CROMA SECURITY SOLUTIONS GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 June 2016

CONTENTS

Directors	S J F Morley	(Executive Chairman)
	R M Fiorentino	(Group Chief Executive)
	R A Juett ACA	(Finance Director)
	M Whettingsteel	(Executive Director)
	C N McMicking	(Non – Executive)
	Lord J W E Percy	(Non – Executive)
	A N Hewson MA FCA	(Non – Executive)

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I am pleased to report Croma Security Solutions Group's final results for the year to 30 June 2016.

The year has delivered on our core strategy of strong organic growth coupled with innovation and fiscal responsibility.

The Group has been enlarged with the acquisition of Access Locksmiths and this business is now firmly embedded. Coupled with the acquisition, the Group has continued to win business in all sectors and across all divisions. Our market has also been extended to the Middle East where we see strong growth potential after winning our initial contracts in the region.

Our aim is to build a recognised brand that is synonymous with the provision of the highest level of total security services. We are stringently focused on quality and service where our clients can have all of their security needs served by our Group. This is combined with relentless innovation across all of our divisions.

Croma Vigilant has enjoyed another record year with the addition of contracts with the NHS where we have introduced an innovative method of patient safety in one of the UK's largest NHS Trusts. This combined with contract wins with property management and logistics firms has seen a new record level of turnover and operating profit. Croma Vigilant is setting itself apart from the traditional guarding model by setting the standard of front end delivery based on our ex-military ethos. This will result in ongoing contract wins across all UK sectors both private and public.

Croma Security has delivered a significant level of new works for Odeon Cinemas and this has resulted in a contract win with another cinema chain. In addition to the leisure industry, Croma Security has continued to win and compete for high end security solutions for high net worth individuals and we are becoming the provider of choice in this community. Croma Security has seen an increase in turnover this year and we see this trend continuing as our strategy develops.

Croma Biometrics has been involved with a number of Government initiatives in the UK and Middle East to bring Fastvein to the forefront as a potent biometric high speed human identifier. Identity management is a highly topical area and with our unique Fastvein™ system, we are placed to benefit from this as a Group. We have seen the successful installation of Fastvein into St Mary's Ascot school and this has led to further installations in the independent schools sector. We see the education sector as a key area for identity management through Fastvein™. Fastvein has seen considerable investment from the Group and although the concept is in its early stages of development, we see it is a key part of our unique offering to clients.

Croma Locksmiths has expanded to seven retail locations on the south coast following the acquisition of Access Locksmiths Ltd. Our Locksmiths division is now fully integrated with the new business and we see considerable cross selling opportunities within the Group for the corporate locks market.

The focus of the Group remains that of delivering sustained growth by our unique offering to the security market. Our aim is to be a group apart, a true one stop offering where clients can have all of their security needs serviced by one vertically integrated Group. The security market remains fragmented and flat footed and we aim to capitalise on this by aggressive marketing and delivery of our services.

During the year, our Finance Director Alex Tetley resigned to take up a new position and we thank him for his efforts during his time with the Group. We are delighted to welcome back Richard Juett to the role of Finance Director of the Group, to replace Alex.

Once again, I would wish to extend our heartfelt thanks to all the employees the Group, whose unstinting hard work has delivered another good set of results, a growing reputation for excellence and most importantly, a happy ship. The Board views the coming year with considerable optimism. Forming a Group of diverse businesses has taken time and effort from our valued team and this is now taking hold and bearing reward for our shareholders. We maintain our aim of providing outstanding security services to our clients and value to our shareholders. We aim to grow and build on our successes of this past year with stringency and financial prudence.

Sebastian Morley
Chairman
21 November 2016

The Group's strategic objectives are:

- to deliver market leading full service security offerings to the top end of the corporate and residential markets. This will be achieved by maintaining quality of service as a priority, focusing 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, and;
- 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 below.

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.

2015/16 has seen the Group maintain its plans for growth. Last year mention of future acquisitions was made and Croma is pleased to have purchased "Access Locksmiths Ltd". This was completed half way through the year and has taken the balance of the year to integrate. A great deal of energy and cost has been expended to rebrand Access as Croma Locksmiths and to merge the business into the Croma Group along with other organisational changes.

Growth of the Group over the last three years had been purely organic, and whilst not as fast as originally hoped it has resulted in a solid platform upon which to build. The Board is therefore pleased by the acquisition of Access Locksmiths Ltd and is ready to consider and acquire further businesses which can add to the Group's service offering, geographic footprint 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 also continues developing overseas opportunities in particular in the Middle East. Whilst these require a high level of input, Croma see that this market will be a large contribution to overall future expansion.

The performance of each business segment is discussed below:

Croma Vigilant

Croma Vigilant had another successful year. Turnover has grown by more than 14% to £14.29M from £12.50M in 2015, and operating profit for the Company has increased to £0.69M (2015: £0.46M Restated). 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 the Group.

Whilst the Company did not benefit from the provision of services to the Commonwealth Games as it did with Glasgow 2014, it was successful in securing NHS contracts which Croma Vigilant continue to win. These contracts have not only replaced the additional turnover that the Games provided but they have led to growth in turnover that is sustainable in the longer term.

The continued growing reputation for quality of service has led to further client wins, and the Company's client base is growing as quickly in London and the South East as it is in Scotland, The Midlands and Northern England. The sales effort has been reinforced to target large corporates and NHS Trust Hospitals 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 Security

Croma Security has seen turnover improve with continued orders in the leisure and education sectors. Although client budgets remain tight there is a very promising pipeline. Turnover for the year has risen 12% to £2.27M (2015: £2.0M), with operating profit up to £0.41M (2015: £0.38M).

Croma Security has adjusted the sales effort by bringing on board an existing internal and highly experienced engineer. This is allowing the current team to pass over smaller items to a technically capable individual.

Croma Security continues to provide a full range of electronic security solutions for a wide range of clients. The Odeon Cinema contract has improved upon last year with more new works placed. This year also saw the start of a further Cinema chain placing similar works with Croma Security for new works and on-going maintenance. Solar farm security installations have continued although at a lower level than expected.

Croma Biometric - *FastVein™*

We continue to develop Croma Biometrics and turnover has improved to £0.17M (2015: £0.13M). There has been continued investment in developing new software, client applications and marketing. Whilst development expenditure continues to outstrip revenues, we remain highly confident that the current development and future opportunities justify the on-going investment.

We plan to deliver further installations into the education sector and propose marketing to the retail sector as we see an opportunity to assist in the monitoring of staff attendance in addition to controlling access to sensitive areas and offering demonstrable savings to our clients.

Croma Locksmiths

Croma Locksmiths has seen the largest change this year with the acquisition of a South Coast competitor bringing the total number of retail outlets to seven between Brighton and Poole/Bournemouth. Turnover has increased to £2.31M (2015: £1.18M) to give an overall operating profit of £0.11M (2015: £0.09M).

The restructuring, rebranding and customer accreditations associated with the acquisition has impacted profitability negatively, but the ground has been laid to see a return to the expected margins moving forwards, and in the current period this early effort is bearing fruit.

Croma Locksmiths will be pursuing a strategy of geographical expansion this coming year, either by opening new stores or acquiring more existing businesses.

There is opportunity for further consolidation in the sector.

Outlook and priorities

The Group remains focused on driving growth, predominantly in the UK and overseas.

An enhanced sales team straddling the entire Group is in place and awareness of the Croma brand within the target market is increasing.

Croma Group's web presence continues actively to promote services along with email, social media, and exhibitions.

Croma Vigilant continues to see 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 focused on providing integrated and reliable security systems. Corporate clients represent the company's best opportunities and best returns in terms of turnover and margin.

As a highly respected specialist Croma Security is directing some attention towards security systems design and consultancy, an area of great strength which we hope to expand especially with overseas clients where our depth of knowledge and experience is not only welcomed but projects with the necessary funding exist.

Croma Biometrics will continue to develop FastVein™ in the Education and Retail Sector. In addition overseas resellers will be sought. Hardware is being redesigned on an on-going basis to improve the external appearance and reduce controller hardware size and improve efficiency and costs.

Group Financials

The Group financials can be summarised as follows:

	2016	**Restated 2015**
	£000s	£000s
Revenue	19,031	15,829
Gross profit	3,890	3,276
EBITDA	588	488
Operating Profit	238	222
Earnings Per Share	0.96p	1.5p
Net Assets	10,021	8,924
Cash generated from operations	222	286
Dividend paid per share	0.4p	0.3p

The financial results of the Group are broadly satisfactory.

Revenue has grown by 20% in the year. This improvement was driven by Croma Vigilant, which has delivered new contracts at steady margins, and by the acquisition of Access Locksmiths Ltd.

Although overall gross profit has increased the gross margin has fallen slightly to 20.4% (2015: 20.7%). Tighter margins have contributed to the fall but the main reason is due to our mix of revenue and particularly the impact of the increase in turnover of lower margin guarding business.

Operating profit has remained steady with only a modest increase in the year. This has been affected by continued costs relating to the FastVein™ development together with increased amortisation and depreciation charges arising from new investments during the year.

2015 saw the first payment of the Group's dividend of 0.3p per share which was followed by a further dividend of 0.4p per share paid in January 2016. The Board is aiming to maintain this progressive dividend policy.

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
Credit Risk - the risk that clients will not pay on time, increasing cash requirements	All clients are subject to initial and ongoing credit checks, and ongoing credit control. Overdue debts are monitored closely.
Liquidity Risk - the risk that the Group has insufficient cash to meet obligations as they fall due	The Group maintains sufficient cash or cash equivalents to meet 45 days of forecast liabilities
Fair Value Risk - the risk that assets and liabilities on the Group's Balance sheet are misstated.	The Group keeps the fair value of all long-term assets and liabilities under annual review to identify any potential impairment adjustments required.

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 Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) 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.
The Group is governed by the Board of Directors, comprising four Executive Directors and three Non-Executive Directors. The Group adheres to the requirements of the QCA Code to keep the roles of Chairman and Chief Executive separate.

Executive Directors:

S J F Morley – Executive Chairman
Responsible for the overall direction of the Group, for ensuring the Board operates efficiently, and for shareholder relations and for Corporate Governance. Mr Morley also oversees the daily operations of Croma Vigilant.

R M Fiorentino – Chief Executive
Responsible for overseeing the implementation of the Group's strategy, and for delivering the coordinated service approach. In addition, Mr Fiorentino oversees daily operations of Croma Security, and is leading the development of FastVein™.

R A Juett – Finance Director
Responsible for overall financial strategy and for ensuring timely production of management and statutory information.

M Whettingsteel
Oversees daily operations and development of Croma Locksmiths.

Non-Executive Directors:

A N Hewson
Chairman of the Audit Committee and a member of the Remuneration Committee.

C McMicking
Chairman of the Remuneration Committee and a member of the Audit Committee.

Lord James Percy
A member of both the Audit Committee and a member of 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.

Any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Group.

Board meetings

The Board meets monthly in person or by telephone to review and discuss strategy, financial results, business planning, sales, operations and HR matters.

Directors' attendance at Board and Committee meetings during the year was as follows:

	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
S J Morley	9	9	-	-	-	-
R M Fiorentino	9	9	-	-	-	-
A Tetley	6	6	-	-	-	-
A N Hewson	9	9	2	2	1	1
R A Juett	3	3				
M Whettingsteel	6	6				
C N McMicking	8	9	2	2	1	1
Lord James Percy	5	9	1	2	1	1

Internal control and risk assessment

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.

In the context of the Group's overall strategy the Board undertakes risk assessment as well as 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 and risk assessment 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 meets regularly and covers 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 the Board in discharging its collective legal responsibility 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;
- 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 auditor may attend Audit Committee meetings.

Key performance indicators

Indicator	Performance
Croma Vigilant	
Sales	Sales were ahead of budget reaching a record £14.3M for the year. The division continues to bid for and win new work on a regular basis. 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 and came in ahead of expectations at £1.9M or 13.5% of sales.
Customer retention	Retention of customers nearing the end of their contract is a priority of the operations director. The increase in turnover testament to our quality service offering.
Cash	Croma Vigilant continues to be cash generative for the Group with borrowing facilities and cash resources being utilised to fund acquisitions and Group overheads. At 30 June 2016 borrowings were £431K but this is well within the capacity of the bank facility.
Croma Security	
Sales	Sales have seen a 12% increase on 2015 up to £2.3M from £2.0M
Customer retention	The company monitors customer satisfaction through surveys and website feedback. Customer retention has remained strong at over 90%.
Engineers	The engineer market is very active and engineer retention and remuneration is constantly monitored.
Cash	Despite cash resources being used to help fund Group activity Croma Security has been cash generative throughout the year with year cash balances up to £222K.

Croma Locksmiths

Sales	Croma Locksmith sales are monitored weekly for shop sales, and monthly for commercial sales. With the increased number of retail branches more emphasis is placed on individual performance of the outlets with regular visits and meetings with branch managers.
Shop footfall	Shop footfall continues to slow with trend shifts to on-line. The company is actively employing sales techniques to meet this change in consumer practice including an improved e-commerce website and state of the art trade counters. .
Competitive environment	The company is looking to expand its operation throughout the UK to enable it to be more convenient for commercial users and to compete nationally for service contracts with skilled staff.

Croma Biometrics

Order pipeline	To justify the continued development expenditure, the order pipeline for FastVein™ is actively monitored and although steady in 2016 more growth will be needed for the future.

Roberto Fiorentino
Chief Executive
21 November 2016

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 35 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 and most recently FastVein™.

Richard Juett- Finance Director
Richard is a Chartered Accountant and re-joined the Board in April 2016. Richard has previously held finance roles in industry with B&Q Plc, Kia and in practice with Ernst & Young and BDO. Richard oversees the financial affairs of the Group and its operating subsidiaries.

Mark Whettingsteel – Executive Director
Mark joined the board in December 2015. Mark is a career locksmith with 30 years' experience and is a member of the Master Locksmiths Association. He trained as a younger man with a predecessor of Croma Locksmiths before going on to start his own locksmithing business in 1998. He grew this business to become the largest independent locksmith on the South Coast which is now part of the Group.

Nick Hewson MA FCA - 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 and Chairman of the Audit Committee 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 2016

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 2016.

Principal activities

The Group's principal activities are the provision of manned guarding and asset protection services (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 £0.153M (2015: £0.22M). During the year a dividend of 0.4p per share was proposed and paid. (2015: 0.3p per share)

Directors

The Directors who have held office since 1 July 2015 and up to the date of signing of these financial statements are as follows:

Executive Directors:	Non-executive Directors:
S J F Morley	A N Hewson
R M Fiorentino	C McMicking
A Tetley (resigned 29 April 2016)	Lord James Percy
R A Juett (appointed 18 April 2016)	
M Whettingsteel (appointed 8 December 2015)	

The Non-Executive Directors sit on the Remuneration Committee and on the Audit Committee.

The Directors in office at 30 June 2016 had the following beneficial interest in the ordinary shares of the Company:

	2016	**2015**
S J F Morley	535,000	535,000
R M Fiorentino	3,750,000	3,750,000
M Whettingsteel	2,027,027	-
R A Juett	-	-
A N Hewson	203,565	189,855
C McMicking	46,000	46,000
Lord James Percy	285,000	279,500

Major shareholdings

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 2016:

State Street Nominees Limited	8.6%
Fitel Nominees Limited	6.7%
HSBC Global Custody Nominee (UK) Limited	6.6%
Oceanwood Opportunities Master Fund	4.7%
Chase Nominees Limited	3.9%
Platform Securities	3.8%

Research and development

Research and development expenditure, including the element of wages and salaries and amounted to approximately £82,000 (2015: £43,000).

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

There were charitable donations of £4,650 (2015: £2,720). There were no political donations in the current or prior year.

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 0.4p was declared on 4 December 2015 and paid on 3 January 2016. The total cost was £0.059M.

Auditors

On 27 July 2016 Grant Thornton UK LLP gave notice of resignation as auditors of the Group. Nexia Smith & Williamson Audit Limited were appointed by the Board to fill a casual vacancy and a resolution proposing their reappointment will be put to the shareholders at the forthcoming Annual General Meeting.

Statement of disclosure to auditor

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

a) so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
b) 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 to establish that the company's auditors are aware of that information.

By order of the Board

R A Juett
Finance Director
21 November 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2016

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 including FRS 102, the Financial Reporting Standard applicable in the UK).

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

R A Juett
Finance Director
21 November 2016

Nexia Smith & Williamson

We have audited the group financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2016 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 19 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 Financial Reporting Council's (FRC'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 2016 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.

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 2016.

Julie Mutton
Senior Statutory Auditor
For and on behalf of
Nexia Smith &Williamson
Statutory Auditors and Chartered Accountants
Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

21 November 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 June 2016

Continuing operations:	**Notes**	**2016** **£000's**	**As restated 2015** **£000's**
Revenue	3	19,031	15,829
Cost of sales		(15,141)	(12,553)
Gross profit		3,890	3,276
Administrative expenses		(3,675)	(3,081)
Other operating income	3	23	27
Operating profit		**238**	**222**
Analysed as:			
Earnings before interest, tax, depreciation and amortisation		588	488
Depreciation	14	(109)	(81)
Amortisation of intangible assets	13	(241)	(185)
Operating profit		238	222
Finance expenses	5	(61)	(32)
Profit before tax		177	190
Tax	8	(24)	33
Profit for the year from continuing operations		153	223
Total comprehensive income for the year attributable to owners of the parent		153	223
Earnings per share	9		
Basic and diluted earnings per share (pence)			
- Earnings from continuing operations		0.96	1.49
- Diluted Earnings per share (pence)		0.95	1.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 June 2016

			As restated	As restated
Assets		**2016**	**2015**	**2014**
	Notes	**£000's**	**£000's**	**£000's**
Non-current assets				
Goodwill	12	7,213	5,867	5,867
Other Intangible assets	13	1,401	1,041	1,142
Property, plant and equipment	14	442	332	330
		9,056	7,240	7,339
Current assets				
Inventories	15	643	237	223
Trade and other receivables	16	3,446	2,290	2,483
Cash and cash equivalents	18	392	839	900
		4,481	3,366	3,606
Total assets		**13,537**	**10,606**	**10,945**
Liabilities				
Non-current liabilities				
Deferred tax	22	(303)	(244)	(299)
Trade and other payables	19	(140)	(40)	(5)
		(443)	(284)	(304)
Current liabilities				
Trade and other payables	19	(2,433)	(1,371)	(1,731)
Borrowings	19	(640)	(27)	(167)
		(3,073)	(1,398)	(1,898)
Total liabilities		**(3,516)**	**(1,682)**	**(2,202)**
Net assets		**10,021**	**8,924**	**8,743**
Issued capital and reserves attributable to owners of the parent				
Share capital	23	844	743	743
Share premium	24	6,129	5,230	5,230
Merger reserve	24	2,139	2,139	2,139
Retained earnings	24	900	806	628
Share options	24	9	6	3
Total equity		**10,021**	**8,924**	**8,743**

These financial statements were approved and authorised for issue by the Board of Directors on 21 November 2016 and signed on their behalf by

S J F Morley
Director
Croma Security Solutions Group plc – Company Number: 03184978

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £000's	As restated 2015 £000's
Cash flows from operating activities			
Profit before taxation		177	190
Depreciation and amortisation		350	266
Loss/(Profit) on sale of plant and equipment		10	(2)
Net changes in working capital	**27**	(672)	(118)
Financial expenses		61	32
Corporation tax paid		(36)	(83)
Net cash (used)/generated from operations		**(110)**	**285**
Cash flows from investing activities			
Purchase of business including acquisition costs net of cash acquired		(712)	-
Purchase of property, plant and equipment		(73)	(133)
Proceeds on disposal of property, plant and equipment		67	49
Net cash used in investing activities		**(718)**	**(84)**
Cash flows from financing activities			
Hire purchase loan repayments		(38)	(35)
Utilisation/(Repayments) of invoice discounting facility		539	(167)
Dividends paid		(59)	(45)
Interest paid		(61)	(15)
Net cash generated/(used) in financing activities		**381**	**(262)**
Net (decrease) in cash		**(447)**	**(61)**
Cash and cash equivalents at beginning of period		839	900
Cash and cash equivalents at end of the period	**26**	**392**	**839**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 June 2016

Attributable to Owners of the Parent

	Share Capital	Share premium	Merger Reserve	Retained earnings	Undistributable reserve	Share Options	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 July 2014 as previously stated	**743**	**5,230**	**2,139**	**341**	**422**	**3**	**8,878**
Prior year adjustments	-	-	-	287	(422)	-	(135)
At 1 July 2014 as restated	**743**	**5,230**	**2,139**	**628**	**-**	**3**	**8,743**
Profit for the year as restated	-	-	-	223	-	-	223
Dividends paid	-	-	-	(45)	-	-	(45)
Share option scheme charge	-	-	-	-	-	3	3
At 30 June 2015 as restated	**743**	**5,230**	**2,139**	**806**	**-**	**6**	**8,924**
New share issue	101	899	-	-	-	-	1,000
Profit for the year	-	-	-	153	-	-	153
Dividends paid	-	-	-	(59)	-	-	(59)
Share option scheme charge	-	-	-	-	-	3	3
At 30 June 2016	**844**	**6,129**	**2,139**	**900**	**-**	**9**	**10,021**

The following notes form part of the primary financial statements

1. Accounting Policies

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

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 December 2017.

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 June 2015 and June 2016 respectively, and were renewed until June 2017 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 2016 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 a division of CSS Total Security Limited; 'Croma Locksmiths', which comprises the business of CSS Locksmiths Limited and Croma Locksmiths & Security Solutions Limited and Croma Biometrics which is a division of CSS Total Security 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 collectively.

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.

1. Accounting Policies (continued)

- Revenue in respect of security personnel services is recognised over the term of the contract or, where sales contracts are on a “cost plus” basis, at the point at which manpower services have been provided.
- 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 statement of financial position.
- 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 - 10 years
- royalty income – 4 years
- Capitalised Research & Development – 3 years

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.

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).

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 23.

All share-based remuneration plans are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to the "Share Options" reserve.

1. Accounting Policies (continued)

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 2016 was £35k (2015: £29k). The effect of discounting on these financial instruments is not considered to be material. Trade receivables are analysed at Note 16.

Trade receivables are recorded at their amortised cost less any provision for doubtful receivables. 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. 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.

1. Accounting Policies (continued)

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 considers its capital to comprise its ordinary share capital, share premium, merger reserve, and accumulated retained earnings.

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.

1. Accounting Policies (continued)

New and amended standards
No new standards, interpretations and amendments, effective for the first time from 1 July 2015, have had a material effect on the financial statements of the Group.

Standards, interpretations and amendments to published standards that are not yet effective
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2016 or later periods and have not been early adopted. It is anticipated that these new standards, interpretations and amendments currently in issue at the time of preparing the financial statements may have a material effect on the consolidated financial statements of the Group, however the extent of this has not yet been assessed.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue recognition
- IFRS 16 Leases

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 statement of financial position date was £7,213k. Details relating to the allocation of goodwill to cash generating units are given in note 12.
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.

3. Segmental Reporting

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

2016 Business segments	**Croma Vigilant (Guarding)**	**Croma Security Systems (Alarms)**	**Croma Biometric (FastVein™)**	**Croma Locksmiths (Locks)**	**Central Costs**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	14,286	2,268	170	2,307	-	19,031
Gross profit	1,927	1,071	50	842	-	3,890
Administrative expenses	(1,197)	(530)	(253)	(621)	(714)	(3,315)
Amortisation	-	(81)	(50)	(110)	-	(241)
Depreciation	(40)	(42)	-	(27)	-	(109)
Profit/(loss) on disposal	-	(10)	-	-	-	(10)
Other operating income	-	-	-	23	-	23
Segment operating profit/(loss)	**690**	**408**	**(253)**	**107**	**(714)**	**238**
Segment assets 2016	**3,312**	**4,385**	**58**	**5,205**	**577**	**13,537**
Segment (liabilities) 2016	**(1,444)**	**(555)**	**-**	**(839)**	**(678)**	**(3,516)**
Segment net assets 2016	**1,868**	**3,830**	**58**	**4,366**	**(101)**	**10,021**
Additions to non-current assets	**21**	**148**	**-**	**129**	**-**	**298**

2015 Business segments (restated)	**Croma Vigilant (Guarding)**	**Croma Security Systems (Alarms)**	**Croma Biometric (FastVein™)**	**Croma Locksmiths (Locks)**	**Central Costs**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	12,497	2,029	127	1,176	-	15,829
Gross profit	1,610	1,036	41	589	-	3,276
Administrative expenses	(1,103)	(535)	(222)	(440)	(513)	(2,813)
Amortisation	-	(86)	(22)	(77)	-	(185)
Depreciation	(43)	(32)	-	(6)	-	(81)
Profit/(loss) on disposal	(2)	-	-	-	-	(2)
Other operating income	-	-	-	27	-	27
Segment operating profit/(loss)	**462**	**383**	**(203)**	**93**	**(513)**	**222**
Segment assets 2015	**2,458**	**4,274**	**118**	**2,016**	**1,740**	**10,606**
Segment (liabilities) 2015	**(901)**	**(393)**	**-**	**(190)**	**(198)**	**(1,682)**
Segment net assets 2015	**1,557**	**3,881**	**118**	**1,826**	**1,542**	**8,924**
Additions to non-current assets	**60**	**40**	**32**	**1**	**-**	**133**

3. Segmental Reporting (continued)

	2016	2015
Revenues	**£000's**	**£000's**
Security personnel services	14,102	12,309
Keyholding income	141	146
Sale of goods & Installation Services	4,170	2,637
Monitoring maintenance & Service fees	575	694
Other income	43	43
	19,031	**15,829**

4. Expenses	**2016 £000's**	**2015 £000's**
Auditors' remuneration:		
Audit of parent company and consolidated financial information payable to Nexia Smith & Williamson	32	-
Audit of parent company and consolidated financial statements payable to Grant Thornton	-	32
Audit of company's subsidiaries pursuant to legislation payable to Grant Thornton	-	13
Research and development	82	43
Amount of inventory expensed as cost of sales	1,922	1,322
Operating lease expense	230	139
Depreciation	109	81
Amortisation	241	185
Loss/(profit) on disposal of property, plant and equipment	10	(2)

	2016	**2015**
	£000's	**£000's**
5. Finance Income and Expense		
Finance Income		
Interest on cash deposits	-	-
Finance Expense		
Interest paid on factoring arrangements	53	27
Interest on hire purchase agreements	8	5
	61	**32**

6. Staff and Staff Costs

	2016	**2015**
	No.	**No.**
The average monthly number of persons (including Directors) employed by the Group during the period was:		
Management and administration	41	32
Service and product provision	526	481
	567	**513**
Staff costs (for the above persons):	**£000's**	**£000's**
Wages and salaries	13,443	11,017
Pension	85	-
Social security costs	1,185	1,026
	14,713	**12,043**
The average monthly number of persons (including Directors) employed by the Parent Company during the period was:	**No.**	**No.**
Management and administration	4	3

7. Directors' and key management personnel remuneration

2016	Salary £000's	Estimated value of benefits £000's	Fees £000's	Pension £000's	Total £000's
S J F Morley	117	1	-	-	**118**
R M Fiorentino	136	2	-	-	**138**
A Tetley (resigned 29 April 2016)	74	1	-	-	**75**
A N Hewson	-	-	18	-	**18**
M Whettingsteel (appointed 8 December 2015)	56	-	-	-	**56**
R Juett (appointed 18 April 2016)	7	-	-	-	**7**
Lord James Percy	18	-	-	-	**18**
C McMicking	-	-	18	-	**18**
	408	**4**	**36**	**-**	**448**

2015	Salary £000's	Estimated value of benefits £000's	Fees £000's	Pension £000's	Total £000's
S J F Morley	102	-	-	-	**102**
R M Fiorentino	136	-	-	-	**136**
A Tetley	75	-	-	-	**75**
A N Hewson	-	-	18	-	**18**
Lord James Percy	18	-	-	-	**18**
C McMicking	-	-	18	-	**18**
	331	**-**	**36**	**-**	**367**

No share based payments were made to Directors in 2016 or 2015.

8. Taxation

	2016 £000's	As restated 2015 £000's
Analysis of tax charge in the year		
Current year tax		
UK corporation tax charge on profit for the year	71	31
Adjustments for prior periods	(1)	(9)
Total current tax	70	22
Deferred tax (Note 23)		
Current year	(39)	(45)
Adjustments for prior periods	(7)	(10)
Tax on profit on ordinary activities	**24**	**(33)**

Factors that may affect future tax charges

Finance Act 2016 includes legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. The bill had Royal Assent on 15 September 2016.

The tax assessed for the year is lower than (2015 – lower than) the standard rate of corporation tax in the UK of 20% (2015 – 20.75%). The differences are explained below

Factors affecting the tax charge for the year

	2016 £000's	As restated 2015 £000's
Profit before taxation	177	190
Profit multiplied by the standard rate of taxation of 20 % (2015: 20.75%)	35	39
Effects of:		
expenses not deductible for tax purposes	2	7
non-taxable income	(5)	(17)
adjustment to tax charge for previous periods	(8)	(62)
Total tax charge/ (credit) for the year	**24**	**(33)**

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.

		As restated
	2016	**2015**
	£000's	**£000's**
Numerator		
Earnings for the year on continuing operations and used in basic and diluted EPS	153	223
Denominator		
Weighted average number of shares used in basic EPS (000's)	16,005	14,866
Weighted average number of shares used in diluted EPS (000's)	16,012	14,872
	Pence	Pence
Basic earnings per share	0.96	1.49
Diluted earnings per share:	0.95	1.49

The difference between the number of shares used in the basic EPS calculation and the diluted EPS calculation relates only to share options.

10. Dividends

On 4 December 2015 the Directors proposed an interim dividend of 0.4p per share. This dividend was paid on 4 January 2016. The total cost was £59k.

11. Business Combinations (Acquisitions)

On 8 December 2015, Croma Security Solutions Group Plc purchased 100% of the share capital of Access Locksmiths Limited. The acquisition gives the Group a stronger presence on the South Coast with seven retail locations across that area.

The fair value of net assets acquired is set out below:

	£'000
Consideration	2,000
Less: the fair value of assets:	
Customer relationships	(601)
Fixed assets	(98)
Stock	(430)
Trade and other debtors	(274)
Cash	(38)
Add: the fair value of liabilities	
Other creditors	787
Goodwill	1,346

The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to its workforce skills, property locations and business reputation.

	£'000
Satisfied by:	
Issue of new shares	1,000
Cash paid in the year	700
Cash paid after the year end	100
Contingent consideration	200
	2,000

Net cash flow arising on the acquisition was £750k which represents the initial consideration paid and legal costs. The contingent consideration of £200k is due within one year and is adjustable depending on the level of sales achieved within a defined period. The range of potential payments of contingent consideration could vary from £0 to £200k, however the more likely outcome would be to pay £200k.

If the acquisition of the shares of Access Locksmiths Limited had been completed on the first day of the financial year, group revenues for the period would have increased by £1,725k and the group profit attributable to equity holders of the parent would have increased by £67k. The business of Access Locksmiths Limited contributed £1,690k to the Group's revenue however due to a poor period of trading there was a loss of £10k in the period after acquisition.

12. Goodwill

	Goodwill
	£000's
Cost	
At 1 July 2014 & 30 June 2015	5,867
Additions	1,346
At 30 June 2016	7,213
Impairment	
At 1 July 2014 & 30 June 2015	-
Charge for the year	-
At 30 June 2016	-
Net book value	
At 30 June 2015	**5,867**
At 30 June 2016	**7,213**

Impairment testing

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charge occurred in the current year (2015: £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.

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

	Carrying value 2016	Carrying value 2015
	£000's	£000's
Croma Security Systems	3,339	3,339
CSS Locksmiths	2,478	1,132
Croma Vigilant	1,396	1,396
Total	**7,213**	**5,867**

12. Goodwill (continued)

Forecasts, growth and discount rates

The recoverable amount relating to Croma Vigilant, Croma Security and Croma Locksmiths was determined based on value-in-use calculations, covering a detailed forecast for the five-year period to 30 June 2021, followed by extrapolation of expected cashflows for the remaining useful lives using a 2% growth rate. The present value for the expected cashflows was determined using a discount rate of 11.4% (2015: 11.4%) 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

The business has achieved strong growth since June 2012, and 2016 turnover is 66.4% higher than in 2012. The Board however accept the assumptions below:

- Revenue to grow at 2% per annum (2015: 4%)
- Direct costs to increase at 2.5% per annum (2015: 2.5%)
- Indirect costs to increase at 2% per annum (2015: 3%)
-

Based on these assumptions the net present value of future cashflows was £4,950k

Croma Security and Croma Locksmiths

Both business have retained the growth forecasts adopted for the prior year based on the assumptions below:

- Revenue growth of 3% (2015: 3%)
- Direct cost growth of 2.5% (2015: 2.5%)
- Indirect costs growth of 2% (2015: 2%)

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

Croma Security -		£4,655k
Croma Locksmiths	-	£3,829k

Sensitivities

The Directors have applied sensitivity analysis to future cashflows to estimate the likelihood of future impairment. This analysis shows that even if long term growth were turn negative by 1% (which the Directors consider unlikely), there would be sufficient headroom to suggest no impairment adjustment would be necessary.

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 2016.

13. Other intangible assets

	R&D	Customer relationships	Brands	Software Licences	Brand Royalties	Total
Fair value	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
At 30 June 2014	-	1,126	295	222	31	1,674
Additions	84	-	-	-	-	84
At 30 June 2015	84	1,126	295	222	31	1,758
Additions	-	601	-	-	-	601
At 30 June 2016	**84**	**1,727**	**295**	**222**	**31**	**2,359**
Amortisation						
At 1 July 2014	**-**	399	66	50	17	532
Charge for the year	-	126	29	22	8	185
At 30 June 2015	-	525	95	72	25	717
Charge for the year	29	155	29	22	6	241
At 30 June 2016	**29**	**680**	**124**	**94**	**31**	**958**
Carrying value at 30 June 2015	**84**	**601**	**200**	**150**	**6**	**1,041**
Carrying value at 30 June 2016	**55**	**1,047**	**171**	**128**	**-**	**1,401**

The other intangible assets additions relate to the acquisition of Croma Locksmiths & Security Solutions (formerly Access Locksmiths) in December 2015. The balance of the intangible assets were acquired with the business of CSS Total Security and CSS Locksmiths in March 2012.

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% (2015: 11.40%) (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 neither the business of CSS Total Security Limited nor the business of CSS Locksmiths Limited or Croma Locksmiths & Security Solutions. The useful lives as noted in the accounting policies were considered appropriate.

Customer relationships with a net book value of £480K have a remaining life of 4.5 years. Customer relationships with a net book value of £567K have a remaining life of 9.5 years.

13. Other intangible assets (continued)

Brands

The brand of Croma 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 6 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 licence

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 2016. 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.

14. Property, plant and equipment

	Freehold property £000's	Fixtures, fittings, Plant and equipment £000's	Motor vehicles £000's	Total £000's
Cost				
At 1 July 2014	**67**	**308**	**355**	**730**
Additions	13	11	109	133
Disposals	-	-	(95)	(95)
At 30 June 2015	**80**	**319**	**369**	**768**
Additions	-	36	164	200
Assets acquired on business combination	41	12	45	98
Disposals	-	-	(225)	(225)
At 30 June 2016	**121**	**367**	**353**	**841**
Depreciation				
At 1 July 2014	**32**	**210**	**158**	**400**
Charge for the year	2	20	59	81
On disposals	-	-	(45)	(45)
At 30 June 2015	**34**	**230**	**172**	**436**
Charge for the year	4	34	71	109
On disposals	-	-	(146)	(146)
At 30 June 2016	**38**	**264**	**97**	**399**
Carrying value at 30 June 2015	**46**	**89**	**197**	**332**
Carrying value at 30 June 2016	**83**	**103**	**256**	**442**

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

	2016 £000's	2015 £000's
At 30 June - Cost	261	122
Accumulated depreciation	(67)	(49)
Net book value	**194**	**73**

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 lies with the Group.

15. Inventories

	2016 £000's	2015 £000's
Raw materials and consumables	**643**	**237**

Raw materials and consumables of £1,922k (2015: £1,322k) were expensed through the comprehensive income statement during the year

16. Trade and other receivables	**2016**	**As restated 2015**
	£000's	**£000's**
Trade receivables	3,203	2,067
Allowance for doubtful debts	(35)	(29)
Net trade receivables	3,168	2,038
Other receivables	24	73
Prepayments	254	179
Total trade and other receivables	**3,446**	**2,290**

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.

	2016	**2015**
	£000's	**£000's**
Bad debts (recovered) /written off during the year	14	(20)

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. 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.

Age Profile	**2016**	**As restated 2015**
Debts past due but not impaired	**£000's**	**£000's**
Under 60 days	481	78
60- 90 days	36	9
Over 90 days	13	107
	530	**194**

17. Financial Risk Management Objectives

2016	Loans and Receivables £000's	Non-financial assets £000's
Trade and other receivables	3,192	254
Cash	392	-
Total	**3,584**	**254**

2015 As restated	Loans and Receivables £000's	Non-financial assets £000's
Trade and other receivables	2,111	179
Cash	839	-
Total	**2,950**	**179**

18. Cash and cash equivalents

	2016 £000's	2015 £000's
Cash at bank and in hand	392	839

19. Trade and other payables

	2016 £000's	As restated 2015 £000's
Trade payables	585	238
Other payables	391	66
	976	**304**
Other taxes and social security	840	578
Corporation Tax Liability	54	-
Accruals and deferred income	563	489
Total trade and other payables, excluding loans and borrowing classified as financial liability measured at amortised cost	**2,433**	**1,371**

Interest bearing loans and borrowings due within 1 year	2016 £000's	2015 £000's
Finance lease liabilities (due in less than 1 year)	101	27
Invoice discounting facilities	539	-
	640	**27**

	£000's	£000's
Finance lease liabilities (due in 1 to 5 years)	56	40
Other payables > 1 year	84	-
	140	**40**

20. Interest rate and liquidity risk

Interest rate sensitivity

	Weighted average effective interest rate	Less than 1 month or on demand	1 –12 months	1 – 3 years	Total
2016					
	%	**£000's**	**£000's**	**£000's**	**£000's**
Fixed rate					
Trade payables		592	300	55	**947**
Other payables	4.7		84	29	**113**
Finance lease obligations	11.4	-	101	56	**157**
Accruals and deferred income	-	-	563	-	**563**
Floating rate					
Invoice discounting facility	2.8	-	539	-	**539**
Total		**592**	**1,587**	**140**	**2,319**

	Weighted average effective interest rate	Less than 1 month or on demand	1 –12 months	1 – 3 years	Total
2015 As restated					
	%	**£000's**	**£000's**	**£000's**	**£000's**
Fixed rate					
Trade and other payables	0	304	-	-	**304**
Finance lease obligations	10.3	-	27	40	**67**
Accruals and deferred income	0	-	489	-	**489**
Floating rate					
Invoice discounting facility	2.8	-	-	-	-
Total		**304**	**516**	**40**	**860**

21. Contingent Liabilities

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

22. Deferred Tax

The movement on the deferred tax account is shown below:	**2016**	**2015**
	£000's	**£000's**
At 1 July 2015	244	299
Adjustment for prior year	(7)	(55)
Accelerated capital allowances	(39)	-
Short term temporary differences	-	-
Arising on fair value adjustments recognised on business combination	105	-
At 30 June 2016	**303**	**244**

The deferred tax provision at 30 June comprises the following temporary differences		
Capital allowances in advance of depreciation	198	244
Arising on fair value adjustments recognised on business combination	105	-
	303	**244**

At 30 June 2016 deferred tax has been provided at a rate of 18%.

The Group has tax losses of approximately £1.8M (2015: £1.8M) to carry forward. The potential deferred tax asset arising on these tax losses of £322K (2015: £360K) has not been recognised as it is doubtful that they will be utilised in the foreseeable future.

23. Share capital

	2016	**2015**
	£000's	**£000's**
Authorised, allotted, called up and fully paid:		
16,893k (2015 - 14,866k) Ordinary shares of 5 pence each	844	743

Issued and fully paid	**2016 Number 000's**	**2016 £000's**	**2015 Number 000's**	**2015 £000's**
Ordinary shares of 5 pence each at beginning of year	14,866	743	14,866	743
Ordinary shares of 5 pence each at end of year	16,893	844	14,866	743

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.

23. Share Capital (continued)

During the current year, no options were granted. During the year ended 30 June 2015, no options were granted. During the current year 15,000 options lapsed. During the year ended 30 June 2015, no options lapsed.

Share options in issue at 1 July 2015	**57,000**
Lapsed in year	(15,000)
Share options in issue at 30 June 2016	**42,000**
Exercise price in respect of all share options	28.5 pence

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:

	At date of grant
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 £3k (2015: £3k)

24. 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 less amounts distributed to shareholders.
Ordinary Shares	Amount subscribed for share capital at nominal value.
Company Share Option Scheme	This represents the change in equity relating to the issue of company share options in the year.

25. 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 40.7% 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 and ex-trading premises. The total rental on these premises was £88,000 (2015: £88,000).

Acquisition consideration

On 8 December 2015 the Company acquired the entire share capital of Access Locksmiths Limited from M Whettingsteel. The consideration comprised a fixed element of £1.8M, satisfied by the issue of 2,027,027 new ordinary shares and £800,000 in cash. In addition, there is up to a further £200,000 which may be payable in cash after 31 December 2016, subject to meeting earn out targets. During the year all of the new ordinary shares were issued and £700,000 of the cash element was settled. At the year-end £100,000 of the cash element and £200,000 (the maximum amount payable) of the earn-out consideration is held in "other creditors".

Director's loans

As part of the acquisition mentioned above the Group took on a loan of £162,000 from M Whettingsteel carrying an interest rate of 5.13% per annum. This loan is being repaid in equal monthly instalments of £7,000. During the year £49,000 was repaid to M Whettingsteel together with £3,759 of interest. At the year-end £113,000 remained outstanding.

Salaries paid to close family members

During the year salaries totalling £95,794 (2015 £75,517) were paid to close family members of key management personnel

26. Operating lease commitments

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

	2016 £000's	2015 £000's
Land & Buildings		
No later than 1 year	167	74
Between 1 and 5 years	416	186
Over 5 years	404	66
	987	**326**
Other operating leases		
No later than 1 year	86	19
Between 1 and 5 years	76	46
Over 5 years	-	-
	162	**65**
Total	**1,149**	**391**

27. Notes supporting the cash flow statement

Net changes in working capital	2016 £000's	As restated 2015 £000's
(Increase) in inventories	(406)	(14)
(Increase)/Decrease in trade and other receivables	(1,156)	193
Increase/(Decrease) in trade and other payables	890	(297)
	(672)	**(118)**

Cash and cash equivalents	2016 £000's	2015 £000's
Cash at bank and in hand	392	839
	392	**839**

28. Prior year restatement

A review of reserves has been undertaken and as a result a reserve of £422k previously disclosed as an undistributable reserve has been reclassified as distributable and transferred to retained earnings.

The Board has also identified two significant overstatements in the published accounts for the year ended 30 June 2015.

Firstly, following an administrative error, an intercompany re-charge was processed in Croma Vigilant but the corresponding cost not reflected in Croma Group. Profit before tax was overstated by £142k as a result.

Secondly, also in Croma Vigilant, after introducing improved electronic processes to record employee's accrued holiday entitlement, it was found that the accrual for holiday pay at 30 June 2015 was understated by £196k. Of this amount, £27k related to the year ended 30 June 2015 and £169k related to periods ending before 1 July 2014. Profit before tax was overstated by the same amount.

Procedures are now in place to prevent a recurrence of these errors but the Board considers the adjustments are significant and accordingly the adjustments after associated tax relief have been dealt with in these accounts by restatement of the prior year comparatives and segmental analysis.

29. Subsidiary audit exemption

The wholly-owned subsidiaries of Croma Security Solutions Group Plc: Vigilant Security (Scotland) Limited, Photobase Limited, CSS Total Security Limited, CSS Locksmiths Limited and Croma Locksmiths and Security Solutions Limited are exempt from the requirements of Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A.

Nexia Smith & Williamson

We have audited the parent company financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2016 which comprise the parent company Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 19 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 Financial Reporting Council's (FRC'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 at 30 June 2016
- 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.

Other matter

We have reported separately on the Group financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2016.

Julie Mutton
Senior Statutory Auditor

For and on behalf of
Nexia Smith & Williamson
Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

21 November 2016

STATEMENTOF FINANCIAL POSITION
FOR THE YEAR ENDED 30 June 2016

Assets	**Notes**	**2016 £000's**	**2015 £000's**
Fixed assets			
Investments	**D**	9,135	7,209
		9,135	7,209
Current assets			
Debtors	**E**	1,362	3,153
Cash at bank and in hand		21	18
		1,383	3,171
Creditors:			
Amounts falling due within one year	**F**	(671)	(1,065)
Net current assets		712	2,106
Total assets less current liabilities		9,847	9,315
Issued capital and reserves attributable to owners of the parent			
Called-up share capital	**G**	844	743
Share premium account		6,129	5,230
Merger reserve		2,139	2,139
Profit and loss account	**C**	735	1,203
Total shareholders' equity		9,847	9,315

These financial statements were approved and authorised for issue by the Board of Directors on 21 November 2016 and signed on its behalf by

S J F Morley
Director
Croma Security Solutions Group plc – Company Number: 03184978.

STATEMENTOF CASH FLOWS
FOR THE YEAR ENDED 30 June 2016

Cash flows from operating activities

	2016 £000's	2015 £000's
(Loss)/profit before taxation	(409)	1,794
Provision against investments	124	
Net changes in working capital	777	(1,735)
Net cash generated from operations	**492**	**59**
Cash flows from investing activities		
Purchase of investments	(750)	-
Dividends received	320	-
Net cash used in investing activities	**(430)**	**-**
Cash flows from financing activities		
Dividends paid	(59)	(45)
Net cash used in financing activities	**(59)**	**(45)**
Net (decrease) in cash	3	14
Cash and cash equivalents at beginning of period	18	4
Cash and cash equivalents at end of the period	**21**	**18**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2016

	Share Capital	Share premium	Merger Reserve	Retained earnings	Undistributable reserve	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's
At 30 June 2014 as previously stated	**743**	**5,230**	**2,139**	**(968)**	**422**	**7,566**
Prior Year Adjustment	-	-	-	422	(422)	-
At 30 June 2014 as restated	**743**	**5,230**	**2,139**	**(546)**	**-**	**7,566**
Profit for the year	-	-	-	1,794	-	1,794
Dividends paid				(45)		(45)
At 30 June 2015 as restated	**743**	**5,230**	**2,139**	**1,203**	**-**	**9,315**
Loss for the year	-	-	-	(409)	-	(409)
Dividends paid	-	-	-	(59)	-	(59)
Shares issued	101	899	-			1,000
At 30 June 2016	**844**	**6,129**	**2,139**	**735**	**-**	**9,847**

The following notes form part of the primary financial statements

A. Significant accounting policies

First time adoption of FRS 102

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. The first date at which FRS 102 was applied was 1 July 2014.

In accordance with FRS 102 the Company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 102 as required
- applied certain optional exemptions and mandatory exemptions as applicable for first time adopters of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

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 (£409k) (2015: profit £1,794k)). The Company also received dividends from its subsidiary undertakings of £320k (2015:£2,230k). 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 2016.
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.

A. Significant accounting policies (continued)

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.

Taxes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. 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.

Impairment of investments

Determining whether investments are impaired requires an estimation of future cash flows expected to arise from the investment and a suitable discount rate in order to calculate the present value. The present values of those cash flows enable an estimate to be made as to whether or not there has been any impairment.

C. 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 loss dealt with in the financial statement of the Company was £409k (2015: profit £1,794k)

D. Fixed asset investments

	Shares in subsidiary undertakings £000's
Cost	
At 1 July 2015	**7,209**
Additions	2,050
At 30 June 2016	**9,259**
Impairment	
At 1 July 2015	**-**
Charge for the year	(124)
At 30 June 2016	**(124)**
Net book value at 30 June 2016	**9,135**
Net book value at 30 June 2015	**7,209**

D. 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
Croma Locksmiths & Security Solutions Limited	100% directly	Locksmithing, Keys and Safes

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.

E. Debtors

	2016	**2015**
	£000's	**£000's**
Amounts due from subsidiary undertakings, repayable on demand	1,350	3,130
Prepayments	12	23
	1,362	**3,153**

F. Creditors: Amounts falling due within 1 year

	2016	**2015**
	£000's	**£000's**
Amounts due to subsidiary undertakings, repayable on demand	246	1,029
Other creditors	358	32
Other taxes and social security	67	4
Accruals and deferred income	-	-
	671	**1,065**

G. Share Capital

Authorised, allotted, called up and fully paid:	2016 £000's	2015 £000's
16,893k (2015 - 14,866k) Ordinary shares of 5 pence each	844	743

Issued and fully paid	2016 Number 000's	2016 £000's	2015 Number 000's	2015 £000's
Ordinary shares of 5 pence each at beginning of year	14,866	743	14,866	743
Ordinary shares of 5 pence each at end of year	16,893	844	14,866	743

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 option scheme

In 2014 the Group instigated and Approved Company Share Option Scheme. Details are in Note 23 of the consolidated accounts.

H. 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 40.7% 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:

	2016 £000's	2015 £000's
Services provided by Grosvenor Equity Managers Limited and Carlin Ventures Limited for which A N Hewson is a director and which has been accounted for as Directors' remuneration.	18	18
Services provided by Coburg Capital Limited for which C McMicking is a director and which has been accounted for as Directors' remuneration.	18	18

During the year the Company provided administrative services to subsidiary undertakings totalling £316k (2015 - £110k Restated)

At 30 June 2016, the Company was owed £720k by Vigilant Security Scotland Limited (2015: (£156k)), £100k by Photobase Limited (2015: £839k), £299k by CSS Total Security Limited (2015: (£338k)) and £12k by Croma Locksmith & Security Solutions (2015: £nil). At 30 June 2016 the Company owed CSS Locksmiths Limited £299k (2015: £nil)

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

Vigilant Security Services (Scotland) Limited	£ 150k
CSS Total Security Services Limited	£ 170k
Total	£ 320k

I. Prior year adjustment

A review of reserves has been undertaken and as a result a reserve of £422k previously disclosed as an undistributable reserve has been reclassified as distributable and transferred to retained reserves.