direct labour, stock purchases, installation and subcontracted costs all sold on to customers.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

(b) Other intangible assets

Intangible assets acquired separately are carried initially at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful life as follows

- licenses – over the duration of the legal agreement
- customer relationships – 3-8 years
- royalty income – 3 years
- Capitalised Research & Development – 3 years

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. Accounting Policies (continued)

(c) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development activity is recognised only if all of the conditions of IAS 38 are met.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment testing

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included separately in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Contingent consideration

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 13 in the consolidated statement of comprehensive income.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at costs less depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset less its estimated residual value evenly over its estimated useful life, as follows:

Freehold property	–	4% on cost
Plant and equipment	–	25% on cost
Computer equipment	–	33% on cost
Office equipment	–	15% on cost
Motor vehicles	–	25% on cost

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis together with costs in bringing it to its present condition and location. Work in progress and finished goods include attributable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when interim dividends are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. Accounting Policies (continued)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Leased assets

- *Finance leases*

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially. See property, plant and equipment accounting policy for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

- *Operating leases*

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Finance cost

Finance costs of debt are recognised in the profit or loss over the term of such instruments at a constant periodic rate on the carrying amount.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments depending on the terms and conditions of the grant. Management are also required to use certain assumptions in determining the most appropriate inputs to the valuation model including expected life of the option, volatility, risk free rate and dividend yield. The assumptions and models used are fully disclosed in note 22.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. Accounting Policies (continued)

All share-based remuneration plans are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to 'other reserves.

Financial assets

Financial assets are loans, trade receivables and other receivables.

Loans and receivables assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The provision at 30th June 2015 was £28,748 (2014: £20,277). The effect of discounting on these financial instruments is not considered to be material. Trade receivables are analysed at Note 15.

Trade receivables are recorded at their amortised cost less any provision for doubtful receivables. Where relevant, trade receivables due in more than one year are discounted to their present value. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable the amount of such provision being the difference between the net carrying amount and the present value of the future expected cashflows associated with the impaired receivable. For trade receivables which are reported net, such provisions are reported in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Cash equivalents are deemed to be deposits that we hold with a maturity of under 3 months. Cash and cash equivalents include cash in hand, deposits held at call with banks with an original maturity of less than 3 months, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial Liabilities

- (a) Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.
- (b) Trade payables and other short-term monetary liabilities, are initially recognised at their fair value and subsequently at their amortised cost.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. Accounting Policies (continued)

- (c) All other financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. The Group considers its capital to comprise its ordinary share capital, deferred share capital, share premium, merger reserve, and accumulated retained earnings.

Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Capital management

The Group manages capital so as to safeguard its ability to continue as a going concern with the aim of strengthening its capital base so as in due course to provide returns to shareholders. The Group currently assigns a part of its Vigilant Security Scotland Limited debtor book as a means of funding short term working capital, and has some lease funding secured over selected tangible assets, but otherwise has no short term or long term debt. The Group has a net cash position of £839,373 (2014: £733,015).

	2015	2014
	£	£
Net (cash)		
Bank, Bank overdrafts, invoice discounting and loans	(839,373)	(733,011)
Total	(839,373)	(733,011)
Equity	9,194,844	8,878,671

Exceptional items

Exceptional items are those significant items that are separately disclosed by virtue of their size and nature to enable a full understanding of the Group's financial performance.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. Accounting Policies (continued)

Changes in accounting policy and disclosure

No new standards, interpretations and amendments effective for the first time from 1 July 2014 have had a material effect on the Group's financial statements.

2. Critical Accounting Estimates and Judgements

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimates and assumptions:

Impairment of goodwill. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cashflows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was £5,866,961. Details relating to the allocation of goodwill to cash generating units are given in note 11.

Other Intangibles. Other Intangible assets, including brands, customer relationships, software licences and brand royalties are amortised over their expected useful lives, as assessed at the time of their acquisition. The expected useful lives have been reviewed and found to be reasonable, and no adjustment is felt to be needed.

Research and development. Included in intangible assets is capitalised research and development, relating to costs incurred in the research and development of FastVein™ time and attendance. This project has been assessed against the requirements of IAS 38. In particular, future markets and profitability have been estimated and found to meet those requirements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

3. Segmental Reporting

The directors consider the following four business segments best represent the business segments of the Group.

	Croma Vigilant (Guarding)	Croma Security Systems (Alarms)	Croma Biometric (FastVein™)	Croma Locksmiths (Locks)	Consolidation	Total
2015 Business segments £						
Segment revenues	12,497,392	2,150,481	4,965	1,175,851		15,828,689
Gross profit	1,637,328	1,379,251	4,170	589,235		3,609,984
Administrative expenses	(1,020,874)	(1,069,679)	(22,290)	(462,652)	(402,280)	(2,977,775)
Amortisation	–	–	–	–	(184,872)	(184,872)
Depreciation	(42,989)	(31,431)	–	(6,401)	–	(80,821)
Profit/(loss) on disposal	(2,119)	–	–	–	–	(2,119)
Other operating income	–	–	–	26,578	–	26,578
Segment operating profit/(loss)	571,346	278,141	(18,120)	146,760	(587,152)	390,975
Segment assets 2015	431,088	251,331	(116,462)	263,477	8,365,410	9,194,844
	Croma Vigilant (Guarding)	Croma Security Systems (Alarms)	Croma Biometric (FastVein™)	Croma Locksmiths (Locks)	Consolidation	Total
2014 Business segments £						
Segment revenues	10,958,448	2,572,616	48,337	1,283,362	(49,319)	14,813,444
Gross profit	1,407,792	1,545,311	39,863	655,205	14,813	3,662,984
Administrative expenses	(951,232)	(1,100,189)	(56,950)	(527,234)	(435,975)	(3,071,580)
Amortisation	–	–	–	–	(184,872)	(184,872)
Depreciation	(48,790)	(38,710)	(768)	(11,792)	–	(99,172)
Profit/(loss) on disposal	8,006	–	–	–	–	8,006
Other operating income	–	–	–	21,453	–	21,453
Segment operating profit/(loss)	415,776	406,412	(18,125)	137,632	(604,876)	336,819
Segment assets/(liabilities) 2014	935,200	500,274	(80,216)	714,504	6,808,909	8,878,671

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

3. Segmental Reporting (continued)

	2015	2014
	£	£
Segment and Group revenues	15,952,027	14,813,444
Segmental operating profit	1,026,329	941,695
Group head office costs not allocated	(509,187)	(418,418)
Elimination of inter-segment charges	(123,388)	(186,679)
CSOP cost	(2,779)	(2,779)
Group operating profit	390,975	336,598
Finance costs	(32,138)	(32,235)
Group profit before tax	358,837	304,584
Assets		
Total reportable segment assets	2,371,465	1,823,223
Other assets	6,823,379	7,055,448
	9,194,844	8,878,671
Revenues		
Security personnel services	12,302,699	10,842,312
Keyholding income	146,471	109,334
Sale of goods & Installation Services	2,642,329	2,944,738
Monitoring Services	267,327	160,453
Maintenance & Service fees	427,324	703,058
Other income	42,569	53,549
	15,828,689	14,813,444
Other operating income	26,578	21,453

4. Expenses

	2015	2014
	£	£
Auditors' remuneration:		
Audit of parent company and consolidated financial statements	32,000	31,500
Audit of company's subsidiaries pursuant to legislation	12,500	12,000
Research and development	42,899	143,043
Amount of inventory expensed as cost of sales	1,321,771	1,611,354
Operating lease expense	138,915	109,635
Depreciation	82,876	99,172
Amortisation	184,872	184,872
Loss/(Profit) on disposal of property, plant and equipment	2,119	(8,300)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

5. Finance Income and Expense

	2015	2014
	£	£
Finance Income		
Interest on cash deposits	406	619
Finance Expense		
Interest paid on factoring arrangements	26,863	26,107
Interest on hire purchase agreements	5,275	6,747
	<u>32,138</u>	<u>32,235</u>

6. Staff and Staff Costs

	2015	2014
	No.	No.
The average monthly number of persons (including directors) employed by the Group during the period was:		
Management and administration	32	25
Service and product provision	481	416
	<u>513</u>	<u>441</u>
	2015	2014
	£	£
Staff costs (for the above persons):		
Wages and salaries	11,017,162	9,743,393
Pension	–	23,352
Social security costs	1,026,103	946,069
	<u>12,043,265</u>	<u>10,712,814</u>

The average monthly number of persons (including directors) employed by the Parent Company during the period was:

	No.	No.
Management and administration	3	4

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

7. Directors' and key management personnel remuneration

	Salary £	Estimated value of benefits £	Fees £	Pension £	Total £
2015					
S J F Morley	101,817	218	–	–	102,035
R M Fiorentino	135,660	372	–	–	136,032
A Tetley	75,000	45	–	–	75,045
A N Hewson	–	–	18,000	–	18,000
Lord James Percy	18,000	–	–	–	18,000
C McMicking	–	–	18,000	–	18,000
	<u>330,477</u>	<u>635</u>	<u>36,000</u>	<u>–</u>	<u>367,112</u>

	Salary £	Estimated value of benefits £	Fees £	Pension £	Total £
2014					
S J F Morley	97,910	–	–	–	97,910
R M Fiorentino	120,636	10,000	–	–	130,636
R A Juett (resigned 31 January 2015)	25,000	–	–	–	25,000
A Tetley (appointed 1 February 2015)	36,250	–	–	–	36,250
A N Hewson	–	–	18,000	–	18,000
Lord James Percy	11,500	–	–	–	11,500
C McMicking	–	–	18,000	–	18,000
	<u>291,296</u>	<u>10,000</u>	<u>36,000</u>	<u>–</u>	<u>337,296</u>

No share based payments were made to directors in 2015 or 2014

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

8. Taxation

	2015	2014
	£	£
Analysis of tax charge in the year		
Current year tax		
UK corporation tax charge on profit for the year	65,163	96,000
Adjustments for prior periods	(8,877)	(43,200)
Total current tax	<u>56,286</u>	<u>52,800</u>
Deferred tax (Note 21)		
Current year	(44,586)	(40,624)
Adjustments for prior periods	(10,855)	(28,149)
Tax on profit on ordinary activities	<u><u>845</u></u>	<u><u>(15,973)</u></u>

Factors that may affect future tax charges

The UK Corporation Tax rate of 20% took effect from 1 April 2015. Further changes to the UK Corporation Tax rules were introduced in the Finance Bill 2015. Although yet to receive Royal Assent, for the tax years 2017, 2018 and 2019 the rate of UK Corporation Tax will be 19%. For the tax year 2020, the rate of Corporation Tax will be 18%.

The tax assessed for the year is lower than (2014 – lower than) the standard rate of corporation tax in the UK of 20.75% (2014 – 22%). The differences are explained below:

Factors affecting the tax charge for the year

	£	£
Profit before taxation	358,837	317,604
Profit/(Loss) multiplied by the standard rate of taxation of 20.75% (2014: 22%)	74,459	69,873
Effects of:		
expenses not deductible for tax purposes	7,454	5,448
Non-taxable income	(16,645)	(26,063)
Depreciation in excess of capital allowances	(55,441)	(22,031)
Adjustment to tax charge for previous periods	(8,878)	(43,200)
Total tax charge/(credit) for the year	<u><u>845</u></u>	<u><u>(15,973)</u></u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

9. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders, from continuing operations, divided by the weighted average number of shares in issue during the year, calculated on a daily basis. The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares and the post-tax effect of dividends and interest on the assumed conversion of all other dilutive options and other potential ordinary shares.

	2015	2014
	£	£
<i>Numerator</i>		
Earnings/(loss) for the year on continuing operations and used in basic and diluted EPS	357,992	320,557
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	14,866,138	14,866,138
Weighted average number of shares used in diluted EPS	14,872,100	14,872,100
	Pence	Pence
Basic earnings per share	2.40	2.16
Diluted earnings per share:	2.40	2.16

10. Dividends

On 8 December 2014 the directors proposed an interim dividend of 0.3p per share.

This dividend was paid on 8 January 2015. Total cost was £44,598.

11. Goodwill

	Goodwill
	£
Cost	
At 30 June 2014 & 30 June 2015	9,105,140
Impairment	
At 30 June 2014 & 30 June 2015	3,238,179
Net book value	
At 30 June 2014 & 30 June 2015	5,866,961

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charge occurred in the current year (2014: £Nil) as a result of this review. For this review goodwill was allocated to individual cash generating units (CGU) on the basis of the group's operations.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

11. Goodwill (continued)

The carrying value of goodwill by each CGU is as follows:

Impairment testing	Carrying value 2015 £
CSS Total Security Systems	3,338,813
Croma Locksmiths	1,131,758
Croma Vigilant	1,396,390
Total	5,866,961

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the board for the next 5 years.

The assumptions used for the CGU included within the impairment reviews are as follows, the growth rates do not exceed the average long term growth rates for the areas the CGUs operate in

- **Long term growth rate of 2.0%**
- **Pre-tax discount rate of 11.4%**

Forecasts, growth and discount rates

The recoverable amount relating to Croma Vigilant, CSS Total Security Solutions and CSS Locksmiths was determined based on value-in-use calculations, covering a detailed forecast for the five year period to 30 June 2018, followed by extrapolation of expected cashflows for the remaining useful lives using a 1% growth rate. In 2015 this growth rate was increased to 2%. The present value for the expected cashflows was determined using a discount rate of 11.4% (2014: 13%) to each year, to reflect appropriate adjustments relating to market risk, specific risk factors and the weighted average cost of capital.

Cashflow assumptions

Croma Vigilant

Croma Vigilant has achieved strong growth since June 2012, and 2015 turnover is 83% higher than 2012. The Board however accept the assumptions below:

- Revenue to grow at 4% per annum
- Indirect costs to increase at 3% per annum

At 30 June 2015 the company had a net present value in excess of £1M.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

11. Goodwill (continued)

CSS Total Security Systems and CSS Locksmiths

Both companies have found trading conditions challenging, and both have modified their growth assumptions in response to that. Both now are forecasting:

- Revenue growth of 3%
- Direct cost growth of 2.5%
- Indirect costs growth of 2%

Based on these assumptions, net present value of future cashflows is:

CSS Total Security Systems	–	£426,000
CSS Locksmiths	–	£417,000

Sensitivities

The Directors have applied sensitivity analysis to future cashflows to estimate the likelihood of future impairment. This analysis suggests that each business would not fall into negative net present value unless there were to be negative growth in earnings of more than 1%.

The Directors do not regard this as a likely scenario and feel that the forecasts have sufficient headroom to make any impairment unnecessary.

Having considered the above sensitivities, the Board are of the opinion that the forecasts have been prepared on a prudent basis with sufficient headroom to indicate that no impairment adjustment is required at 30 June 2015.

12. Other intangible assets

	R&D	Customer relationships	Brands	Software Licences	Brand Royalties	Total
Fair value	£	£	£	£	£	£
At 30 June 2013 & 30 June 2014	–	1,126,000	295,000	222,000	31,000	1,674,000
Additions	84,905					84,905
At 30 June 2015	<u>84,905</u>	<u>1,126,000</u>	<u>295,000</u>	<u>222,000</u>	<u>31,000</u>	<u>1,758,905</u>
Amortisation						
At 1 July 2013		273,527	36,871	27,750	9,690	347,838
Charge for the year		125,424	29,496	22,200	7,752	184,872
At 30 June 2014		<u>398,951</u>	<u>66,367</u>	<u>49,950</u>	<u>17,442</u>	<u>532,710</u>
Charge for the year	–	125,424	29,496	22,200	7,752	184,872
At 30 June 2015	–	<u>524,375</u>	<u>95,863</u>	<u>72,150</u>	<u>25,194</u>	<u>717,582</u>
Carrying value at 30 June 2014	–	<u>727,049</u>	<u>228,633</u>	<u>172,050</u>	<u>13,558</u>	<u>1,141,290</u>
Carrying value at 30 June 2015	<u>84,905</u>	<u>601,625</u>	<u>199,137</u>	<u>149,850</u>	<u>5,806</u>	<u>1,041,323</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

12. Other intangible assets (continued)

The other intangible assets additions relate to the acquisition of CSS Group in March 2012 and arose following a fair value assessment which was undertaken at the time.

At the year end the directors reviewed intangible assets for impairment:

Customer relationships

Customer relationships extant at the date of acquisition were considered. A forecast was prepared of future gross revenues from the relationships after giving due consideration to historic attrition rates. A discount rate of 11.40% (2014: 13.5%) (relating to market risk, specific risk factors and weighted average cost of capital) was then applied to give the present value of these future cashflows.

No impairment adjustment has been found to be necessary against the carrying value of customer relationships acquired with the business of CSS Total Security Limited nor the business of CSS Locksmiths Limited. The useful lives as noted in the accounting policies were considered appropriate.

Brands

The brand of Cromax Locksmiths is enduring within its locality. An assessment of the brand value was made by applying a comparable third party royalty rate of 7.5% to forecast turnover using a nil rate growth model. After-tax revenues of the remaining estimated useful life of 8 years were then valued using the same discount factor noted above and no impairment adjustment to the carrying value of the brand was considered necessary. The useful life of the asset as noted in the accounting policy note was considered appropriate.

Software licences

The software licence continues to be valued using an estimate of the costs which would be necessary to re-create the software if it had to be re-written. The directors have considered the future revenue streams which might derive from fully exploiting the software licence and consider the carrying value of the licence not to be impaired at 30 June 2015. The useful life of the asset as noted in the accounting policy note was considered appropriate.

Royalties

An assessment was made of the brand royalties (franchise fees) receivable using the same discounted cashflow methods described above. No impairment triggers were identified. The useful life of the asset as noted in the accounting policy note was considered appropriate.

Research and Development

The Group has been researching the feasibility and commercial applicability of biometric identity solution based around Finger Vein recognition. In June 2015 the project to develop a specific time and attendance package was completed. This constituted a discrete research area within the overall programme. Since year end there have been sufficient sales to give confidence that all the conditions required under IAS 38 Intangible Assets have been met. The directors have assessed forecast cashflows for the next 12 months and consider there is no impairment to the assets at the balance sheet date. The estimated useful life, over which the asset will be amortised, is three years.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13. Property, plant and equipment

	Freehold property £	Plant and equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 July 2013	67,327	164,356	116,499	388,086	736,268
Additions	–	9,678	16,977	22,934	49,589
Disposals	–	–	–	(56,503)	(56,503)
At 30 June 2014	67,327	174,034	133,476	354,517	729,354
Additions	13,209	6,860	4,251	109,299	133,619
Disposals	–	–	–	(95,871)	(95,871)
At 30 June 2015	80,536	180,894	137,727	367,945	767,102
Depreciation					
At 1 July 2013	29,282	107,557	79,096	134,419	350,353
Charge for the year	2,241	13,904	9,564	73,463	99,172
On disposals	–	–	–	(49,527)	(49,527)
At 30 June 2014	31,523	121,461	88,660	158,355	399,998
Charge for the year	2,239	9,942	9,607	59,033	80,821
On disposals	–	–	–	(45,435)	(45,435)
At 30 June 2015	33,762	131,403	98,267	171,953	435,384
Carrying value at 30 June 2014	35,804	52,573	44,816	196,163	329,356
Carrying value at 30 June 2015	46,774	49,491	39,460	195,992	331,718

Motor vehicles includes the following amounts where the assets are held under a hire purchase agreement:

	2015 £	2014 £
At 30 June – Cost	122,475	90,519
Accumulated depreciation	(49,345)	(35,647)
Net book value	73,130	54,872

The Group leases various vehicles and machinery under non-cancellable hire purchase agreements. Their lease terms are up to four years, and ownership of the assets lie with the Group.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

14. Inventories

	2015	2014
	£	£
Raw materials and consumables	237,169	222,958

Raw materials and consumables of £1,321,771 (2014: £1,611,354) were expensed through the comprehensive income statement during the year.

15. Trade and other receivables

	2015	2014
	£	£
Trade receivables	2,209,181	2,333,971
Allowance for doubtful debts	(28,748)	(20,277)
Net trade receivables	<u>2,180,433</u>	<u>2,313,694</u>
Other receivables	61,460	16,931
Prepayments	<u>178,836</u>	<u>155,260</u>
Total trade and other receivables	<u>2,420,729</u>	<u>2,485,885</u>

Owing to the short term nature of the trade receivables, their fair value is the same as the book value. An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount.

	2015	2014
	£	£
Bad debts (recovered)/written off during the year	(20,048)	35,998

The level of credit risk is, in the view of the Board, generally low, due to a wide mix of clients in different trade sectors. During the year credit control procedures were strengthened further with the employment of a new member of staff primarily dedicated to this role. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above. No interest is charged on receivables within agreed credit terms. Thereafter, interest may be charged. There are only immaterial debts due in excess of credit terms. The directors of the Group and the subsidiaries review debt collection rates at each Board meeting and close attention is paid to collection of debt and credit control.

Sensitivity analysis

	2015	2014
Current average debtor days	42	47
	£	£
Effect on working capital if debtor days increased by 10%	218,043	221,647
Effect on working capital if debtor days increased by 25%	545,108	554,118

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

15. Trade and other receivables (continued)

	2015	2014
	£	£
Age Profile		
Under 60 days	1,915,326	1,992,269
60 – 90 days	190,367	234,846
Over 90 days	74,740	86,579
	<u>2,180,433</u>	<u>2,313,694</u>

16. Financial Risk Management Objectives

	Loans and Receivables	Non-financial assets
	£	£
2015		
Trade and other receivables	2,180,433	178,826
Cash	839,373	–
Total	<u>3,019,806</u>	<u>178,826</u>

	Loans and Receivables	Non-financial assets
	£	£
2014		
Trade and other receivables	2,330,625	155,260
Cash	899,693	–
Total	<u>3,230,318</u>	<u>155,260</u>

17. Cash and cash equivalents

	2015	2014
	£	£
Cash at bank and in hand	839,373	899,693

18. Trade and other payables

	2015	2014
	£	£
Trade payables	237,888	275,309
Other payables	65,620	75,437
Finance lease liabilities (due in less than 1 year)	27,396	27,426
	<u>330,904</u>	<u>378,172</u>
Other taxes and social security	578,210	724,377
Corporation Tax Liability	56,286	53,000
Accruals and deferred income	293,040	440,504
Total trade and other payables, excluding loans and borrowing classified as financial liability measured at amortised cost	<u>1,258,440</u>	<u>1,596,053</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

18. Trade and other payables (continued)

	2015 £	2014 £
Interest bearing loans and borrowings due within 1 year		
Other short term borrowings	–	9,912
Invoice discounting facilities	–	156,770
	<u>–</u>	<u>166,682</u>
	£	£
Finance lease liabilities (due in 1 to 5 years)	39,956	5,263

19. Interest rate and liquidity risk

Interest rate sensitivity

2015	Weighted average effective interest rate %	Less than 1 month or on demand £	1 – 12 months £	1 – 3 years £	Total £
Fixed rate					
Trade and other payables	0.0	303,507	–	–	303,507
Finance lease obligations	10.3	–	27,369	39,956	67,353
Accruals and deferred income	0.0	–	228,192	–	228,192
Floating rate					
Invoice discounting facility	2.8	–	–	–	–
Total		<u>303,507</u>	<u>255,561</u>	<u>39,956</u>	<u>599,024</u>

2014	Weighted average effective interest rate %	Less than 1 month or on demand £	1 – 12 months £	1 – 3 years £	Total £
Fixed rate					
Trade and other payables	0.0	402,529	–	–	402,529
Finance lease obligations	10.3	–	27,426	5,263	32,689
Accruals and deferred income	0.0	–	232,654	–	232,654
Floating rate					
Invoice discounting facility	2.8	–	156,770	–	156,770
Overdraft	0.0	9,912	–	–	9,912
Total		<u>412,441</u>	<u>416,850</u>	<u>5,263</u>	<u>834,554</u>

20. Contingent Liabilities

There are no contingent liabilities either at the year-end or up to the date of signing the financial statements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

21. Deferred Tax

The movement on the deferred tax account is shown below:

	2015	2014
	£	£
At 1 July 2014	299,474	368,477
Adjustment for prior year	(55,441)	–
Accelerated capital allowances	–	(26,175)
Short term temporary differences	–	1,029
On amortisation of intangible assets	–	(41,823)
At 30 June 2015	244,033	299,474

The deferred tax provision at 30 June comprises the following temporary differences

Capital allowances in advance of depreciation	244,033	257,651
Arising on intangible assets amortised through the income statement	–	41,823
	244,033	299,474

At 30 June 2015 deferred tax has been provided at a rate of 20%.

The Group has tax losses of approximately £1.8M (2014: £1.7M) to carry forward. The potential deferred tax asset arising on these tax losses of £360K (2014: £340K) has not been recognised as it is doubtful that they will be utilised in the foreseeable future.

22. Share capital

	2015	2014
	£	£
Authorised, allotted, called up and fully paid:		
14,866,142 (2014 – 14,502,532) Ordinary shares of 5 pence each	743,307	743,307

	2015	2015	2014	2014
	Number	£	Number	£
Issued and fully paid				
Ordinary shares of 5p each at beginning of year	14,866,142	743,307	14,502,536	725,127
Ordinary shares of 5 pence each at end of year	14,866,142	743,307	14,866,142	743,307

The Group operates CSSG Share Option Scheme 2014 (the Scheme), which is a share option scheme approved by HMRC. The scheme was initiated on 28 May 2014. The Scheme is open to all employees.

Options are granted by the Board taking into account the need to motivate, retain and recruit high calibre employees and with regard to the contribution that such employees are expected to make in achieving the Group's objectives.

Employment Options vest and become exercisable on the fifth anniversary of date of grant, and lapse on the earlier of cessation of employment (or 6 months thereafter if options have vested at cessation date) or the 10th anniversary of date of grant.

During the current year, no options were granted. During the year ended 30 June 2014, 64,000 options were granted.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

22. Share capital (continued)

The fair value of Employment Options was estimated at the date of grant using a Black-Scholes option pricing model.

The following assumptions have been used in calculating the fair value of share options:

	2015
Valuation method	Black-Scholes
Risk free interest rate	2%
Expected life (average years)	5
Expected volatility	60%
Dividend yield	0%

The charge to the Income statement in the year was £2,779 (2014: £2,779)

23. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share Premium	Amount subscribed for share capital in excess of nominal value less related professional and regulatory fees.
Merger Reserve	The merger reserve arose on the acquisition of the CSS Group to the extent that this was funded by the issue of new shares.
Retained Earnings	Cumulative net gains and losses recognised in the statement of comprehensive income.
Ordinary Shares	Amount subscribed for share capital at nominal value.
Undistributable Reserves	The surplus recognised in 2008 on the conversion of ordinary share capital from 5p shares to 0.1p shares.
Company Share Option Scheme	This represents the change in equity relating to the issue of company share options in the year.

24. Related party transactions

Identity of related parties

The Parent Company has a controlling related party relationship with its subsidiary companies. The Group has a related party relationship with its directors, executive officers, pension funds and trusts, who with their immediate relatives control 31.7% of the voting shares.

Rental of Premises

R M Fiorentino and his family are beneficiaries of the County Access Systems Limited Retirement Benefits Scheme from which the Group leases trading premises. The total rental on these premises, which were transacted at arm's length, was £88,000 (2014: £88,000).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

24. Related party transactions (continued)

Loan Notes

In 2014 the Group held convertible loan notes from Westminster Gardens Holdings Limited. A N Hewson is a director of Westminster Gardens Holdings Limited, but holds no beneficial interest therein. The loan notes were repaid in 2014.

Deferred Consideration

During the year deferred consideration of £15,949 (2014: £21,650) was paid to Mr R Fiorentino as deferred consideration for the purchase of Alarm Bell Company Limited. At the balance sheet date the total deferred consideration outstanding was £Nil (2014:£15,949).

No loans to directors subsisted during the year.

There were no purchases of shares by directors during the year.

25. Operating lease commitments

The Group has annual commitments under non-cancellable operating leases, the most significant of which are detailed below.

CSS Total Security Limited has annual lease rental commitment on leased premises of £31,500 on a 10 year lease renewable in 2018.

CSS Locksmiths Limited has leases on two (2014: three) trading premises with an annual commitment of £38,500 (£56,500).

The leases of two premises are held under formal leases with variable renewal terms.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	£	£
Land & Buildings		
No later than 1 year	73,600	91,600
Between 1 and 5 years	186,000	186,000
Over 5 years	66,000	66,000
	<u>325,600</u>	<u>343,600</u>
Other operating leases		
No later than 1 year	18,722	21,347
Between 1 and 5 years	45,872	51,596
Over 5 years	–	–
	<u>64,594</u>	<u>72,943</u>
Total	<u>390,194</u>	<u>434,543</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

26. Notes supporting the cash flow statement

	2015	2014
	£	£
Net changes in working capital		
(Increase) in inventories	(14,211)	(2,756)
Decrease in trade and other receivables	69,156	141,548
Decrease in trade and other payables	(341,440)	(101,506)
	<u>(285,495)</u>	<u>37,286</u>
	2015	2014
	£	£
Cash and cash equivalents		
Cash at bank and in hand	839,373	899,693
	<u>839,373</u>	<u>899,693</u>

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2015**

We have audited the parent company financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2015 which comprise the parent company balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16 the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs and for the Company's profit for the year then ended 30 June 2015;
- have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company 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 parent company;
- returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC (continued)**

Other matter

We have reported separately on the Group financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2015.

Andrew Howie

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

GLASGOW

4 November 2015

**COMPANY BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2015**

Assets	Notes	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Investments	C	7,209,100	<u>7,209,100</u>	7,209,100	<u>7,209,100</u>
Current assets					
Debtors	D	3,152,555		1,354,508	
Cash at bank and in hand		<u>18,071</u>		<u>4,235</u>	
		3,170,626		1,358,743	
Creditors:					
Amounts falling due within one year	E	<u>(1,064,805)</u>		<u>(1,002,470)</u>	
Net current assets			<u>2,105,821</u>		<u>356,273</u>
Total assets less current liabilities			<u>9,314,921</u>		<u>7,565,373</u>
Issued capital and reserves attributable to owners of the parent					
Called-up share capital	F		743,307		743,307
Share premium account	H		5,230,276		5,230,276
Merger reserve	H		2,139,454		2,139,454
Undistributable Reserves	H		422,322		422,322
Other reserves	H		–		–
Profit and loss account	H		<u>779,562</u>		<u>(969,986)</u>
Total shareholders' equity			<u>9,314,921</u>		<u>7,565,373</u>

These financial statements were approved and authorised for issue by the Board of Directors on 4 November 2015 and signed on their behalf by

S J F Morley
Director

Croma Security Solutions Group plc – Company Number: 03184978.

The following notes form part of the primary financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

A. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the companies Act 2006. They have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Going Concern

These financial statements have been drawn up on the going concern basis. The company made an operating loss for the year of (£435,854) (2014: £(375,395)). The company also received dividends from its subsidiary undertakings of £2,230,000. The company's activities are funded by long term equity capital. The day-to-day operations are funded by cash generated from trading.

In considering the ability of the company to meet its obligations as they fall due, the directors have considered the expected trading and cash requirements of the company until 31 December 2015.

The Board remains positive about the retention of customers and the outlook for its main trading operations. The Board's profit and cash flow projections suggest that the company will meet its obligations as they fall due.

The financial statements do not reflect the adjustments that would be necessary were the trading performance of the company to deteriorate and funding from invoice discounting to become unavailable. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Investments

Fixed Asset investments in subsidiaries are shown at cost less provision for impairment.

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the Company becomes a party to the contractual provision of the instrument.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets after deducting all of its financial liabilities.

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument they are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity are debited direct to equity.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015

A. Significant accounting policies (continued)

Taxes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

B. Profit attributable to ordinary shareholders

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The profit dealt with in the financial statements of the Company was £1,680,438 (2014 – loss £375,990)

C. Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 30 June 2014 and 30 June 2015	10,958,425
Provision for impairment	
At 30 June 2014 and 30 June 2015	<u>3,749,325</u>
Net book value	
At 30 June 2014	7,209,100
At 30 June 2015	7,209,100

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015**

C. Fixed asset investments (continued)

Company	% ordinary shareholding	Nature of business
Vigilant Security (Scotland) Limited	100% directly	Asset protection and security training
Photobase Limited	100% directly	Biometric entry systems
CSS Total Security Limited	100% directly	CCTV & security systems
CSS Locksmiths Limited	55% directly, 45% indirectly	Locksmithing, Keys and Safes

During the prior year Alarm Bell Company Limited was struck off the company register.

In order to accurately assess any potential impairment of investments, the carrying value of the investment in all companies transferred is considered together against the future cash flows and net asset position of those companies which received the trade and net assets.

D. Debtors

	2015	2014
	£	£
Amounts due from subsidiary undertakings	3,130,307	1,354,508
Prepayments	22,248	–
	<u>3,152,555</u>	<u>1,354,508</u>

E. Creditors: Amounts falling due within 1 year

	2015	2014
	£	£
Amounts due to subsidiary undertakings	1,028,621	957,366
Other creditors	32,207	15,948
Other taxes and social security	3,977	6,360
Accruals and deferred income	–	22,796
	<u>1,064,805</u>	<u>1,002,470</u>

F. Share Capital

	2015	2014
	£	£
Authorised, allotted, called up and fully paid: 14,866,142 (2014 – 14,866,142) Ordinary shares of 5 pence each	743,307	743,307

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015**

F. Share Capital (continued)

	2015	2015	2014	2014
Issued and fully paid	Number	£	Number	£
Ordinary shares of 5p each at beginning of year	14,866,142	743,307	14,866,142	743,307
Ordinary shares of 5 pence each at end of year	14,866,142	743,307	14,866,142	743,307

Rights attaching to shares

The holders of the ordinary shares of 5 pence each are entitled to receive dividends and a return of capital on liquidation as well as attend and vote at a general meeting of the Company.

Share options

In 2014 the Group instigated an Approved Company Share Option Scheme. Details are in Note 22 of the consolidated accounts.

G. Related party transactions

Identity of related parties

The Parent Company has a controlling related party relationship with its subsidiary companies. The Group has a related party relationship with its directors, executive officers, pension funds and trusts, who with their immediate relatives control 31.7% of the voting shares.

The services of certain non-executive Directors were provided to the Company and in the following amounts which are also disclosed in note 7 of the Group accounts:

	2015	2014
	£	£
Services provided by Grosvenor Equity Managers Limited for which A N Hewson is a director and which has been accounted for as Directors' remuneration.	18,000	18,000
Services provided by Coburg Capital Limited for which C McMicking is a director and which has been accounted for as Directors' remuneration.	18,000	18,000

During the year the Company provided administrative services to subsidiary undertakings totalling £191,200 (2014 – £189,767)

At 30 June 2015, the Company was owed £155,526 by Vigilant Security Scotland Limited (2014: – £155,526) and £839,240 by Photobase Limited (2014: – £839,240). It owed CSS Total Security Limited £338,198 (2014: – £338,198)

During the year the company received dividends from its subsidiary companies of:

Vigilant Security Services (Scotland) Limited	£ 1,000,000
CSS Total Security Services Limited	£ 900,000
CSS Locksmiths Limited	£ 330,000
Total	£ 2,230,000

The Company is exempt from disclosing transactions with the Group under FRS 8.3(c)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2015

H. Reserves

	Share Capital £	Share premium £	Merger Reserve £	Retained earnings £	Undistri- butable reserve £	Other Reserves £	Total Equity £
At 30 June 2013	743,307	5,230,276	2,139,454	(593,996)	422,322	–	7,941,363
Loss for the year	–	–	–	(375,990)	–	–	(375,990)
At 30 June 2014	743,307	5,230,276	2,139,454	(969,986)	422,322	–	7,565,373
Loss for the year	–	–	–	(435,854)	–	–	(435,854)
Dividends paid	–	–	–	(44,598)	–	–	(44,598)
Dividends received	–	–	–	2,230,000	–	–	2,230,000
At 30 June 2015	<u>743,307</u>	<u>5,230,276</u>	<u>2,139,454</u>	<u>779,562</u>	<u>422,322</u>	<u>–</u>	<u>9,314,921</u>

