

CROMA SECURITY SOLUTIONS GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 June 2017

CONTENTS

	Page
Company information	2
Chairman's statement	3
Strategic report	5
Board of Directors	18
Directors' report	19
Statement of Directors' responsibilities	22
Independent auditor's report	23
Consolidated statement of comprehensive income	27
Consolidated statement of financial position	28
Consolidated statement of cash flows	29
Consolidated statement of changes in equity	30
Notes to the financial statements	31
Independent auditor's report for the parent company	59
Parent company financial statements	62 - 71

COMPANY INFORMATION

Directors	S J F Morley (Executive Chairman) R M Fiorentino (Group Chief Executive) R A Juett ACA (Finance Director) P Williamson (Executive Director) C N McMicking (Non – Executive) A N Hewson MA FCA (Non – Executive)
Registered office	Unit 6 Fulcrum 4 Solent Way Whiteley Fareham Hampshire PO15 7FT
Registered number	03184978
Nominated advisers and brokers	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Registered independent statutory auditor	Nexia Smith & Williamson Cumberland House, 15-17 Cumberland Place, Southampton, SO15 2BG
Solicitors	Shoosmiths Russell House, Solent Business Park Whiteley, Fareham Hampshire PO15 7AG
Registrars	Neville Registrars Limited 18 Laurel Lane West Midlands B63 3DA
Principal bankers	Lloyds Banking Group plc PO Box 1000 London BX1 1LT Svenska Handelsbanken AB 3 Thomas More Square London E1W 1WY
Website	www.cssgplc.com

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

I am pleased to report Croma Security Solutions Group's final results for the year to 30 June 2017.

The year has once again delivered on our core strategy of organic growth, coupled with innovation and strictly targeted acquisitions.

Financial prudence and responsibility are central to our ongoing strategy in order to shape an outstanding security services group that delivers for clients, staff and shareholders.

The growth in the Group has been driven in the Croma Vigilant and Croma Security Divisions while Croma Locksmiths continues to develop following our acquisition of Access Locksmiths in December 2015.

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 outstanding service delivery for our clients. More clients are seeing the benefit of having all of their security needs provided by one contractor and we are delivering tangible benefits to them.

Croma Vigilant has seen 14% top line growth, winning contracts in the private and public sectors with particularly strong growth in the property management and infrastructure sectors. We have invested heavily in our personnel this year in training standards and capability.

The guarding industry is changing fast and we are leading the charge. The traditional model of the low paid, lowly motivated officer is over and the current security climate demands capable, well trained and highly motivated officers. Croma Vigilant, where we utilise ex-military security professionals, has created a niche in a mediocre market place and our clients and potential clients welcome it.

Croma Security continues to deliver a significant level of new works for Odeon Cinemas and our second cinema chain continues to develop. 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 a 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 evolves.

Croma Biometrics has been involved this year with a number of larger opportunities 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. Following the successful installation of FastVein into St Mary's Ascot School major systems have been installed at Cheltenham Ladies College, West Hill Park School and further along the UK Coast in Brighton. This year has also seen FastVein™ deployed in the construction sector. FastVein™ has seen considerable investment from the Group and although the concept is still in its early stages of development, we see it is a key part of our offering to clients.

Croma Locksmiths has been subject to a slowdown in general trade and a delay to the anticipated start date for our major contract, although this has now commenced. This impacted the numbers significantly and has led to a further restructuring of the business.

**CHAIRMAN'S STATEMENT(Continued)
FOR THE YEAR ENDED 30 JUNE 2017**

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

OUTLOOK

The Group has started the new financial year with trading considerably ahead of the equivalent period last year and we look forward to continuing this momentum and updating the market in due course.

I would like to thank all employees of the Group for their hard work over the last year. Putting a Group together by acquisition has had its challenges but our staff and our clients are seeing something luminous and refreshing, a Group that lives by outstanding service delivery while stringently managing its finances and delivering growth and return for its shareholders.

Sebastian Morley
Chairman
3 November 2017

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 those clients who 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.

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.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

The performance of each business segment is discussed below:

Croma Vigilant

Croma Vigilant saw 14% top line growth with sales increasing to £16.40M (2016: £14.29M)

Operating profit decreased to £0.47M due to client driven training requirements after the succession of terror attacks. This level of training will not recur in the present year.

The year has seen the biggest change in the industry in our 20 years of trading. The reality of the terror threat in public places has started something of a revolution in how security services are seen and delivered. Most of our security officers operate in high footfall areas and with strong encouragement from us, our clients are buying into a more capable and well-trained security service working with and alongside the police.

Croma Vigilant's ex-military high grade offering has always been at the cutting edge of the U.K. guarding market and the general lifting of the bar for the industry will be extremely beneficial to us.

Our aim is to grow organically, gaining contracts from private and public organisations who demand the best.

Croma Security Systems

Croma Security Systems has seen turnover improve with continued orders in the leisure and education and construction sectors. Although client budgets remain tight there is a very promising pipeline. Turnover for the year has risen modestly by 4% to £2.36M (2016: £2.27M), with operating profit up to £0.47M (2016: £0.41M).

Last year Croma Security Systems 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. This was a very successful move and this year we have brought over another member of staff to further grow our sales effort.

Croma Security Systems continues to provide a full range of electronic security solutions for a wide range of clients. Both of our Cinema client contracts have improved upon last year with more new works placed. A number of new projects and refurbishment contracts have materialised and our pipeline continues to look positive. The increased level of works in this sector has brought about an additional dedicated member of staff to support the client account manager. The education sector has featured heavily in our sales this year as Croma continues to offer expertise and differentiation to these clients.

Croma Biometric - *FastVein*TM

As per our statement last year Croma Biometrics continues to develop and turnover has improved to £0.35M (2016: £0.17M). There has been continued investment in developing new software, client applications and marketing. Whilst development expenditure continues to outstrip revenues, again we remain highly confident that the current development and future opportunities justify the on-going investment.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

We have delivered further projects in the education sector and we continue our plan to deliver further installations into this sector, we see the retail sector as an opportunity especially in the monitoring of staff attendance in addition to controlling access to sensitive areas thus offering demonstrable savings to our clients. This year has also seen a major construction application for FastVein™ and we plan to expand on this success in the near future.

In addition to major enhancements to our software capabilities and the availability of additional software engineers Croma Biometrics delivered a high-end external housing that finally places the FastVein™ device on the radar of our more discerning clients.

Croma Locksmiths

Croma Locksmiths has again seen a large change this year following the acquisition of a South Coast competitor which brought the total number of retail outlets to seven between Brighton and Poole/Bournemouth. Turnover increased to £2.95M (2016: £2.31M) and operating profit improved to £0.2M (2016: £0.09M), however this improvement was due mainly to the reversal of contingent consideration arising on the acquisition of Access Locksmiths in 2015. Without this reversal operating profit would have been at break even.

Sales have continued to be slow and a major contract that was scheduled to commence during the year was delayed into the present financial year, with many costs including additional staff hired in anticipation of the contract commencement.

M Whettingsteel, the operations director of Croma Locksmiths, resigned from the business in August 2017. His operational duties will now be covered by existing management.

Croma Locksmiths will be concentrating on delivery of the major contract whilst continuing with operational system changes.

Opportunity for consolidation in the sector still exists.

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.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

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. In the year to 30 June 2018 the merging of Croma Locksmiths and Croma Security Systems will offer efficiencies to the business and increased benefits to our clients.

As a highly respected specialist, Croma Security Systems 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, Construction 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. Our latest versions allow entry into the high end bespoke installations sector whilst still being able to accommodate every day solutions.

Group Financials

	2017	2016
	£000's	£000's
The Group financials can be summarised as follows:		
Revenue	22,058	19,031
Gross profit	4,025	3,890
Gross margin %	18.2%	20.4%
EBITDA	799	588
Operating profit	431	238
Earnings per share	2.13p	0.96p
Net Assets	10,305	10,021
Cash generated from/(used in) operations	1,233	(110)
Dividend paid per share (paid)	0.5p	0.4p

The financial results of the Group are broadly satisfactory but improvements must be sought in the present year.

Revenues have grown by 16% in the year once again, led primarily by growth in our manned guarding division, Croma Vigilant. There was also growth in Croma Locksmiths because we are now reporting a full year's results for five out of 7 of our retail outlets.

The results of our Locksmiths division were disappointing. In particular, we have seen a fall in retail sales of around 7% and reduced spending from our business customers. To counter this fall, we are seeking to improve sales processes at our tills to better integrate with stock control systems. Together with our security systems division, we have recently taken on a new staff member focusing on sales and customer development. This is already bearing fruit.

In Locksmiths, we saw a stock shrinkage adjustment of £83k but with improved systems we are confident this will not recur in the present year. Also we saw the provision against slow moving stock increase to £122k. The Board feels that this is a sufficient level to allow us to reduce our inventories, so benefiting cash flow but without further impacts to the profit and loss account.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Gross profit in Croma Vigilant was slightly down from £1,927k to £1,861k. This was due to one-off costs of £50k, and also the implementation of a client driven training programme after the succession of terror attacks. These costs will not recur in the present year.

During the year cashflow was much improved with cash generated from operations at £1,233k and borrowing on our invoice discounting facility down by £404k to £135k. The key driver behind this change was moving the payment date for many of our employees to after the month for which their earnings accrued. Year-end cash balances and cash generated from operations were improved by £862k because of this change which has also allowed us to use our invoice discounting facilities more effectively and free up cash for investment in the group.

Operating profit was up £193k during the year and we expect more improvement in the present year. The Board has identified a number of synergies within our Locksmiths and Security Systems businesses which should see around £200k savings in administrative costs as the two businesses become operationally merged. The savings will be made in staff costs and in software.

The Board is aiming to maintain the progressive dividend policy adopted in previous periods. During the year an interim dividend of 0.5p per share was paid at a cost of £84k.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Risk management

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

Regulatory environment

The Group operates in a highly regulated sector and is audited and accredited by a number of regulatory bodies including the SIA, NSI, and CHAS. An inability to respond and adapt to changes in the sector and comply with the regulatory requirements would adversely affect our business.

Controls and mitigating strategies

Our regulatory compliance is monitored by key members of staff who work with external consultants to maintain our processes and procedures at the required standards.

Liquidity and funding

The group requires appropriate borrowing facilities in place for its short-term liquidity and long term funding.

Controls and mitigating strategies

The group finance director is responsible for reviewing our banking covenants and capital structure. Robust budgets and cashflow forecasts are prepared and presented to the Board. A good relationship is enjoyed with our banks.

Health and safety environment

Instances of noncompliance with Health & Safety and Environmental regulations could expose our people, the environment and our reputation

Controls and mitigating strategies

Responsibility for health and safety compliance is delegated to experienced members of staff who work with external consultants. Training is provided to all employees.

Fraud and uninsured losses

A significant fraud or uninsured loss could damage the financial performance of our business.

Controls and mitigating strategies

Systems, policies and procedures are in place to segregate duties and minimise any opportunity for fraud. Timely management reporting of identified anomalies. Where possible, our insurance strategy minimises other risks.

Customer Service

The failure of our customer services could undermine our business performance.

Controls and mitigating strategies

We undertake regular customer satisfaction surveys with unsatisfactory comments being addressed. Any complaints received at Board level are dealt with on a timely basis by the affected operating division.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Risk management (continued)

Cyber Security

Failure of the Group's IT systems and the security of our internal systems, data and our websites can have significant impact to our business.

Controls and mitigating strategies

Responsibility for all our IT systems is delegated to our in-house IT department who implement and monitor cyber security across the Group.

Credit Risk

If our customers do not pay on time, our cashflow and liquidity maybe compromised.

Controls and mitigating strategies

Responsibility for credit control is delegated to experienced staff in our operating divisions. Through invoice discounting we obtain funding of up to 90 days on our sales ledger so late payment from customers should not adversely affect cashflow provided payment is received within this period.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

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 two 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, Croma Locksmiths and Croma Biometrics

R A Juett – Finance Director

Responsible for overall financial strategy and for ensuring timely production of management and statutory information.

P Williamson

Oversees daily operations and development of Croma Vigilant

Non-Executive Directors:

A N Hewson

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

C N McMicking

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

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

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 N Hewson	9	9	1	1	1	1
R A Juett	9	9	-	-	-	-
P Williamson	2	4	-	-	-	-
M Whettingsteel	8	9	-	-	-	-
C N McMicking	8	9	1	1	1	1
Lord James Percy	1	4	-	-	-	-

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.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017

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.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

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.

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 £16.4M 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. This year the gross margin was steady at £1.9M and was below budgets and expectations. In the present year we are taking steps to address this.
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 group overheads. At 30 June 2017 the company shows no long term borrowings and maintains adequate facilities to meet payroll liabilities falling due shortly after the year end.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Croma Security systems

Sales	Sales have seen a 4% increase on 2016 up to £2.4M from £2.3M
Customer retention	The company monitors customer satisfaction through surveys and website feedback. Customer retention remains strong, with our largest customer Odeon delivering revenues of £441k up 34% on the prior year.
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 remained cash generative and at the year-end cash balances are at £136k.

Croma Biometrics

Sales/Order pipeline	To justify the continued development expenditure, the order pipeline for FastVein™ is actively monitored. In 2017 the division achieved a turnover increase of over 100% to £346k and came close to landing a significant contract with a major UK supermarket.
----------------------	---

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Croma Locksmiths

Sales Sales are monitored weekly for retail, and monthly for commercial sales. Emphasis is placed on individual performance of the outlets with regular visits and meetings with branch managers. Like for like sales have seen an overall decrease particularly so in the retail market which shows a 7% drop.

In the present period, we have already seen improvements and our major water utility contract will yield considerable revenue uplifts.

Shop footfall Shop footfall continues to slow with a shift to on-line sales. The company continues to employ sales techniques to meet this change in consumer practice including an improved e-commerce website and state of the art trade counters.

Changes in front of shop advertising and layout improvements will be introduced in an effort to entice more customers into our shops and upgraded EPOS systems will better integrate with our stock control to ensure more timely invoicing and cash collection.

Competitive environment Although the priority in the short term will be to turn around the existing business, the Group will still look to expand its geographical operations that enhance our service to our commercial customers and to compete nationally for service contracts by improving its bank of skilled locksmiths.

Roberto Fiorentino
Chief Executive
3 November 2017

BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017

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 36 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, Video Analytics and most recently FastVein™. As a result of this Croma is ideally placed to offer high level security design and consultancy services

Richard Juett - Finance Director

Richard is a Chartered Accountant and has previously held finance roles in industry with B&Q Plc, Kia Motors and in practice with Ernst & Young and BDO. Richard oversees the financial affairs of the Group and its operating subsidiaries.

Paul Williamson – Executive Director

Paul joined the Board in April 2017. Paul founded Vigilant Security in 1997 having served in the Army from 1987 to 1992 and worked in a number of commercial operations thereafter.

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, and Chairman of Supermarket Income REIT.

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 2017.

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 £0.360M (2016: £0.153M). During the year a dividend of 0.5p per share was proposed and paid (2016: 0.4p per share).

Directors

The Directors who have held office since 1 July 2016 and up to the date of signing of these financial statements are as follows:

Executive Directors:

S J F Morley
R M Fiorentino
R A Juett
P Williamson (appointed 20 April 2017)
M Whettingsteel (resigned 11 August 2017)

Non-executive Directors:

A N Hewson
C N McMicking
Lord Percy (resigned 16 December 2016)

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

The Directors in office at 30 June 2017 had the following beneficial interest in the ordinary shares of the Company

	2017	2016
S J F Morley	575,000	535,000
R M Fiorentino	4,110,000	3,750,000
M Whettingsteel	2,027,027	2,027,027
R A Juett	12,500	-
A N Hewson	203,565	203,565
C N McMicking	46,000	46,000
P Williamson	165,639	-

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2017

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 2017:

Hargreave Hale Limited	5.00%
Liontrust Investment Partners LLP	3.32%

Matters covered in the strategic report

Statutory disclosures required under company law within the Directors report are included where relevant within the strategic report.

Research and development

Research and development expenditure, including the element of wages and salaries and amounted to approximately £75,000 (2016: £82,000).

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 £5,618 (2016: £4,650). 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.

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Dividends

An interim dividend of 0.5p per share was declared on 1 March 2017 and paid on 7 April 2017. The total cost was £0.084M.

Post balance sheet events

The Company has entered into a contract with a former director for the buy-back of shares, which will then be cancelled. The contract is conditional on the ratification of shareholders at the AGM. The total consideration of £760k will be funded out of existing resources.

Auditors

A resolution proposing the reappointment of Nexia Smith & Williamson Audit Limited 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
3 November 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2017

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
3 November 2017

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2017**



Opinion

We have audited the group financial statements of Croma Security Solutions Group PLC (the 'group') for the year ended 30 June 2017 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 notes to the group financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

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 2017 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the group financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the directors have not disclosed in the group financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the group financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA SECURITY SOLUTIONS GROUP PLC (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Key audit matters

We identified the key audit matter described below as that which was most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing this matter, we have performed the procedures below which were designed to address the matter in the context of the financial statements as a whole and in forming our opinion thereon. Consequently we do not provide a separate opinion on this individual matter.

Key audit matter	Description of risk	How the matter was addressed in the audit
Carrying value and impairment of goodwill and other intangible assets	The group has material goodwill and other intangible assets relating to three cash generating units. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions	<p>We challenged the assumptions used in the impairment model for goodwill and other intangible assets described in notes 11 and 12.</p> <p>As part of our procedures we:</p> <ul style="list-style-type: none"> • considered historical trading performance by comparing recent growth rates of revenue and actual costs expended • assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations • considered management's assertions about the future utilisation of assets following a review of the business strategic plan by the CGU's • considered sensitivity analysis of key variables included within the value in use calculations <p>In performing our procedures, we used our internal valuation specialists to assess the appropriateness of the discount rate applied.</p>

Our application of materiality

The materiality for the financial statements of the Group as a whole was set at £330,870. This has been determined with reference to the benchmark of the Group's turnover, which we consider to be one of the principal considerations in assessing the performance of the Group. Materiality represents 1.5% of turnover.

The materiality for the financial statements of the Parent as a whole was set at £215,000. This has been capped at the Group's performance materiality.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA SECURITY SOLUTIONS GROUP PLC (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

An overview of the scope of our audit

Of the Group's 6 reporting components, we subjected one to an audit for Group reporting purposes and the other 5 reporting components to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatements and of the materiality of the component.

The components within the scope of our work covered 100 per cent of Group revenue, 100 per cent of Group profit before tax and 100 per cent of Group net assets.

Other information

The other information comprises the information included in the report and financial statements other than the group and parent company financial statements and our auditor's reports thereon. The directors are responsible for the other information. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA SECURITY SOLUTIONS GROUP PLC (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22 the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the group financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the parent company's financial statements of Croma Security Solutions Group Plc for the year ended 30 June 2017.

Julie Mutton
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Cumberland House
15 - 17 Cumberland Place
Southampton
Hampshire
SO15 2BG

6 November 2017

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

Continuing operations:

	Notes	2017 £000's	2016 £000's
Revenue	3	22,058	19,031
Cost of sales		<u>(18,033)</u>	<u>(15,141)</u>
Gross profit		4,025	3,890
Administrative expenses		(3,802)	(3,675)
Other operating income	3	<u>208</u>	<u>23</u>
Operating profit		431	238
Analysed as:			
Earnings before interest, tax, depreciation amortisation		799	588
Depreciation	13	(126)	(109)
Amortisation of intangible assets	12	(242)	(241)
Operating profit		431	238
Finance expenses	5	<u>(74)</u>	<u>(61)</u>
Profit before tax		357	177
Tax	8	<u>3</u>	<u>(24)</u>
Profit for the year from continuing operations		360	153
Total comprehensive income for the year attributable to owners of the parent		<u><u>360</u></u>	<u><u>153</u></u>
Earnings per share	9		
Basic and diluted earnings per share (pence)		2.13	0.96
Earnings from continuing operations			
Diluted Earnings per share (pence)		2.13	0.95

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 £000's	2016 £000's
Assets			
Non-current assets			
Goodwill	11	7,213	7,213
Other intangible assets	12	1,161	1,401
Property, plant and equipment	13	420	442
		<u>8,794</u>	<u>9,056</u>
Current assets			
Inventories	14	710	643
Trade and other receivables	15	3,804	3,446
Cash and cash equivalents	26	770	392
		<u>5,284</u>	<u>4,481</u>
Total assets		14,078	13,537
Liabilities			
Non-current liabilities			
Deferred Tax	20	(238)	(303)
Trade and other payables over 1 year	17	(89)	(140)
		<u>(327)</u>	<u>(443)</u>
Current liabilities			
Trade and other payables	17	(3,251)	(2,433)
Borrowings	17	(195)	(640)
		<u>(3,446)</u>	<u>(3,073)</u>
Total liabilities		<u>(3,773)</u>	<u>(3,516)</u>
Net assets		<u>10,305</u>	<u>10,021</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	21	845	844
Share premium	22	6,133	6,129
Merger reserve	22	2,139	2,139
Retained earnings	22	1,176	900
Share options	22	12	9
Total equity		<u>10,305</u>	<u>10,021</u>

These financial statements were approved and authorised for issue by the Board of Directors on 3 November 2017 and signed on their behalf by

S J F Morley

Director

Croma Security Solutions Group plc - Company Number: 03184978

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 £000's	2016 £000's
Cash flows from operating activities			
Profit before taxation		357	177
Depreciation amortisation and impairment		368	350
Loss on sale of property, plant and equipment		3	10
Net changes in working capital	25	443	(672)
Financial expenses		74	61
Corporation tax paid		(12)	(36)
Net cash generated from operations		1,233	(110)
Cash flows from investing activities			
Purchase of business including acquisition costs net of cash acquired		(100)	(712)
Purchase of property, plant and equipment		(114)	(73)
Proceeds on disposal of property, plant and equipment		7	67
Net cash used in investing activities		(207)	(718)
Cash flows from financing activities			
New share issue		5	-
Decrease in Hire Purchase		(56)	(38)
(Decrease)/increase in borrowings		(439)	539
Dividends paid		(84)	(59)
Interest paid		(74)	(61)
Net cash used in financing activities		(648)	381
Net increase/(decrease) in cash		378	(447)
Cash and cash equivalents at beginning of period		392	839
Cash and cash equivalents at end of period	26	770	392

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

Attributable to owners of parent

	Share Capital £000's	Share Premium £000's	Merger Reserve £000's	Retained Earnings £000's	Share Options £000's	Total Equity £000's
At 1 July 2015	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
New share issue	1	4	-	-	-	5
Profit for the year	-	-	-	360	-	360
Dividends paid	-	-	-	(84)	-	(84)
Share option scheme charge	-	-	-	-	3	3
At 30 June 2017	845	6,133	2,139	1,176	12	10,305

The following notes form part of the primary financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 has considered the expected trading and cash requirements of the Group until the end of November 2018.

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 main invoice discounting facilities were reviewed in September 2017 for another year, and the Board is confident the facilities will be more than adequate 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

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.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 leading to deferred income which is held 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

- | | | |
|--------------------------------------|---|--|
| • licences | – | over the duration of the legal agreement |
| • customer relationships | – | 10 years |
| • royalty income | – | 4 years |
| • capitalised research & development | – | 3 years |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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. 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 3 in the consolidated statement of comprehensive income.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting policies (continued)

Property, plant and equipment

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

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

Inventories

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

Dividends

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

Taxes

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

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

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 21.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 30 June 2017 was £34k (2016: £35k). The effect of discounting on these financial instruments is not considered to be material. Trade receivables are analysed at Note 15.

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Where the Group has transferred trade receivables under invoice discounting arrangements and it retains substantially all the risks and rewards of ownership of the transferred trade receivables, the Group continues to recognise the trade receivables and also recognises a liability for the proceeds received.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Cash equivalents are deemed to be deposits that we hold with a maturity of under 3 months. Cash and cash equivalents include cash in hand, deposits held at call with banks with an original maturity of less than 3 months, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial Liabilities

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

(b) Trade payables and other short-term monetary liabilities, are initially recognised at their fair value and subsequently at their amortised cost.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Accounting policies (continued)

New and amended standards

No new standards, interpretations and amendments, effective for the first time from 1 July 2016, 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 2017 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 11.

Other Intangibles. Other Intangible assets, including brands, customer relationships, software licences and brand royalties are amortised over their expected useful lives, as assessed at the time of their acquisition. The expected useful lives have been reviewed and found to be reasonable, and no adjustment is felt to be needed. The carrying amount of other intangibles at the statement of financial position date was £1,133k more details of which are given at note 12.

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. The carrying amount of other intangibles at the statement of financial position date was £28k more details of which are given at note 12.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

3. Segmental reporting

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

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Biometric (FastVein™)	Croma Locksmiths (Locks)	Central Costs	Total
2017 Business Segments	£000's	£000's	£000's	£000's	£000's	£000's
Segment revenues	16,405	2,357	346	2,950	-	22,058
Gross profit	1,861	1,145	104	915	-	4,025
Administrative	(1,343)	(568)	(239)	(733)	(550)	(3,433)
Amortisation	-	(62)	(51)	(129)	-	(242)
Depreciation	(49)	(42)	-	(34)	-	(125)
Profit/(loss) on disposal	-	(3)	-	1	-	(2)
Other Operating income	-	-	-	208	-	208
Segment operating profit/(loss)	<u>469</u>	<u>470</u>	<u>(186)</u>	<u>228</u>	<u>(550)</u>	<u>431</u>
Segment assets	4,547	4,705	117	3,700	1,008	14,077
Segment (liabilities)	(2,472)	(610)	-	(705)	15	(3,772)
Segment net assets	<u>2,075</u>	<u>4,095</u>	<u>117</u>	<u>2,995</u>	<u>1,023</u>	<u>10,305</u>
Additions to non-current assets	<u>61</u>	<u>20</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>114</u>
2016 Business Segments	£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	(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)	<u>690</u>	<u>408</u>	<u>(253)</u>	<u>107</u>	<u>(714)</u>	<u>238</u>
Segment assets	3,312	4,385	58	5,205	577	13,537
Segment (liabilities)	(1,444)	(555)	-	(839)	(678)	(3,516)
Segment net assets	<u>1,868</u>	<u>3,830</u>	<u>58</u>	<u>4,366</u>	<u>(101)</u>	<u>10,021</u>
Additions to non-current assets	<u>21</u>	<u>148</u>	<u>-</u>	<u>129</u>	<u>-</u>	<u>298</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

3. Segmental reporting (continued)

Revenues	2017 £000's	2016 £000's
Security personnel services	16,219	14,102
Keyholding income	143	141
Sale of goods & Installation Services	5,086	4,170
Monitoring maintenance and service fees	567	575
Other income	43	43
	22,058	19,031

4. Expenses	2017 £000's	2016 £000's
Research and development	75	82
Amount of inventory expensed as cost of sales	2,222	1,922
Operating lease expense	304	230
Depreciation	126	109
Amortisation	242	241
Loss on disposal of property, plant and equipment	3	10
Auditors' remuneration:		
Audit of parent company and consolidated financial information payable to Nexia Smith & Williamson	32	32
Fees paid to the auditor in respect of tax compliance services	8	8

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

5. Finance expense	2017 £000's	2016 £000's
Interest paid on factoring arrangements	64	53
Interest on hire purchase agreements	10	8
	74	61

6. Staff and staff costs	2017 No.	2016 No.
---------------------------------	---------------------	---------------------

The average monthly number of persons (including Directors) employed by the Group during the period was:

Management and administration	48	41
Service and product provision	589	526
	637	567

Staff cost (for the above persons):	£000's	£000's
Wages and salaries	15,571	13,443
Pension	102	85
Social security costs	1,460	1,185
	17,133	14,713

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

Management and administration	No.	No.
	4	4

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

7. Directors' and key management personnel remuneration

2017	Salary £000's	Estimated value of benefits £000's	Fees £000's	Pension £000's	Total £000's
S J F Morley	116	1	-	-	117
R M Fiorentino	177	3	-	-	180
A N Hewson	-	1	21	-	22
M Whettingsteel (Resigned August 2017)	100	-	-	-	100
R A Juett	54	-	-	-	54
C McMicking	-	-	21	-	21
P Williamson (Appointed April 2017)	21	-	-	-	21
Lord James Percy (Resigned December 2016)	8	-	-	-	8
	476	5	42	-	523

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 April 2016)	74	1	-	-	75
A N Hewson	-	-	18	-	18
M Whettingsteel (Appointed December 2015)	56	-	-	-	56
R A Juett (Appointed April 2016)	7	-	-	-	7
C McMicking	-	-	18	-	18
Lord James Percy	18	-	-	-	18
	408	4	36	-	448

No share based payments were made to Directors in 2017 or 2016

Key management personnel compensation comprises only short-term employee benefits which total £583k (2016: £500k)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

8. Taxation	2017	2016
	£000's	£000's
Analysis of the tax charge in the year		
Current year tax charge		
UK Corporation Tax charge on profit for the year	58	71
Adjustments for prior periods	5	(1)
Total current tax	<u>63</u>	<u>70</u>
Deferred tax (note 20)		
Current year	(23)	(39)
Adjustments for prior periods	(43)	(7)
Tax on profit on ordinary activities	<u>(3)</u>	<u>24</u>

Factors which may affect future tax charges

Finance Act 2016 includes legislation to reduce the main rate of corporation tax to 17% from 1 April 2020

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.75% (2016 - 20%). The differences are explained below:

Factors affecting the tax charge for the year

	2017	2016
	£000's	£000's
Profit before taxation	357	177
Profit multiplied by the standard rate of taxation of 19.75% (2016: 20%)	71	35
Effects of:		
Expenses not deductible for tax purposes	4	2
Non-taxable income	(40)	(5)
Adjustment to tax charge for previous periods	(38)	(8)
Total tax (credit)/charge for the year	<u>(3)</u>	<u>24</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

9. Earnings per share

The calculation of 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.

	2017	2016
	£000's	£000's
<i>Numerator</i>		
Earnings for the year on continuing operations and used in basic and diluted EPS	360	153
<i>Denominator</i>		
Weighted average number of shares used in basic EPS (000's)	16,894	16,005
Weighted average number of shares used in diluted EPS (000's)	16,904	16,012
	Pence	Pence
Basic earnings per share	2.13	0.96
Diluted earnings per share:	2.13	0.95

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 1 March 2017 the Directors proposed an interim dividend of 0.5p per share. This dividend was paid on 7 April 2017. The total cost was £84K.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

11. Goodwill

Cost	£000's
At 1 July 2015	5,867
Additions	<u>1,346</u>
At 1 July 2016 and 30 June 2017	7,213

Impairment

At 1 July 2015, 1 July 2016 and 30 June 2017	-
--	---

Net book value

At 1 July 2015	5,867
At 1 July 2016 and 30 June 2017	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 (2016: £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.

	2017	2016
	£000's	£000's
The carrying value of goodwill be each CGU is as follows:		
Croma Security Systems	3,339	3,339
Croma Locksmiths	2,478	2,478
Croma Vigilant	<u>1,396</u>	<u>1,396</u>
	7,213	7,213

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

11. 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 2022, 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 pre-tax discount rate of 11.6% (2016: 11.4%) to each year, to reflect appropriate adjustments relating to market risk and the weighted average cost of capital. The discount rate was derived using sector averages for similar industries to ourselves.

Cashflow assumptions

Croma Vigilant

The business has achieved strong growth since June 2012, and in 2017 turnover is 90% higher than in 2012. During the early part of the present period to 30 June 2018 we have seen further growth and as a result turnover for full year is forecast to increase by 32%. Direct costs are forecast to increase proportionately and additionally the effects of the apprentice levy and minimum pension increases have been fully costed.

For the period from 2019 to 2022 the following assumptions have been made:

- Revenue to grow by 3% per annum (2016: 3%)
- Direct wages to rise in proportion to revenue
- Other direct costs to increase at 2.5% per annum (2016: 2.5%)
- Indirect costs to increase at 2% per annum (2016: 2%)

For the year ended 30 June 2023 onwards, net revenues are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £4,356k

Croma Security Systems including Croma Biometric

Based on recent performance and order pipeline the Board forecast turnover for 2018 to increase by 10%. For the same period direct costs are forecast to increase by 13%.

For the period from 2019 to 2022 the following assumptions have been made:

- Revenue growth of 4.9% (2016: 5%)
- Direct cost growth of 4.8% (2016: 2.5%)
- Indirect costs growth of 2.4% (2016: 2%)

For the year ended 30 June 2023 onwards, net revenues are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £4,973k

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Croma Locksmiths

Based on recent performance and known order pipeline, the Board forecast turnover for 2018 to increase by 12%. The growth will be serviced out of existing staff resources so direct costs are forecast to remain at 2017 levels.

For the period from 2019 to 2022 the following assumptions have been made:

- Revenue growth of 3% (2016: 3%)
- Direct cost growth of 2.5% (2016: 2.5%)
- Indirect costs growth of 2% (2015: 2%)

For the year ended 30 June 2023 onwards, net revenues are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £3,909k

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 to reduce by 1% to 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 2017.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

12. Other intangible assets

Fair value	R&D £000's	Customer relationships £000's	Brands £000's	Software licences £000's	Brand Royalties £000's	Total £000's
At 1 July 2015	84	1,126	295	222	31	1,758
Additions	-	601	-	-	-	601
At 30 June 2016	84	1,727	295	222	31	2,359
Additions	2	-	-	-	-	2
At 30 June 2017	86	1,727	295	222	31	2,361
Amortisation						
At 1 July 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
Charge for the year	29	162	29	22	-	242
At 30 June 2017	58	842	153	116	31	1,200
Carrying Value at 30 June 2016	55	1,047	171	128	-	1,401
Carrying Value at 30 June 2017	28	885	142	106	-	1,161

R&D has been developed internally. The other intangible assets were acquired with the business of CSS Total Security and CSS Locksmiths in March 2012 and the business of Croma Locksmiths & Security Solutions in December 2015. 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 11.60% (2016: 11.40%) (relating to market risk and weighted average cost of capital) was then applied to give the present value of these future cashflows.

No impairment adjustment has been found to be necessary against the carrying value of customer relationships acquired with the business of CSS Total Security Limited and the business of Croma Locksmiths & Security Solutions. The useful lives as noted in the accounting policies were considered appropriate. Customer relationships with a net book value of £885k have a remaining life of between 3.5 to 8.5 years.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

12. 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 5 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. Brands with a net book value of £142k, have a remaining useful life of 5 years.

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 2017. The useful life of the asset as noted in the accounting policy note was considered appropriate. Software licences with a net book value of £106k, have a remaining useful life of 5 years.

Research and Development

In June 2015 a project to develop a specific time and attendance package linked to FastVein™ was completed. This constituted a discrete research area within the overall programme. 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 useful life of the asset as noted in the accounting policy note was considered appropriate. R&D with a net book value of £28k, has a remaining useful life of 1 year.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

13. Property, plant and equipment

	Freehold & leasehold Property £000's	Fixtures, fittings, plant and equipment £000's	Motor Vehicles £000's	Total £000's
Cost				
At 1 July 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
Additions	10	87	17	114
Disposals	-	-	(41)	(41)
At 30 June 2017	131	454	329	914
Depreciation				
At 1 July 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
Charge for the year	6	49	71	126
On disposals	-	-	(31)	(31)
At 30 June 2017	44	313	137	494
Carrying value at 30 June 2016	83	103	256	442
Carrying value at 30 June 2017	87	141	192	420

In motor vehicles the following amounts are held under hire purchase agreements:

	2017 £000's	2016 £000's
At 30 June - Cost	199	261
Accumulated depreciation	(57)	(67)
Net book value	142	194

The Group leases various vehicles and machinery under non-cancellable hire purchase agreements with lease terms up to four years. Ownership of the assets lies with the Group.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

14. Inventories	2017 £000's	2016 £000's
Raw materials and consumables	647	628
Work in progress	63	15
	<u>710</u>	<u>643</u>

15. Trade and other receivables	2017 £000's	2016 £000's
Trade receivables	3,532	3,203
Allowance for bad debts	(34)	(35)
	<u>3,498</u>	<u>3,168</u>
Net trade receivables	3,498	3,168
Other receivables	31	24
Prepayments	275	254
	<u>3,804</u>	<u>3,446</u>
Total trade and other receivables	3,804	3,446

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.

	2017 £000's	2016 £000's
Bad debts written off during the year	-	14

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	2017 £000's	2016 £000's
Debts past due but not paid		
Under 60 days	576	481
60-90 days	58	36
Over 90 days	10	13
	<u>644</u>	<u>530</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

16. Categories of financial asset	2017 £000's	2016 £000's
Loans and receivables		
Trade and other receivables	3,529	3,192
Cash at bank and in hand	770	392
	<u>4,299</u>	<u>3,584</u>

17. Trade and other payables	2017 £000's	2016 £000's
Trade payables	502	585
Other payables	92	391
	<u>594</u>	<u>976</u>
Other taxes and social security	844	840
Corporation tax liability	105	54
Accruals and deferred income	1,707	563
	<u> </u>	<u> </u>
Total trade and other payables, excluding loans and borrowing classified as financial liability measured at amortised cost	3,251	2,433

Interest bearing loans and borrowings due within 1 year	2017 £000's	2016 £000's
Finance lease liabilities (due in less than 1 year)	60	101
Invoice discounting facilities	135	539
	<u>195</u>	<u>640</u>
Finance lease liabilities (due in 1 to 5 years)	39	56
Other payables due in more than 1 year	50	84
	<u>89</u>	<u>140</u>

Invoice discounting facilities are secured against the trade debtor book of Croma Vigilant and Croma Locksmiths

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

18. Interest rate and liquidity risk

2017	Weighted average effective interest rate %	Less than one month or on demand £000's	1-12 months £000's	1-3 years £000's	Total £000's
Fixed rate					
Trade and other payables		566	-	50	616
Other payables	4.70%	-	29		29
Finance lease obligations	11.40%	-	60	39	99
Accruals and deferred income		-	1,707	-	1,707
Floating rate					
Invoice discounting facility	2.80%	-	135	-	135
Total		566	1,931	89	2,586

2016	Weighted average effective interest rate %	Less than one month or on demand £000's	1-12 months £000's	1-3 years £000's	Total £000's
Fixed rate					
Trade and other payables		592	300	55	947
Other payables	4.70%	-	84	29	113
Finance lease obligations	11.40%	-	101	56	157
Accruals and deferred income		-	563	-	563
Floating rate					
Invoice discounting facility	2.80%	-	539	-	539
Total		592	1,587	140	2,319

19. Contingent liabilities

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

20. Deferred tax	2017 £000's	2016 £000's
-------------------------	------------------------------	------------------------------

The movement on the deferred tax account is shown below

At 1 July	303	244
Adjustment for the prior year	(43)	(7)
Accelerated capital allowances	-	(39)
Short term temporary differences	(4)	-
Arising on fair value adjustments recognised on business combination	(18)	105
At 30 June	238	303

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

Capital allowances in advance of depreciation	44	198
Arising on fair value adjustments recognised on business combination	202	105
Other short term temporary differences	(8)	-
	238	303

At 30 June 2017 deferred tax has been provided at a rate of 18%

The Group has tax losses of approximately £1.8M (2016: £1.8M) to carry forward. The potential deferred tax asset arising on these tax losses of £306k (2016: £322k) has not been recognised as it is doubtful that it will be utilised in the foreseeable future.

21. Share capital	2017 £000's	2016 £000's
--------------------------	------------------------------	------------------------------

Authorised, allotted, called up and fully paid:

Ordinary shares of 5 pence each	845	844
---------------------------------	-----	-----

	2017 Number 000's	2017 £000's	2016 Number 000's	2016 £000's
--	--	------------------------------	--	------------------------------

Issued and fully paid

Ordinary shares of 5 pence at the beginning of the year	16,893	844	14,866	743
---	--------	-----	--------	-----

Ordinary shares of 5 pence at the end of the year	16,912	845	16,893	844
---	--------	-----	--------	-----

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

21. Share capital (continued)

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 third 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 5th anniversary of date of grant.

At the start and end of the year, the number of options not exercised is as follows:

	2017	2016
	Number	Number
Share options in issue at 1 July	42,000	57,000
Lapsed in the year	(4,000)	(15,000)
Exercised in the year	(19,000)	-
Share options in issue at 30 June	19,000	42,000

Exercise price 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 (2016: £3k)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

22. 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.

23. 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 (2016: £88,000).

Acquisition consideration – Croma Locksmiths

As noted in last year's report, deferred consideration being £100,000 of the remaining cash element and £200,000 (the maximum amount payable) of the earn-out consideration was held in "other creditors" as payable to M Whettingsteel. None of the earn-out targets were met during the current year and so the earn-out consideration has been fully released to the profit and loss account with the fixed element of the cash consideration being settled in the early part of the year.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

23. Related party transactions (continued)

Director's loans

At the start of the year a loan of £113k from M Whettingsteel carrying an interest rate of 5.13% per annum was outstanding. During the year £84k was repaid to M Whettingsteel together with £3,064 of interest. At the year-end £29k remained outstanding.

Salaries paid to close family members

During the year salaries totalling £73k (2016 £96k) were paid to close family members of key management personnel.

24. Operating lease commitments	2017	2016
	£000's	£000's
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Land & Buildings		
No later than 1 year	193	167
Between 1 and 5 years	430	416
Over 5 years	444	404
	1,067	987
Other operating leases		
No later than 1 year	80	86
Between 1 and 5 years	51	76
Over 5 years	-	-
	131	162
Total	1,198	1,149

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	£000's	£000's
25. Notes supporting the cash flow statement		
Net changes in working capital		
(Increase) in inventories	(67)	(406)
(Increase) in trade and other receivables	(358)	(1,156)
Increase in trade and other payables	868	890
	443	(672)
26. Cash and cash equivalents	2017	2016
	£000's	£000's
Cash at bank and in hand	770	392

27. 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.

28. Post balance sheet events

The Group has entered into a contract with a former director for the buy-back of shares, which will then be cancelled. The contract is conditional on the ratification of shareholders at the AGM. The total consideration of £760k will be funded out of existing resources.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2017**



Opinion

We have audited the financial statements of Croma Security Solutions Group PLC (the 'parent company') for the year ended 30 June 2017 which comprise the parent company Statement of Financial Position, cash flow statement, statement of changes in equity and the parent company notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is not appropriate; or
- the directors have not disclosed in the parent company financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the parent company financial statements are authorised for issue.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA SECURITY SOLUTIONS GROUP PLC (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Other information

The other information comprises the information included in the report and financial statements other than the group and parent company financial statements and our auditor's reports thereon. The directors are responsible for the other information. Our opinion on the parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the parent company financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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, or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22 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, and for such internal controls as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA SECURITY SOLUTIONS GROUP PLC (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

Auditor's responsibilities for the audit of the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

A further description of our responsibilities for the audit of the parent company financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the group financial statements of Croma Security Solutions Group Plc for the year ended 30 June 2017. This separate auditor's report on the group financial statements includes the key audit matters and other audit planning and scoping matters that relate to the parent company audit.

Julie Mutton
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Cumberland House
15 - 17 Cumberland Place
Southampton
Hampshire
SO15 2BG

6 November 2017

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 £000's	2016 £000's
Assets			
Fixed assets			
Investments	E	8,935	9,135
		<u>8,935</u>	<u>9,135</u>
Current assets			
Debtors	F	863	1,362
Cash and bank and in hand		38	21
		<u>901</u>	<u>1,383</u>
Current liabilities			
Amounts falling due within one year	G	(317)	(671)
Net current assets			
		584	712
Total assets less current liabilities			
		<u><u>9,519</u></u>	<u><u>9,847</u></u>
Issued capital and reserves attributable to owners of the parent			
Share capital	H	845	844
Share premium		6,133	6,129
Merger reserve		2,139	2,139
Profit and loss account	C	402	735
Total equity			
		<u><u>9,519</u></u>	<u><u>9,847</u></u>

The company loss for year totalled £249k (2016:£409k)

These financial statements were approved and authorised for issue by the Board of Directors on 6 November 2017 and signed on their behalf by

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	£000's	£000's
Cash flows from operating activities		
(Loss) before taxation	(249)	(409)
Provision against investments	-	124
Net changes in working capital	445	777
Net cash generated from operations	196	492
Cash flows from investing activities		
Purchase of investments	(100)	(750)
Dividends received	-	320
Net cash used in investing activities	(100)	(430)
Cash flows from financing activities		
New share issue	5	-
Dividends paid	(84)	(59)
Net cash used in financing activities	(79)	(59)
Net increase in cash	17	3
Cash and cash equivalents at beginning of period	21	18
Cash and cash equivalents at end of the period	38	21

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Share Capital £000s	Share Premium £000s	Merger Reserve £000s	Retained Earnings £000s	Total Equity £000s
At 1 July 2015	743	5,230	2,139	1,203	9,315
New share issue	101	899	-	-	1,000
Loss for the year	-	-	-	(409)	(409)
Dividends paid	-	-	-	(59)	(59)
At 30 June 2016	844	6,129	2,139	735	9,847
New share issue	1	4	-	-	5
Loss for the year	-	-	-	(249)	(249)
Dividends paid	-	-	-	(84)	(84)
At 30 June 2017	845	6,133	2,139	402	9,519

The following notes form part of the primary financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

A. Significant accounting policies

Croma Security Solutions Group Plc is a public limited company incorporated and domiciled in England and Wales.

The address of the registered office is Unit 6 Fulcrum 4, Solent Way, Whiteley, Fareham, Hampshire PO15 7FT

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.

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 £249k (2016: loss: £409k)). No dividends were received from its subsidiary undertakings (2016:£320k). 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 30 November 2018.

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

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

Investments

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

Financial instruments

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

A. Significant accounting policies (continued)

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.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

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 statements of the Company was £249k (2016: loss £409k)

D. Staff costs	2017	2016
	No.	No.
The average monthly number of persons (including Directors) employed by the company during the period was:		
Management and administration	4	4
Staff cost (for the above persons):	£000's	£000's
Wages and salaries	451	393
Pension	-	-
Social security costs	57	50
	508	443

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

	Shares in subsidiary undertakings £000's
E. Fixed asset investments	
Cost	
At 1 July 2016	9,259
Adjustment to contingent consideration	<u>(200)</u>
At 30 June 2017	9,059
Impairment	
At 1 July 2016 and 30 June 2017	(124)
Net book value at 30 June 2016	9,135
Net book value at 30 June 2017	8,935

The principal fixed asset investments are as follows:

Company	% Ordinary shareholding	Nature of business
Vigilant Security (Scotland) Limited	100% directly	Asset protection and guarding
Photobase Limited	100% directly	Dormant CCTV and security systems
CSS Total Security Limited	100% directly	Locksmithing, Keys and Safes
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.

The registered office of CSS Total Security Limited, CSS Locksmiths Limited and Photobase Limited is Unit 6 Fulcrum 4, Fareham, Whiteley PO15 7FT

The registered office of Vigilant Security (Scotland) Limited is 1st Floor Left, 161 Brooms Road, Dumfries, Scotland, DG1 2SH

The registered office of Croma Locksmiths & Security Solutions Limited is 2 Pennant Park, Standard Way, Fareham, Hampshire, PO16 8XU

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

F. Debtors	2017 £000's	2016 £000's
Amounts due from subsidiary undertakings, repayable on demand	846	1,350
Prepayments	17	12
	<u>863</u>	<u>1,362</u>

G. Creditors: Amounts falling due within 1 year	2017 £000's	2016 £000's
Amounts due to subsidiary undertakings, repayable on demand	245	246
Other creditors	34	358
Other taxes and social security	38	67
	<u>317</u>	<u>671</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
H. Share capital	£000's	£000's

Authorised, allotted, called up and fully paid:

Ordinary shares of 5 pence each	845	844
---------------------------------	-----	-----

	2017	2017	2016	2016
	Number	£000's	Number	£000's
Issued and fully paid	000's		000's	

Ordinary shares of 5 pence at the beginning of the year	16,893	844	14,866	743
---	--------	-----	--------	-----

Ordinary shares of 5 pence at the end of the year	16,912	845	16,893	844
---	--------	-----	--------	-----

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 21 of the consolidated accounts.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017**

I. 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:

	2017	2016
	£000's	£000's
Services provided by service companies for which A N Hewson is a director and which has been accounted for as Directors' remuneration.	21	18
Services provided by a service company for which C N McMicking is a director and which has been accounted for as Directors' remuneration.	21	18

J. Post balance sheet events

The Company has entered into a contract with a former director for the buy-back of shares, which will then be cancelled. The contract is conditional on the ratification of shareholders at the AGM. The total consideration of £760k will be funded out of existing resources.