

CROMA SECURITY SOLUTIONS GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 June 2018

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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 7&8 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 Neville House Steelpark Road Halesowen B62 8HD
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 2018

Introduction

This has been a highly successful year for the business and I am delighted to report Croma Security Solutions Group Plc's ("Croma" or the "Group") Final Results for the 12 months to 30 June 2018, which show Group revenues increasing by 59.2% to £35.1m and Group EBITDA increasing by more than three times to £2.5m, a very strong financial performance driven by a number of factors which bode well for our future.

Demand across the UK for security solutions from both the private and public sector has grown significantly. Institutions have responded to the perceived and real increases in crime and terror occurrences and together with government bodies are choosing to outsource security. Alongside this growth in demand, Croma is winning an increasing share of the security market as institutions opt for a premium service delivered by our team, run with a strong ex-military ethos.

While FY 2018 has been flattered by unusually high levels of project work, the overall trends are positive, and the current year will benefit from an increase in levels of ongoing contracted revenues together with a more normalised level of project work.

Premium Positioning

Our success in winning an increasing share of our market comes from being able to provide total security solutions for large corporations and institutions utilising some of the most advanced and innovative security technology available to the commercial market. Perhaps most importantly, and distinct from any other competitor in our market place, Croma's premium service is delivered under the control and direction of ex-military security professionals. The contrast with providing capable, well trained and highly motivated officers compared with the more traditional model of the low paid and lowly motivated officer, is stark. Once this is put into today's security context, it is understandable why an increasing number of clients are opting for Croma's premium service.

In addition, the Group's understanding and ability to incorporate commercially available security technology (which tends to lag behind military grade technology) is another key competitive advantage.

Trading Performance

All main divisions have performed well in the year under review, delivering significant increases in organic led growth. 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.

Delivering a significant 77% uplift in revenues, Croma Vigilant, our manned guarding division has had a very good year. Our strategy of providing ex-military professionals to protect the assets of our customers has worked well and we are seeing the benefits of our growing reputation for providing a reliable and a premium level of service. Growing customer trust is enabling us to increasingly position ourselves as a total security solutions provider so that we can bring in expertise from other parts of the Group to existing Croma Vigilant clients. In addition to providing manned guarding solutions, Croma Vigilant also provides complementary police services to local councils under the 'Community Safety Accreditation Scheme', a growing incremental revenue stream.

**CHAIRMAN'S STATEMENT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

A combined 9.6% increase in revenues for Croma Security Systems and Locksmiths demonstrated the increasing demand for innovative technical security solutions. During the year, this division benefitted from a strong performance by Croma Locksmiths, a retail chain acquired in 2015 together with winning a significant new 3-year contract with a major UK utility company. Croma Biometrics remains a significant opportunity for the Group with FastVein™ coming to the forefront as a potent biometric high-speed human identifier.

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.

Dividend

Reflecting the excellent financial performance over the year the Board is pleased to recommend a final dividend to shareholders of 1.0p per share (total 1.6p per share for the year) and subject to approval at the Annual General Meeting to be held on 28 November, the final dividend will be paid on 30 November 2018 to all shareholders on the register at the close of business on 9 November 2018. The shares will be marked ex-dividend on 8 November 2018.

Outlook

Given the platform provided by the significant improvement in the financial performance and trading position of the Group over the last two years, the Directors believe the outlook Croma is extremely positive.

In the current financial year, we can expect to replicate some but not all of the project income we received in FY 2018 due to some large exceptional projects that are unlikely to be repeated. However, there has been a substantial increase in contracted income and this together with the expectation of some further project work make the Board confident of achieving a good result for the year, consistent with the underlying growth in the business.

Finally, I would like to thank all employees of the Group for their tremendously hard work over the last year and I look forward to working together again this year to achieve another excellent performance.



Sebastian Morley
Chairman
19 October 2018

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

Operational Review

The Group's strategic objectives are:

- to deliver market leading full-service security offerings to the upper quartile end of both large corporations and government. Achieved by maintaining quality of service as a priority, focusing on meeting the full range of our clients' security needs, and leveraging our brand and client base;
- to produce consistent growth in 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;
- to develop and bring to market new technologies, and;
- to deliver attractive 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 expand the services to long-term 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 to develop overseas opportunities in particular in the Middle East. Whilst these require a high level of input, Croma believes this market will be an important future market.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

The performance of each business segment is discussed below:

Croma Vigilant

Croma Vigilant, our largest division, saw a 77% top line growth, with sales increasing to £29.0m (2017: £16.40m) and operating profit increasing five-fold to £2.59m (2017: £0.47m).

Croma Vigilant provides manned guarding for assets and individuals. The division now employs over 1,000 security personnel throughout the UK.

A combination of increased public and private concerns over security, lack of public resources and Croma Vigilant's strengthening market reputation for providing a professional, premium service has been behind this record performance. As ever, our customers consistently refer to the reassurance that comes from knowing that the execution of our services is performed significantly by ex-military personnel.

Following previous patterns, the split between private and public revenues remains an approximate two thirds/one third split. During the year, Croma Vigilant division won six new contracts from both public and private organisations of which two were one-off projects and boosted financial performance, however, the balance of contracts are long-term and one contract in particular with a major UK local authority is the largest the Group has ever won. The contract is for six years providing a range of security services and is worth approximately £27m in total.

In March 2018 we were proud to publish our gender pay gap reports for the first time. These indicate that there is no significant pay gap between men and women in our organisation, demonstrating our commitment to providing an environment in which all employees have equal opportunities for development and progression.

May 2018 saw the launch of a new service, PRO-ception, aimed at providing front of house excellence for commercial buildings whatever their use. PRO-ception is an innovative concept, making the modern reception part of a building's security. Led by ex-policewoman Ruth McGowan, PRO-ception provides security trained receptionists to both manage the front desk and play an active role in security. The response to what is a new concept has been very encouraging.

In our half year results announcement, we confirmed Vigilant had completed the Community Safety Accreditation Scheme so enabling the division to provide private security within communities using mobile and foot patrol officers. Reduced government budgets have increased the focus on outsourcing and to meet the reduction in the number of police officers patrolling the streets, our highly disciplined force of security personnel is well placed to support the regular police and local communities. In January 2018, Vigilant won a long-term contract to support the police in one of London's largest boroughs.

The current year has begun well with a good pipeline of new business opportunities.

Croma Security Systems

Croma Security Systems grew sales by 13% to £2.67m (2017: £2.36m) and operating profit by 2.6% to £0.48m (2017: £0.47m). The division has completed a successful 12 months expanding its presence in the leisure, education, utilities and construction sectors. In support of the Group's focus on providing total security solutions, Croma Security Systems continues to provide a full range of electronic security solutions from CCTV, high security locks to FastVein biometrics technology for high speed human identification.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018

Croma Locksmiths

Recovering from a challenging previous year, Croma Locksmiths, which operates through 7 retail outlets on the South Coast of the UK and centrally through the Group, delivered a strong performance for the year and sales grew by 6.9% to £3.15m (2017:£2.95m). With an excellent contribution from the Access Locksmiths retail outlets acquired in 2015, this performance was further enhanced by the securing of a 3-year contract with a major utility company to supply security solutions for their multiple sites across the UK. Looking ahead, investment is being made to enable the retail sites to evolve into security centres so they can act as both showrooms for the wider Groups' security capabilities and continue as retail outlets.

Croma Biometrics

Croma Biometrics turnover fell slightly to £308k (2017: £346k) with an operating loss of £267k (2017: 186k).

Our FastVein™ biometrics technology provides significant future potential for the Group. Currently deployed across the retail, education and construction sectors it provides customers with quick, easy to use, accurate and cost-effective data. FastVein™ has clear commercial advantages and we are continuing to invest in further developing the technology and expanding the marketing of this exciting product. Interest from future potential customers in FastVein™ has been strong and we anticipate increasing the number of FastVein™ contracts in the current year.

Group Financials

	2018	2017
	£000's	£000's
The Group financials can be summarised as follows:		
Revenue	35,119	22,058
Gross profit	7,149	4,025
Gross margin %	20.4%	18.2%
EBITDA	2,500	799
Operating profit	2,013	431
Earnings per share	9.89p	2.13
Net Assets	11,077	10,305
Cash generated from operations	2,689	1,233
Dividend paid per share	0.6p	0.5p

Cashflow has been exceptionally strong with cash generated from operations at £2.69m (2017: £1.2m) and the Group has been able to repay all medium-term borrowings and also to complete the purchase of own shares from a former director. Although the existing invoice discounting facility of up to £1m remains available to fund short term requirements, this has hardly been used in the second half of the year and as a result overall borrowing costs have reduced by 49% to £38k.

The Board maintains the progressive dividend policy adopted in previous periods and is pleased to recommend a final dividend to shareholders of 1.0p per share. During the year an interim dividend of 0.6p per share was paid at a cost of £89k.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

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 2018

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 may be compromised.

Controls and mitigating strategies

Responsibility for credit control is delegated to experienced staff in our operating divisions. Through invoice discounting we are able to 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 2018**

Executive Directors:

S J F Morley – Executive Chairman

Responsible for the overall direction of the Group, for ensuring the Board operates efficiently, for the strategic direction and forward order book of Croma Vigilant and for shareholder relations and for Corporate Governance.

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.

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.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

Board meetings

The Board normally 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	8	9	-	-	-	-
R M Fiorentino	8	9	-	-	-	-
A N Hewson	9	9	2	2	2	2
R A Juett	9	9	-	-	-	-
P Williamson	9	9	-	-	-	-
C N McMicking	8	9	2	2	2	2

Internal control and risk assessment

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

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

Internal financial control procedures undertaken by the Board include:

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

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

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

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

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

Relations with shareholders

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

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.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

Key performance indicators

Indicator	Performance
Croma Vigilant	
Sales	Sales were ahead of budget reaching a record £29.0M 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. As a result of cost reduction measures and new contract wins, this year the gross margin was much improved at £4.7M and was ahead of budget.
Customer retention	Retention of customers nearing the end of their contract is a priority of the operations director. Once again, the increase in turnover is 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 2018 the company shows no long-term borrowings and maintains adequate facilities to meet payroll liabilities falling due shortly after the year end.

Croma Security Systems

Sales	Sales have seen a 13% increase on 2017 up to £2.7M from £2.4M
Customer retention	The company monitors customer satisfaction through surveys and website feedback. Customer retention remains strong, with our largest customer, a national Cinema chain, delivering revenues of £684k up 55% on the prior year.
Engineers	The engineer market remains very active and engineer retention and remuneration is constantly monitored. Croma Security has maintained its pool of engineers during the year so this has not been a constraint to its business development.
Cash	Croma Security has remained cash generative and at the year-end cash balances are at £256k with no external borrowings.

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

Croma Biometrics

Sales/Order pipeline To justify the continued development expenditure, the order pipeline for FastVein™ is actively monitored. During the year the turnover fell slightly to £308k, but despite this FastVein™ continues to be an important part of a suite of products which form part of our access control and time and attendance offering.

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. Sales improved 6.9% on a like for like basis and we expect further improvement.

Whilst retail sales are the foundation of our business, our focus and expertise in servicing our larger utility contracts has yielded positive results and we intend to concentrate on developing this part of our business in the coming year.

Shop footfall In line with many retail businesses, shop footfall continues to be flat on the high-street. The company continues to employ sales techniques to meet this challenge but inevitably there continues to be a move to buying on-line.

Upgraded EPOS systems are now fully implemented which better integrate with stock control to ensure availability of product, timely invoicing and cash collection.

Competitive environment Now that the existing business has been successfully restructured, we will look to expand our geographical operations to enhance our service to our commercial customers and to compete nationally for service contracts by improving its bank of skilled locksmiths and service engineers.



Roberto Fiorentino
Chief Executive
19 October 2018

CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2018

Statement of Corporate Governance

The Company (and thereby its group (the “Group”)) is ultimately managed by the Board of directors of the Company (the “Directors” or “Board”), who (individually and as a group) are responsible for running the Company for the benefit of its shareholders in accordance with their fiduciary and statutory duties.

The Board comprises, the Executive Chairman; S J F Morley, the Chief Executive Officer; R M Fiorentino, two Executive Directors and two Non-Executive Directors.

The Biographies of the Directors are set in this report on page 24 and on the website at www.cssgplc.com. These show the range of business and financial experience upon which the Board is able to call. The Board’s goal is to ensure that its membership should be balanced between Executives and Non-Executives and have the appropriate skills and experience and knowledge of the business. The Board recognises the special position and role of the Chairman under the QCA (“Quoted Companies Alliance”) Corporate Governance Code and has approved the formal division of responsibilities between the Chairman and Chief Executive.

Chairman

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness, and the Chief Executive manages the Group and has the prime role, with the assistance of the Board, of developing and implementing business strategy.

Non-Executives

One of the roles of the Non-Executive Directors under the leadership of the Chairman is to undertake detailed examination and discussion of the strategies proposed by the Executive Directors, so as to ensure that decisions are in the best long-term interests of shareholders and take proper account of the interests of the Group’s other stakeholders.

The Chairman ensures that meetings of Non-Executive Directors without the Executive Directors are held.

The QCA guidelines acknowledge for growing companies it may not be possible for boards to meet the definition of “independence” for Non-Executive Directors, however it sets out that it is important for the board to foster an attitude of independence of character and judgement.

Based on the QCA guidelines the Board concludes that the Non-Executives are independent in terms of character and judgement in how they execute their role as Non-Executive Directors.

The Board is mindful of the threat to independence and actively manages the potential risk to ensure that the Non-Executives provide the independent constructive challenge to help develop the Board’s proposals on strategy.

CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2018

Board Committees

The Board has three standing committees (the “Committees”): the Audit Committee, the Remuneration Committee and the Executive Committee. The Terms of Reference for each of the Committees are available on the Company’s website.

The Board does not have a formally-established nominations committee. Any nominations are considered and recommended by the full Board (and are subject to a shareholder vote at the next Annual General Meeting).

Rules concerning the appointment and replacement of Directors of the Group are contained in the Articles of Association (“Articles”). Amendments to the Articles must be approved by a special resolution of shareholders. Under the Articles, all Directors are subject to election by shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter at intervals of no more than three years.

Committees of the Board

Executive Committee

The Executive Committee consists of the Executive Directors under the chairmanship of Mr Morley and is responsible for the development of strategy, annual budgets and operating plans linked to the management and control of the day-to-day operations of the Group.

The Executive Committee is also responsible for monitoring key commercial opportunities and relationships, day to day stakeholder engagement and for ensuring that the Board policies are carried out on a Group-wide basis.

Audit Committee

The Audit Committee consists of the Non-Executive Directors; A N Hewson and C N McMicking. The Committee meets at least twice a year under the Chairmanship of Mr Hewson who is a Fellow of the Institute of Chartered Accountants in England and Wales, and has relevant financial experience.

Whilst Mr Hewson has been a member of the Board for more than nine years, the Board nevertheless considers that Mr Hewson fulfils the roles of Audit Chair and NED with independence of character and judgment and has concluded that it is appropriate to retain the financial experience, corporate memory and knowledge of the business possessed by Mr Hewson in his role as Chairman of the Audit Committee.

The Audit Committee’s duties include monitoring internal controls throughout the Group, approving the Group’s accounting policies, and reviewing the Group’s interim results and full year financial statements before submission to the full Board. The Audit Committee also reviews and approves the scope and content of the Group’s annual risk assessment programme and the annual audit and monitors the independence of the external Auditors.

CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2018

The Audit Committee acts to ensure that the financial performance of the Group is properly recorded and monitored, and in fulfilling its role it meets annually with the Auditors and reviews the reports from the Auditors relating to accounts and internal control systems.

The Group does not have an independent Internal Audit function, as it is not considered appropriate given the scale of the Group's operations. However, the Group operates internal peer reviews, with a scope of evaluating and testing the Group's financial control procedures, to standardise processes around best practice. Any significant issues are reported to the Chairman of the Audit Committee, and shared with the external Auditors as appropriate.

The Group Finance Director and the external Auditors attend meetings of the Audit Committee by invitation. The Committee may also hold separate meetings with the external Auditors, as appropriate.

Remuneration Committee

The Remuneration Committee consists of the Non-Executive Directors; Mr McMicking and Mr Hewson. The Committee meets at least twice a year under the Chairmanship of Mr McMicking.

The purpose of the committee is to review the performance of the full time Executive Directors and to set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. In fulfilling this responsibility, the Remuneration Committee is responsible for setting salaries, incentives and other benefit arrangements of Executive Directors and overseeing the Group's employee share scheme. During the year the Remuneration Committee engaged with external advisers to establish a remuneration plan going forward, based on budgets established by management and approved by the Committee, with a plan to remunerate management measured against targets in excess of the budgets.

Members of the Remuneration Committee do not participate in decisions concerning their own remuneration.

Frequency of meetings

The Board meets at least nine times a year and relevant information is distributed to Directors in advance of the meetings. The Board makes decisions on all material matters including long term and commercial strategy, annual operating and capital budgets, capital structure and financial and internal controls.

The Group has a formal schedule of matters reserved to the Board which is periodically reviewed and approved by the Board.

Evaluating board performance

The Board has a number of sources of information from which it judges its own performance and that of the individual Directors, and these include but are not limited to:

- i. financial performance indicators including, revenue, order book (including contract wins and losses), gross margin, net margin, earnings per share and cash flow;
- ii. the Company's share price;
- iii. reports from external auditors;
- iv. shareholder feedback;
- v. customer feedback; and
- vi. employee feedback.

All these factors are considered, and action taken to improve performance as appropriate.

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

Communication with shareholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategies and financial position, in addition to having regard to its obligations as a quoted public company and the AIM Rules.

The Group holds meetings with significant shareholders on a regular basis and regards the Annual General Meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

The Group lists contact details on its website should shareholders wish to communicate with the Board. All announcements and results, including those released via RNS and RNS Reach, are available on the Group's website.

Risk management and internal controls

The Board reviews and approves an Annual Budget and Business Plan prior to the start of each financial year. This includes reviewing the key strategic, operational and financial objectives for the year, together with a detailed financial budget.

The Executive Committee is accountable to the Board for delivery of the Annual Business Plan. The Executives report performance against the plan on a monthly basis, which includes detailed analysis of budgetary variances and updated financial projections.

Each Executive Director is responsible for identifying and managing the risks relating to their respective areas of responsibility, including the risks relating to strategy, the Annual Business Plan, and day-to-day business.

To provide a framework for the delivery of the Group's strategy and plans, the Executive Committee has developed an organisational structure with clear roles and responsibilities, and clear lines of reporting.

In addition to day-to-day risk management, the Executive Directors formally assess the major business risks and evaluate their potential impact on the Group.

These risks and the reporting of the risk assessment is included in the annual report and accounts within the Strategic Report.

City code on takeovers and mergers

The Company is subject to the City Code on Takeovers and Mergers

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

QCA Corporate governance code

In accordance with AIM rule 26 the Company has adopted the QCA code and sets out below how it has adopted and complied with the QCA code.

1. Establish a strategy and business model which promotes long-term value for shareholders

A board must be able to express a shared view of the company's purpose, business model, and strategy, which sets out how a company intends to deliver shareholder value in the medium to long term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.

The strategy and business model of the Group is expressed more clearly in the Chairman's Statement and the Strategic Report.

In summary, the Group seeks to build a recognised brand that is synonymous with the provision of the highest level of security services. The Group is stringently focused upon delivering outstanding service delivery for all our clients, and in such a way that in time our clients can have all their security needs met by one service provider, ourselves.

The values we adopt are largely driven by our ex-military ethos, and we pride ourselves on endeavouring to engage employees that can deliver a capable, well trained highly motivated service, with as many as possible with a military background.

We believe that this approach will deliver market leading full-service security offerings to the top end of the corporate and residential markets, as well as leading public service providers such as utilities, hospitals and schools.

The business has a reasonable appetite for risk and we actively engage in developing new technologies to assist our service provisions even where such new technologies have a long development phase. One example of the success of this has been our 'Fastvein' project, harnessing very high technology from partner suppliers with our own in-house software capabilities.

Our markets are highly regulated, audited and accredited by a number of regulatory bodies, including the SIA, NSI and CHAS, all of which require our Board and operational employees to be personally regulated, thus adding to the maintenance of the values and standards we operate to.

2. Seek to understand shareholder needs and expectations

Directors must develop a good understanding of the needs and expectations of all elements of a company's shareholder base. A board must manage shareholder's expectations and it should seek to understand the motivations behind shareholder voting decisions.

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are provided on the Group's website, with copies of the accounts of the Group and other regulatory communications going back to the earliest days of the existence of the company on the AIM market.

Additionally, the Board holds regular one-to-one meetings with larger shareholders and regards the Annual General Meeting as a good opportunity to understand the voting decisions and debate the expectations of shareholders via an open question and answer session.

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

The Company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate directly with the Board or its advisers.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators, and others). A board needs to identify a company's stakeholders and understand their needs, interests and expectations. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all the stakeholder groups.

The Board endeavours to create a platform for delivering a high-quality service and this requires us to utilise best in class suppliers (such as Hitachi, Assa Abloy, and Bosch), for customers who appreciate and therefore pay for a higher level of service, and a workforce that is trained to the highest standards to give of its best at all times.

We operate within the 'high compliance' segment of the SIA approved contractor scheme (ACS), which ensures that the regulatory standards we set ourselves are rigorous and necessary in a highly fragmented security market, where mistakes are invariably costly in every sense, to all our stakeholders. We expect to get it right first time, because getting it wrong in a security environment can have consequences that far outweigh the cost.

We constantly solicit feedback, much of which is on the website of the Company in terms of customer experiences, and supplier confidence in us and in our operations. Our feedback from our staff is best expressed by our staff turnover which for our industry is exceptionally low.

The Directors' Report reports further on the Company's attitude to Employment for disabled persons, employee involvement in Group operations, Charitable donations where appropriate, and Group policies on the environment.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

A board needs to ensure that the companies' risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy. Companies need to consider their extended business, including the company's supply chain, from key suppliers to end customer. Setting a strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

The Board has established an audit committee which also serves as a risk management committee, a summary of which is set out in the Strategic Report and in the Directors' Report, and on the website.

The Company has an established internal peer review function led by the group Finance Director, reporting to the Chairman and Board, in order systematically to review each area of its business and monitor the effectiveness of internal financial controls.

Additionally, we only work with accredited suppliers able to satisfy our customer requirements for locking systems for instance that are best in class, and CCTV equipment that is the highest definition.

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

Additionally, we can only employ security professional who have passed SIA and other regulatory standards and had all the necessary prior history clearances before SIA accreditation for instance can be effective. Added to all this, we aim to employ primarily ex-military personnel and indeed two executive directors are themselves ex-military, trained in the appreciation of and the effective amelioration of risk.

We have further considered areas of single point dependency within our divisions, examining key management positions, infrastructure, political issues including Brexit, loss of major contracts, staffing and supplier failure, technology failure and cyber-attack, health and pandemic risk as well as fire, weather and reputation risk protection.

We provide regular training programmes to support our business continuity plans so that our business is prepared for and resilient to emergency and crisis situations.

We anticipate being ISO 22301 accredited by end FY 18/19. This ISO deals with societal security, business interruption, effectively ensuring business continuity, ensuring that we have a policy for such, defining roles and responsibilities, combining planning, implementation, and operation, then performance assessment, management review and improvement. Our documentation processes are auditable, evidencing our commitment to these processes.

5. Maintain the Board as a well-functioning, balanced team led by the chair

Board members have collective responsibility and a legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of and approach to corporate governance lies with the Chair of the Board. A board should be provided with high-quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. A board should have an appropriate balance between executive and non-executive directors and it should have at least two independent non-executive directors. Independence is a board judgement. A board should be supported by the appropriate committees that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time to fulfil their roles.

The Board, the identities and biographies, the Board committees and the timing of Board meetings and a detailed summary of attendances at those meetings is considered in the Strategic Report the Directors' Report and elsewhere in the Accounts.

The quality and timeliness of the information the Board considers is itself also detailed elsewhere in the Accounts, notably the Risk Management and Internal Controls sections of the Strategic Report.

The Board considers that both its non-executive directors are independent and that they have the time necessary to be able to provide rigorous challenge to the executive directors when necessary as well as support as needed. Nevertheless, new regulations on time served by a non-executive, changes to over-board criteria, and the recent substantial increase in volume of the turnover of the business has encouraged the Board to consider whether or not changes to the non-executive team might be worthy of consideration in the coming FY 2018/19.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

A board must have an appropriate balance, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. A board should understand and challenge its own diversity, including gender balance, as part of its composition. A board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on a board will change, and board composition will need to evolve to reflect this change.

The Board recognises that balance of capabilities and capacities within itself, as well as the necessity for all Board members to remain up to speed on relevant industry changes are vital to the proper functioning of a leadership team in any organisation. The Board is rigorous in reviewing the performance of each of its directors and where there are actions that need to be taken, the Board is proactive in carrying out what needs to be done. As businesses grow, changes can be necessary, and the Board is prepared and stands ready to act should the need arise. Board changes were made in the previous two financial years of the Company so as to give better effect to the strategic direction of the Group and these actions have proven to be successful. The Board makes a specific effort to say in meetings what needs to be said, and a culture of openness and honesty is encouraged both on the Board and throughout the Group, the result of which is promotion of a healthy corporate culture.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

A board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. A board performance review may be carried out internally, or ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.

The Board is in the process of considering succession planning, so that each division has a leader and a number two, able, effectively, to step into the shoes of the leader, as necessary. The Company is not associated with any one member of the Board, and recently took external advice on specific remuneration matters, externally facilitating the process of managing the strategic goals of the business by division, and the risks and rewards attaching thereto. Discussions between Board members about key development needs of individual directors are encouraged and debated rigorously in a positive atmosphere. The effectiveness review of the Board is considered in the Strategic Report.

8. Promote a corporate culture that is based on ethical values and behaviours

A board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policies set by a board should be visible in the actions and decisions of the Chief Executive and the rest of the management team. Corporate values should guide the objectives and the strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.

The Board wishes to promote a can-do culture across the Group, whereby a customer need can be fulfilled, no customer request is too much, and this is how the Group aims to deliver outstanding service. This is not done at any cost, and the Group is strict on maintaining margin in a low margin industry, where differentiating the offer is key. Our marketing strategy is assertive and where necessary aggressive in a very fragmented industry yet with some entrenched relationships where our future customers have not yet come to appreciate our unique offering.

The Group uses social media where necessary to promote the culture of ‘can-deliver’, both internally and externally, and monitors the culture and attitude of the staff with regular surveys and staff meetings.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity, and its capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.

The Board meets once a month, in person or where necessary by conference call, and considers monthly accounts and operational matters, and in addition the audit and remuneration committees of the Board meet when necessary to consider assurance and risk, and the adequacy of the reward structures of the Group. With a Board of this size, separate Nominations and other committees are not considered necessary, nor is the appointment of any one non-executive director as a Senior Independent Director.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

A healthy dialogue should exist between a board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between a board and all constituent parts of its shareholder base. This will assist the communication of shareholders’ views to a board and the shareholders’ understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).

The Board attaches great importance to providing shareholders with a clear and transparent information on any group activities, strategy, and financial position. Details of all shareholder communications are provided on the group website. The Board holds regular meetings with the larger shareholders and regards the annual general meeting as a good opportunity to communicate directly with shareholders via an open question and answer session. The company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.

BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018

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 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 is a Chartered Accountant and has been on the Board of a number of listed companies since 1986, more recently in a non-executive capacity. 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 2018

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 2018.

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).

Result for the year

The profit for the year after taxation, was £1.62m. (2017:£0.36m).

Directors

The Directors who have held office since 1 July 2018 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

Non-executive Directors:

A N Hewson
C N McMicking

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

Including immediate relatives, the Directors in office at 30 June 2018 had the following beneficial interest in the ordinary shares of the Company

	2018	2017
S J F Morley	575,000	575,000
R M Fiorentino	3,902,175	4,110,000
R A Juett	12,500	12,500
A N Hewson	203,565	203,565
C N McMicking	50,000	46,000
P Williamson	170,639	165,639

During the year, R M Fiorentino transferred 207,825 ordinary shares to members of his family.

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2018

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 2018:

Canaccord Genuity Group Inc.	11.08%
Francis Erard	5.03%
Liontrust Investment Partners LLP	3.77%

Purchase of own shares

Under the authority granted at the 2017 Annual General Meeting, during the year, the Company purchased 2,027,027 of its own ordinary shares at a cost of £760k. The shares had a nominal value of £101k being approximately 12% of the issued share capital.

These shares were purchased from a director who following his retirement from the Board, no longer wished to hold a significant shareholding in the Group.

1,013,513 ordinary shares were purchased on 3 December 2017 at 35p per share, which were subsequently cancelled. A further 1,013,514 ordinary shares were purchased on 28 February 2018 at 40p per share, which were transferred to treasury.

Share options over 17,000 shares were exercised during the year and these were satisfied out of treasury. At 30 June 2018, 996,514 shares were held in treasury being 6.3% of the issued share capital.

Matters covered in the strategic report

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

Financial Risk Management

Details of exposure to price, credit, liquidity and cash flow risk are included in notes 15 and 18.

Research and development

Research and development expenditure, including the element of wages and salaries and amounted to approximately £30,000 (2017: £75,000).

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.

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2018**

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.

The Group operates an approved share option scheme for its employees. During the year 17,000 share options were exercised.

Political and charitable donations

Charitable donations were £4,800 (2017: £5,618). There were no political donations in the current or prior year.

Environmental policy

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

Dividends

An interim dividend of 0.6p per share was declared on 28 February 2018 and paid on 9 April 2018. The total cost was £0.089m. Subject to approval at the AGM, the Board recommends a final dividend of 1.0p per share.

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
19 October 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2018

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
19 October 2018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**



Opinion

We have audited the group financial statements of Croma Security Solutions Group PLC (the 'group') for the year ended 30 June 2018 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.

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 2018 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, as applied to SME listed entities, 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 MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**

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"> • assessed actual trading performance in the financial year against budget to determine the reasonableness of using budgets for the impairment model • assessed budgets for the next financial year against actual current year trading performance and then reviewed the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations • 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 model and discount rate applied.</p>

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**

Our application of materiality

The materiality for the financial statements of the Group as a whole was set at £526,790. 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 £342,000. This has been capped at the Group's performance materiality.

An overview of the scope of our audit

Of the Group's 7 reporting components, we subjected one to a full scope audit and the other 6 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28 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 2018.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY
SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**

Use of our report

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.

Nexia Smith & Williamson

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

19 October 2018

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

Continuing operations:

		2018		2017	
	Notes	£000's	£000's	£000's	£000's
Revenue	3		35,119		22,058
Cost of sales			<u>(27,970)</u>		<u>(18,033)</u>
Gross profit			7,149		4,025
Administrative expenses			(5,136)		(3,802)
Other operating income	3		<u>-</u>		<u>208</u>
Operating profit			2,013		431
Analysed as:					
Earnings before interest, tax, depreciation amortisation		2,500		799	
Depreciation	13	(161)		(126)	
Amortisation of intangible assets	12	<u>(326)</u>		<u>(242)</u>	
		2,013		431	
Finance expenses	5		<u>(38)</u>		<u>(74)</u>
Profit before tax			1,975		357
Tax	8		<u>(359)</u>		<u>3</u>
Profit for the year from continuing operations			1,616		360
Total comprehensive income attributable to owners of the parent			<u><u>1,616</u></u>		<u><u>360</u></u>
Earnings per share					
	9				
Basic and diluted earnings per share (pence)					
Earnings from continuing operations			9.89		2.13

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 £000's	2017 £000's
Assets			
Non-current assets			
Goodwill	11	7,213	7,213
Other intangible assets	12	835	1,161
Property, plant and equipment	13	476	420
		<u>8,524</u>	<u>8,794</u>
Current assets			
Inventories	14	668	710
Trade and other receivables	15	6,077	3,804
Cash and cash equivalents	27	2,154	770
		<u>8,899</u>	<u>5,284</u>
Total assets		<u>17,423</u>	<u>14,078</u>
Liabilities			
Non-current liabilities			
Deferred Tax	20	(197)	(238)
Trade and other payables over 1 year	17	(12)	(89)
		<u>(209)</u>	<u>(327)</u>
Current liabilities			
Trade and other payables	17	(6,071)	(3,251)
Borrowings and other payables	17	(66)	(195)
		<u>(6,137)</u>	<u>(3,446)</u>
Total liabilities		<u>(6,346)</u>	<u>(3,773)</u>
Net assets		<u>11,077</u>	<u>10,305</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	21	794	845
Treasury Shares	22	(399)	-
Share premium	22	6,133	6,133
Merger reserve	22	2,139	2,139
Capital redemption reserve	22	51	-
Retained earnings	22	2,347	1,176
Share options	22	12	12
Total equity		<u>11,077</u>	<u>10,305</u>

These financial statements were approved and authorised for issue by the Board of Directors on 19 October 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 2018**

	Notes	2018 £000's	2017 £000's
Cash flows from operating activities			
Profit before taxation		1,975	357
Depreciation amortisation and impairment		487	368
Loss on sale of property, plant and equipment		-	3
Net changes in working capital	25	263	443
Financial expenses		38	74
Corporation tax paid		(74)	(12)
Net cash generated from operations		2,689	1,233
Cash flows from investing activities			
Purchase of business including acquisition costs net of cash acquired		-	(100)
Purchase of property, plant and equipment		(264)	(114)
Proceeds on disposal of property, plant and equipment		47	7
Net cash used in investing activities		(217)	(207)
Cash flows from financing activities			
New share issue		-	5
Purchase of treasury shares		(406)	-
Buy back and cancellation of shares		(354)	-
Sale of treasury shares		5	-
Decrease in Hire Purchase	26	(52)	(56)
Decrease in borrowings	26	(154)	(439)
Dividends paid		(89)	(84)
Interest paid		(38)	(74)
Net cash used in financing activities		(1,088)	(648)
Net increase in cash		1,384	378
Cash and cash equivalents at beginning of period		770	392
Cash and cash equivalents at end of period	27	2,154	770

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

Attributable to owners of parent

	Share Capital	Capital Redemption Reserve	Treasury Shares	Share Premium	Merger Reserve	Retained Earnings	Share Options	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 July 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
Shares redeemed	(51)	51	-	-	-	(354)	-	(354)
Treasury shares acquired	-	-	(406)	-	-	-	-	(406)
Treasury shares issued	-	-	7	-	-	(2)	-	5
Profit for the year	-	-	-	-	-	1,616	-	1,616
Dividends paid	-	-	-	-	-	(89)	-	(89)
At 30 June 2018	794	51	(399)	6,133	2,139	2,347	12	11,077

The following notes form part of the primary financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 long-term equity capital. The day to day operations are funded by cash generated from trading.

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 October 2019.

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 cash surpluses from trading.

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 2018

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 and service 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

- | | | |
|--------------------------|---|--|
| • Software licences | – | over the duration of the legal agreement |
| • Customer relationships | – | 10 years |
| • Brand royalties | – | 4 years |
| • Research & development | – | 3 years |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018

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
Leasehold property	-	Over the term of the lease
Plant, computer and office equipment	-	Between 10% and 35% 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 statement of financial position 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 statement of financial position 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 2018

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 2018

1. Accounting policies (continued)

Financial assets

Financial assets are trade receivables and other receivables.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 effect of discounting on these financial instruments is not considered to be material.

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 de-recognises 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 receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. 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 2018

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 to provide returns to shareholders. The Group has no short 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 and deposits held at call with banks.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. Accounting policies (continued)

New and amended standards

No new standards, interpretations and amendments, effective for the first time from 1 July 2017, 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 2018 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" will be effective for the year ending 30 June 2019 onwards, the main impact being the impairment assessment methodology used to value trade receivables. An assessment of the full impact of this standard is in progress. The Group's current treatment of financial assets and financial liabilities is explained within the accounting policies.
- IFRS 15: "Revenue recognition from Contracts with Customers" will be effective for the year ending 30 June 2019 onwards. IFRS 15 requires that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management anticipate that CSS Total Security Limited will be the component most affected by this. Management are currently working on the new processes and systems that will be required to comply with this accounting standard but anticipate this would have an immaterial impact on Group revenue.
- IFRS 16: "Leases" will be effective for the year ending 30 June 2020 onwards and the impact on the financial statements will be potentially significant. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments (£1,604,000 on an undiscounted basis, as shown in Note 24 of the financial statements) would be brought onto the statement of financial position and amortised and depreciated separately. There will be no impact on cash flows, although the presentation of the cash flow statement will also change. Management are currently working on the new processes and systems that will be required to comply with this accounting standard.

Other standards not listed above are not expected to have an impact on the Group.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 value of other intangibles at the statement of financial position date was £835k more details of which are given at note 12.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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
2018 Business Segments	£000's	£000's	£000's	£000's	£000's	£000's
Segment revenues	28,993	2,665	308	3,153	-	35,119
Gross profit	4,744	1,084	91	1,230	-	7,149
Administrative	(2,098)	(491)	(222)	(803)	(1,035)	(4,649)
Amortisation	-	(61)	(136)	(129)	-	(326)
Depreciation	(52)	(49)	-	(60)	-	(161)
Profit/(loss) on disposal	(2)	(1)	-	3	-	-
Segment operating profit/(loss)	<u>2,592</u>	<u>482</u>	<u>(267)</u>	<u>241</u>	<u>(1,035)</u>	<u>2,013</u>
Segment assets	7,993	4,789	-	3,882	759	17,423
Segment (liabilities)	(4,832)	(674)	-	(829)	(11)	(6,346)
Segment net assets	<u>3,161</u>	<u>4,115</u>	<u>-</u>	<u>3,053</u>	<u>748</u>	<u>11,077</u>
Additions to non-current assets	<u>108</u>	<u>65</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>264</u>
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>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

3. Segmental reporting (continued)

An analysis of revenue by type is shown below:

	2018	2017
Revenues	£000's	£000's
Security personnel services	28,793	16,219
Keyholding income	139	143
Sale of goods & Installation Services	5,574	5,086
Monitoring maintenance and service fees	552	567
Other income	61	43
	35,119	22,058

	2018	2017
4. Expenses	£000's	£000's
Research and development	30	75
Amount of inventory expensed as cost of sales	2,453	2,222
Operating lease expense	309	304
Depreciation	161	126
Amortisation	326	242
Loss on disposal of property, plant and equipment	-	3

Auditors' remuneration:

Audit of parent company and consolidated financial information payable to Nexia Smith & Williamson	37	32
Fees paid to the auditor in respect of tax compliance services	-	8

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

5. Finance expense	2018 £000's	2017 £000's
Interest paid on factoring arrangements	30	64
Interest on hire purchase agreements	8	10
	<u>38</u>	<u>74</u>

6. Staff and staff costs

The average monthly number of persons (including Directors) employed by the Group during the period was:	2018	2017
	No.	No.
Management and administration	33	48
Service and product provision	945	589
	<u>978</u>	<u>637</u>

Staff cost (for the above persons):	£000's	£000's
Wages and salaries	25,082	15,571
Pension	228	102
Social security costs	2,275	1,460
	<u>27,585</u>	<u>17,133</u>

The average monthly number of persons (including Directors) employed by the Parent Company during the period was:	No.	No.
Management and administration	6	4

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

7. Directors' and key management personnel remuneration

2018	Salary and bonus £000's	Estimated value of benefits £000's	Fees £000's	Pension £000's	Total £000's
S J F Morley	228	10	-	29	267
R M Fiorentino	296	3	-	-	299
P Williamson	233	11	-	1	245
R A Juett	77	1	-	12	90
A N Hewson	10	1	15	-	26
C McMicking	10	-	15	-	25
M Whettingsteel (Resigned August 2017)	12	-	-	-	12
	866	26	30	42	964

M Whettingsteel received £50,000 as compensation for loss of office

P Williamson exercised options over 5,000 shares and realised a gain of approximately £3.3k.

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	100	-	-	-	100
R A Juett	54	-	-	-	54
C McMicking	-	-	21	-	21
P Williamson	21	-	-	-	21
Lord James Percy	8	-	-	-	8
	476	5	42	-	523

No share-based payments were made to Directors in 2017

Key management personnel compensation comprises only short-term employee benefits which total £1,098k (2017: £583k).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

8. Taxation	2018	2017
	£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	431	58
Adjustments for prior periods	(32)	5
Total current tax	<u>399</u>	<u>63</u>
Deferred tax (note 20)		
Current year	(47)	(23)
Adjustments for prior periods	7	(43)
Tax on profit on ordinary activities	<u>359</u>	<u>(3)</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 the standard rate of corporation tax in the UK of 19% (2017 - 19.75%). The differences are explained below:

Factors affecting the tax charge for the year

	2018	2017
	£000's	£000's
Profit before taxation	1,975	357
Profit multiplied by the standard rate of taxation of 19% (2017: 19.75%)	375	71
Effects of:		
Expenses not deductible for tax purposes	8	4
Non-taxable income	1	(40)
Adjustment to tax charge for previous periods	(25)	(38)
Total tax charge/ (credit) for the year	<u>359</u>	<u>(3)</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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.

	2018	2017
	£000's	£000's
<i>Numerator</i>		
Earnings for the year on continuing operations and used in basic and diluted EPS	1,616	360
<i>Denominator</i>		
Weighted average number of shares used in basic EPS (000's)	16,339	16,894
Weighted average number of shares used in diluted EPS (000's)	16,340	16,904
	Pence	Pence
Basic earnings per share	9.89	2.13
Diluted earnings per share:	9.89	2.13

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 28 February 2018 the Directors proposed an interim dividend of 0.6p per share. This dividend was paid on 9 April 2018. The total cost was £89K.

Subject to approval at the AGM, the directors recommend a final dividend of 1p per share for the year.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

11. Goodwill

Cost	£000's
At 1 July 2017 and 30 June 2018	7,213

Impairment

At 1 July 2017 and 30 June 2018	-
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Net book value

At 1 July 2017 and 30 June 2018	7,213
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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 (2017: £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.

	2018	2017
	£000's	£000's
The carrying value of goodwill of each CGU is as follows:		
Croma Security Systems	3,339	3,339
Croma Locksmiths	2,478	2,478
Croma Vigilant	1,396	1,396
	<u>7,213</u>	<u>7,213</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11. Goodwill (continued)

Forecasts, growth and discount rates

The recoverable amount relating to Croma Vigilant, Croma Security Systems and Croma Locksmiths was determined based on value-in-use calculations, covering a detailed forecast for the five-year period to 30 June 2023, 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% (2017: 11.6%) 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 2018 turnover is 90% higher than in 2012. For the present period to 30 June 2019 turnover is forecast to increase by 8% which assumes no new contract wins and turnover from our existing client base to continue at current run rates. 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 2020 to 2023 the following assumptions have been made:

- Revenue to grow by 3% per annum (2017: 3%)
- Direct wages to rise in proportion to revenue
- Other direct costs to increase at 2.5% per annum (2017: 2.5%)
- Indirect costs to increase at 2% per annum (2017: 2%)

For the year ended 30 June 2024 onwards, net revenues are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is considerably in excess of the carrying value of goodwill.

Croma Security Systems including Croma Biometric

For the year ended 30 June 2018 sales growth of 10% was achieved. However, at the start of the current year sales have been slow, but in the second half our order book indicates a stronger position. For the year overall, we still forecast 1% growth in sales and gross margin.

For the period from 2019 to 2023 the following assumptions have been made:

- Revenue growth of 3.1% (2017: 4.9%)
- Direct cost growth of 2.6% (2017: 4.8%)
- Indirect costs growth of 2.06% (2017: 2.4%)

For the year ended 30 June 2024 onwards, net revenues are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £4,446k

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Croma Locksmiths

Based on recent performance and known order pipeline, the Board has forecast turnover for 2019 to increase by 3%. The growth will continue to be serviced out of existing staff resources so direct costs are forecast to increase by only 1% from 2018 levels.

For the period from 2019 to 2023 the following assumptions have been made:

- Revenue growth of 3% (2017: 3%)
- Direct cost growth of 2.5% (2017: 2.5%)
- Indirect costs growth of 2% (2017: 2%)

For the year ended 30 June 2024 onwards, net revenues are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £3,863k

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 2018.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 2016	84	1,727	295	222	31	2,359
Additions	2	-	-	-	-	2
At 30 June 2017	86	1,727	295	222	31	2,361
Additions	-	-	-	-	-	-
At 30 June 2018	86	1,727	295	222	31	2,361
Amortisation						
At 1 July 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
Charge for the year	28	161	31	106	-	326
At 30 June 2018	86	1,003	184	222	31	1,526
Carrying Value at 1 July 2017	28	885	142	106	-	1,161
Carrying Value at 30 June 2018	-	724	111	-	-	835

R&D has been developed internally. The other intangible assets were acquired with the business of CSS Total Security Limited and CSS Locksmiths Limited in March 2012 and the business of Croma Locksmiths & Security Solutions Limited 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% (2017: 11.60%) (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 Limited. The useful lives as noted in the accounting policies were considered appropriate. Customer relationships with a net book value of £724k have a remaining life of between 3.5 to 7.5 years.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 4 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 £111k, have a remaining useful life of 4 years.

Software licence

The Biometrics business has not currently achieved the critical mass required for the Board to forecast profitability over the remaining 4-year life of the software licence and on this basis the book value of £106k at 1 July 2017 has been fully expensed in the year, within administrative expenses in the Statement of Comprehensive Income.

Research and Development

Research and development costs were fully written down in the year and the costs included within administrative expenses in the Statement of Comprehensive Income.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Property, plant and equipment

	Freehold & leasehold property	Plant, computer and office equipment	Motor vehicles	Total
	£000's	£000's	£000's	£000's
Cost				
At 1 July 2016	121	367	353	841
Additions	10	87	17	114
Disposals	-	-	(41)	(41)
At 30 June 2017	131	454	329	914
Additions	12	129	123	264
Disposals	-	-	(138)	(138)
At 30 June 2018	143	583	314	1,040
Depreciation				
At 1 July 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
Charge for the year	22	72	67	161
On disposals	-	-	(91)	(91)
At 30 June 2018	66	385	113	564
Carrying value at 30 June 2017	87	141	192	420
Carrying value at 30 June 2018	77	198	201	476

In motor vehicles the following amounts are held under hire purchase agreements, and classified as finance leases:

	2018	2017
	£000's	£000's
At 30 June - Cost	152	199
Accumulated depreciation	(84)	(57)
Net book value	68	142

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. Inventories	2018 £000's	2017 £000's
Raw materials and consumables	650	647
Work in progress	18	63
	668	710

15. Trade and other receivables	2018 £000's	2017 £000's
Trade receivables	5,707	3,532
Allowance for bad debts	(35)	(34)
Net trade receivables	5,672	3,498
Other receivables	32	31
Prepayments	373	275
Total trade and other receivables	6,077	3,804

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.

	2018 £000's	2017 £000's
Bad debts written off during the year	-	-

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	2018 £000's	2017 £000's
Debts past due but not paid		
Under 60 days	215	576
60-90 days	140	58
Over 90 days	123	10
	478	644

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

16. Categories of financial asset	2018 £000's	2017 £000's
Loans and receivables		
Trade and other receivables	5,704	3,529
Cash at bank and in hand	2,154	770
	7,858	4,299

17. Trade and other payables	2018 £000's	2017 £000's
Trade payables	568	502
Other payables	93	92
	661	594
Other taxes and social security	1,548	844
Corporation tax liability	431	105
Accruals and deferred income	3,431	1,707
	6,071	3,251
Total trade and other payables, excluding loans and borrowing classified as financial liability measured at amortised cost	6,071	3,251

Interest bearing loans and borrowings due within 1 year	2018 £000's	2017 £000's
Finance lease liabilities (due in less than 1 year)	35	60
Invoice discounting and credit card liabilities	31	135
	66	195
Finance lease liabilities (due in 1 to 5 years)	12	39
Other payables due in more than 1 year	-	50
	12	89

Invoice discounting facilities are secured against the trade debtor book of Cromia Vigilant. Finance leases are secured against the assets to which they relate.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

18. Interest rate and liquidity risk

2018	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		568	93	-	661
Finance lease obligations	11.40%	-	35	12	47
Accruals and deferred income		-	3,431	-	3,431
Floating rate					
Credit card liabilities	2.80%	-	31	-	31
Total		568	3,590	12	4,170

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

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 2018**

20. Deferred tax	2018 £000's	2017 £000's
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The movement on the deferred tax account is shown below

At 1 July	238	303
Adjustment for the prior year	7	(43)
Accelerated capital allowances	14	-
Short term temporary differences	(10)	(4)
Arising on fair value adjustments recognised on business combination	(52)	(18)
At 30 June	197	238

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

Capital allowances in advance of depreciation	58	44
Arising on fair value adjustments recognised on business combination	151	202
Other short-term temporary differences	(12)	(8)
	197	238

At 30 June 2018 deferred tax has been provided at a rate of 18%

The Group has tax losses of approximately £1.8m (2017: £1.8m) to carry forward. The potential deferred tax asset arising on these tax losses of £306k (2017: £306k) has not been recognised as it is doubtful that it will be utilised in the foreseeable future.

21. Share capital	2018 £000's	2017 £000's
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Authorised, allotted, called up and fully paid:

Ordinary shares of 5 pence each	794	845
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	2018 Number 000's	2018 £000's	2017 Number 000's	2017 £000's
Issued and fully paid				
Ordinary shares of 5 pence at 30 June 2017	16,912	845	16,893	844
Purchase of own shares	(1,013)	(51)	-	-
Ordinary shares of 5 pence at 30 June 2018	15,899	794	16,912	845

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

21. Share capital (continued)

The Group operates the 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:

	2018	2017
	Number	Number
Share options in issue at 1 July	19,000	42,000
Lapsed in the year	-	(4,000)
Exercised in the year	(17,000)	(19,000)
Share options in issue at 30 June	2,000	19,000

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 statement of comprehensive income in the year was £nil (2017: £3k)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.
Capital Redemption Reserve	The capital redemption reserve arose on the purchase and cancellation of own shares during the year ended 30 June 2018.
Ordinary Shares	Amount subscribed for share capital at nominal value.
Treasury Shares Reserve	Arose on the purchase of own shares during the year ended 30 June 2018.
Company Share Option Scheme	This represents the change in equity relating to the issue of company share options.

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, together with their immediate relatives, control 33% 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 £98,500 (2017: £88,000).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

23. Related party transactions (continued)

Director's loans

During the year a balance of £29k was repaid to M Whettingsteel, a former director

Purchase of own shares

During the year the company purchased 2,027,027 ordinary shares from M Whettingsteel at an aggregate cost of £760k

Salaries paid to close family members

During the year salaries totalling £40k (2017: £73k) were paid to close family members of key management personnel.

24. Operating lease commitments

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

	2018	2017
	£000's	£000's
Land & Buildings		
No later than 1 year	213	193
Between 1 and 5 years	629	430
Over 5 years	685	444
	1,527	1,067
Other operating leases		
No later than 1 year	21	80
Between 1 and 5 years	9	51
Over 5 years	-	-
	30	131
Total	1,557	1,198

	2018	2017
	£000's	£000's

25. Notes supporting the cash flow statement

Net changes in working capital

Decrease/(Increase) in inventories	42	(67)
(Increase) in trade and other receivables	(2,273)	(358)
Increase in trade and other payables	2,494	868
	263	443

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

26. Reconciliation of liabilities arising from financing activities

	2017	Cash flows	2018
	£000's	£000's	£000's
Hire Purchase	99	(52)	47
Invoice discounting and credit card liabilities	135	(104)	31
Other payables	50	(50)	-
	284	(206)	78

27. Cash and cash equivalents	2018	2017
	£000's	£000's
Cash at bank and in hand	2,154	770

28. Subsidiary audit exemption

The wholly-owned subsidiaries of Croma Security Solutions Group Plc: Vigilant Security (Scotland) 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**



Opinion

We have audited the financial statements of Croma Security Solutions Group PLC (the 'parent company') for the year ended 30 June 2018 which comprise the statement of financial position, the statement of cash flows, the 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).

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 2018;
- 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, as applied to SME listed entities, 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 MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**

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 28 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 MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2018**

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 2018. This separate auditor's report on the group financial statements includes other audit planning and scoping matters that relate to the parent company audit. There are not deemed to be any Key Audit Matters in relation to the parent company.

Use of our report

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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

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

19 October 2018

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 £000's	2017 £000's
Assets			
Fixed assets			
Investments	E	<u>8,935</u>	<u>8,935</u>
		8,935	8,935
Current assets			
Debtors	F	655	863
Cash and bank and in hand		<u>22</u>	<u>38</u>
		677	901
Current liabilities			
Creditors: Amounts falling due within one year	G	<u>(435)</u>	<u>(317)</u>
Net current assets		242	584
Total assets less current liabilities		<u><u>9,177</u></u>	<u><u>9,519</u></u>
Issued capital and reserves attributable to owners of the parent			
Share capital	H	794	845
Capital redemption reserve		51	-
Treasury Shares		(399)	-
Share premium		6,133	6,133
Merger reserve		2,139	2,139
Profit and loss account	C	459	402
Total equity		<u><u>9,177</u></u>	<u><u>9,519</u></u>

The company profit for year totalled £502k (Loss 2017:£249k)

These financial statements were approved and authorised for issue by the Board of Directors on 19 October 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 2018**

	Notes	2018 £000's	2017 £000's
Cash flows from operating activities			
Profit/(Loss) before taxation		502	(249)
Net changes in working capital	J	326	445
Net cash generated from operations		<u>828</u>	<u>196</u>
Cash flows from investing activities			
Purchase of investments		-	(100)
Net cash received/(used) in investing activities		<u>-</u>	<u>(100)</u>
Cash flows from financing activities			
New share issue		-	5
Sale of treasury shares		5	-
Purchase of treasury shares		(406)	-
Buy back and cancellation of shares		(354)	-
Dividends paid		(89)	(84)
Net cash used in financing activities		<u>(844)</u>	<u>(79)</u>
Net (decrease)/ increase in cash		(16)	17
Cash and cash equivalents at beginning of period		38	21
Cash and cash equivalents at end of the period		<u>22</u>	<u>38</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Share Capital £000s	Capital Redemption Reserve £000s	Treasury Shares £000s	Share Premium £000s	Merger Reserve £000s	Retained Earnings £000s	Total Equity £000s
At 1 July 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
Shares redeemed	(51)	51	-	-	-	(354)	(354)
Treasury shares acquired	-	-	(406)	-	-	-	(406)
Treasury shares issued	-	-	7	-	-	(2)	5
Profit for the year	-	-	-	-	-	502	502
Dividends paid	-	-	-	-	-	(89)	(89)
At 30 June 2018	794	51	(399)	6,133	2,139	459	9,177

The following notes form part of the primary financial statements

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 7&8 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 £414k (2017: (£249k)). Dividends of £916k were received from its subsidiary undertakings (2017: £Nil).

The Company's activities are funded by long term equity capital and by profits and cash generated from trading.

The financial statements do not reflect the adjustments that would be necessary were the trading performance of the Company to deteriorate and the Group's funding from invoice discounting to become unavailable. However, the Directors have considered expected trading and cash requirements of the Company until 31 October 2019 and these projections suggest that the Company will meet its obligations as they fall due at least until this date.

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 statement of financial position 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 2018**

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 statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. 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 2018**

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. At the year end the carrying value of investments totalled £8,935k (2017;£8,935k).

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 profit dealt with in the financial statements of the Company was £502k (2017: (£249k)).

D. Staff costs	2018	2017
	No.	No.
The average monthly number of persons (including Directors) employed by the company during the period was:		
Management and administration	6	4
Staff cost (for the above persons):	£000's	£000's
Wages and salaries	866	451
Pension	42	-
Social security costs	62	57
	970	508

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

	Shares in subsidiary undertakings £000's
E. Fixed asset investments	
Cost	
At 1 July 2017 and 30 June 2018	9,059
Impairment	
At 1 July 2017 and 30 June 2018	(124)
Net book value at 30 June 2017 and 30 June 2018	8,935

Fixed asset investments are as follows:

Company	% Ordinary shareholding	Nature of business
Vigilant Security (Scotland) Limited	100% directly	Asset protection and guarding
CSS Total Security Limited	100% directly	CCTV and security systems
Croma Locksmiths & Security Solutions Limited	100% directly	Locksmithing, Keys and Safes
CSS Locksmiths Limited	55% directly 45% indirectly	Dormant
Centre Security Limited	100% indirectly	Dormant
Access Key and Lock Limited	100% indirectly	Dormant

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 Croma Locksmiths & Security Solutions Limited is Units 7 & 8 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 Centre Security Limited & Access Key and Lock Limited is 2 Pennant Park, Standard Way, Fareham PO16 8XU

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

F. Debtors	2018 £000's	2017 £000's
Amounts due from subsidiary undertakings, repayable on demand	626	846
Prepayments	29	17
	655	863

G. Creditors: Amounts falling due within 1 year	2018 £000's	2017 £000's
Amounts due to subsidiary undertakings, repayable on demand	292	245
Trade creditors	28	-
Other creditors	93	34
Other taxes and social security	22	38
	435	317

H. Share capital

Authorised, allotted, called up and fully paid:	2018 £000's	2017 £000's
Ordinary shares of 5 pence each	794	845

	2018 Number 000's	2018 £000's	2017 Number 000's	2017 £000's
Issued and fully paid				
Ordinary shares of 5 pence at 30 June 2017	16,912	845	16,893	844
Purchase of own shares	(1,013)	(51)	-	-
Ordinary shares of 5 pence at 30 June 2018	15,899	794	16,912	845

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 an 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 2018**

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 33% of the voting shares.

Purchase of own shares

During the year the company purchased 2,027,027 ordinary shares from M Whettingsteel, a former director, at an aggregate cost of £760k.

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:

	2018	2017
	£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.	15	21
Services provided by a service company for which C N McMicking is a director and which has been accounted for as Directors' remuneration.	15	21

Full details of compensation to key Management Personnel of the parent company is included in note 7 to the financial statements.

	2018	2017
	£000's	£000's
J. Notes supporting the cash flow statement		
Net changes in working capital		
Decrease in trade and other receivables	208	499
Increase/(decrease) in trade and other payables	118	(54)
	326	445