CROMA SECURITY SOLUTIONS GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 June 2019

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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)

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Introduction

I am very pleased to report Croma Security Solutions Group Plc's ("Croma" or the "Group") Final Results for the year ended 30 June 2019. The Group generated revenues of £34.6 million, profit before tax of £1.4 million and EBITDA of £1.9 million and did so without the benefit of significant levels of short term, higher margin project work that boosted results in 2018. Instead, trading in 2019 was notable for the increase in the levels of contracted work which have risen to 79% (2018:72%) of revenues and thereby provides greater visibility on the normalised run rate for the business which has achieved a step-change in earnings over the last four years.

At the heart of the Group's security activities is a strong ex-military ethos. It is this ethos that ensures Croma provides a premium level approach to every aspect of delivering security services and solutions. With the increase in demand across the UK for security solutions from both the private and public sector, Croma has benefitted as these bodies have opted for a premium service to ensure the safety of individuals, customers, employees and assets.

This increase in demand for recurring work is reflected in the trading performance for 2019 and in the positive outlook for 2020 and beyond.

Strategy for Growth within UK Security Market

At the beginning of 2019, the Group set out its strategy for establishing Croma as the British security brand. The increase in demand for Croma's premium services was recognised as an opportunity to expand the Group's market position and create a national network of Croma Security Centres alongside setting new standards in providing premium guarding services.

The Board believes there is an opportunity in its market to establish a national chain of modern security centres offering the full range of the Group's services from manned guarding to CCTV, intruder alarm and advanced security systems as well as high security locks. The format is proven to work for both commercial and domestic customers and therefore to create the network the Group intends to acquire further locksmith premises and convert them into modern security centres. During the year three locksmiths were acquired and the sites are under conversion.

Croma's core business is manned guarding and success has come from providing capable, well trained and highly motivated officers compared with the more traditional model of the low paid and lowly motivated officer. Known for providing this premium service Croma is focused on continuing to set new standards across the market. In 2019, the growth and success of PROception is an example of this, as it is currently transforming the way front of house security is performed in offices, hotels and government building up and down the country.

Our business strategy has considered the challenges ahead and the changing market place. We are investing in the appropriate resources and technologies to bring industry leading solutions. We believe the continuous development and use of data analytics and real time communications will be an essential part of the future of security services.

Trading Performance

All three divisions have performed well in the year under review, delivering good levels of profitability. Financial prudence and responsibility continue to be central to our ongoing strategy in order to shape an outstanding security services group that delivers for clients, staff and shareholders.

Croma Vigilant, our manned guarding division had a good year. The division grew contracted revenues so that they now represent 79% of total revenues. Key client wins were achieved in the estate management, health and utility sectors and a number of existing client's contracts have been extended. 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.

Croma Security Systems and Locksmiths performed well reflecting the increased demand for their services and the ability of the Group to introduce products across the business. Croma Locksmiths in particular made a strong contribution to both revenues and profits. Croma Biometrics remains a significant opportunity for the Group with FastVein™ coming to the forefront as a potent biometric high-speed human identifier.

Dividend

Reflecting the strong financial performance over the year the Board is pleased to recommend a final dividend to shareholders of 1.1p per share (total 1.8p per share for the year) and subject to approval at the Annual General Meeting to be held on 27 November 2019, the final dividend will be paid on 29 November 2019 to all shareholders on the register at the close of business on 8 November 2019. The shares will be marked ex-dividend on 7 November 2019.

Outlook

Heightened concern over the real or perceived threats to security of individuals, customers and assets has led to an increased requirement for Croma's services. We view this demand to be long-term and it has already created a step change in the financial performance of the business.

The future challenge is to use this opportunity to build a larger business with the capability to service and reach a wider customer base across the UK. We are working to achieve this exciting objective whilst ensuring we remain a well-balanced business and operate prudently.

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

Sebastian Morley
Chairman 18 October 2019

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 performance of each business segment is discussed below:

Croma Vigilant

Croma Vigilant, our largest division, generated sales of £28.5m (2018: £29.0m) and operating profit of £1.4m (2018: £2.6m). Importantly, from the perspective of sustainable earnings, contracted revenues represented 88% of revenues (2018: 82%) and while 2018 generated exceptional profits for the Group, the reliability of contracted income provides a stronger base upon which to expand this division.

Croma Vigilant provides manned guarding for assets and individuals and now employs over 750 security personnel throughout the UK. Fundamental to the division's success is the military ethos that pervades through all aspects of the way the division is run to all contact with customers. Croma personnel have a market reputation for being smart, punctual, professional and courteous on a consistent basis which is in stark contrast to the average security guard. The growing retained customer base is increasingly opting for Croma's premium services and takes reassurance from the high standards and professionalism Croma Vigilant brings.

Following previous patterns, the split between private and public revenues remains an approximately two thirds/one third respectively. In the period under review, Croma Vigilant increased its market share in five of its six key target markets the exception being in local government where in 2018 the division had gained significant high margin income from one-off project work. Local government work remains an important market, however, income is now primarily contracted as opposed to being short term projects. During the year the Group recorded key wins in the health, estate management and utilities sector.

Last year, we were proud to publish our gender pay gap reports for the first time which showed that there is no significant pay gap between men and women in our organisation. This continues to be the case and we remain focused on ensuring everyone has an equal opportunity across the organisation.

Led by ex-policewoman Ruth McGowan, PROception is the Group's innovative new front of house concept, making the modern reception part of a building's security. PROception provides security trained receptionists to both manage the front desk and play an active role in security and is transforming the way manned security services are delivered in offices, hotels and public institutions. Responses from the property and leisure sector has been excellent with annualised revenues reaching £0.8m since launch. This is an excellent achievement and bodes well for the future prospects of PROception.

In 2018 Vigilant completed the Community Safety Accreditation Scheme 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.

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

Croma Security Systems

Croma Security Systems recorded sales of £2.70m (2018: £2.97m) and operating profit up over 60% to £0.34m (2018: £0.21m).

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.

Croma Locksmiths

Croma Locksmiths, which operates through ten retail outlets on the South Coast of the UK and centrally through the Group, delivered a strong performance for the year growing sales to £3.42m (2018: £3.15m) and operating profit increased by more than 100% to £0.48m (2018: £0.24m).

In February 2019, the Board set out its strategy to become the British Homeland security brand through establishing a national chain of modern security centres. These centres offer the full range of Croma's security solutions from manned guarding, CCTV, intruder alarm and advanced security systems as well as high security locks. Conversion of the retail outlets into modern Security Centre is well advanced enabling the stores to sell the Group's security capabilities to both domestic and commercial customers.

To establish a national chain of security centres, the Group is looking to acquire locksmith businesses and convert the premises into a Croma security centre. During the year, three locksmith businesses were acquired for conversion.

The locksmith market is highly fragmented and relatively unsophisticated in the UK. With demand for security advice and services increasing, these traditional locksmith stores provide a working base upon which to build a national network. While still in its formative stage, the initial income increases being achieved from the three new sites are encouraging, contributing income of £0.21m (£0.55m on an annualised basis).

With the three completed acquisitions, the Company now has ten retail stores which will all be converted to Croma Security Centres by 2020. The current centres are located in affluent areas close to London in the South West of the UK.

Croma Biometrics

With no new significant installations during the year, Croma Biometrics turnover fell to £101k (2018: £308k), however, 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 while sales have slowed in the period under review, its potential remains unchanged and we are involved in discussions which could well generate significant long-term income.

Group Financials

The Group financials can be summarised as follows:	**2019 £000's**	**2018 £000's**
Revenue	34,599	35,119
Gross profit	6,490	7,149
Gross margin %	18.8%	20.4%
EBITDA	1,871	2,500
Operating profit	1,449	2,013
Earnings per share (2018 restated)	7.82p	10.10p
Net Assets	11,990	11,077
Cash generated from operations	462	2,689
Dividend per share in relation to the year	1.8p	1.6p

While gross profits margins reduced from 20.4% to 18.8%, close control of the Group's cost base saw overheads reduce by a noteworthy 2% whilst supporting similar levels of revenue.

Without a one-off benefit from a deferral in its payroll date in 2018, cashflow generated from operations was £0.46m (2018: £2.69m) and Group remains in a strong financial position with no borrowings and net cash of £1.7m after funding £0.3m of investments during the period.

The Board maintains the progressive dividend policy adopted in previous periods and is pleased to recommend a final dividend to shareholders of 1.1p per share (2018:1.0p).

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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
If needed, the group has 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.

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 (when needed) we can obtain funding of up to 90 days on our sales ledger and although there have been instances where customers have settled beyond these terms, this has not caused us any difficultly.

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.

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	11	12	-	-	-	-
R M Fiorentino	12	12	-	-	-	-
A N Hewson	11	12	2	2	2	2
R A Juett	12	12	-	-	-	-
P Williamson	12	12	-	-	-	-
C N McMicking	12	12	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.

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.

Key performance indicators

Indicator	**Performance**
Croma Vigilant	
Sales	Sales were £28.5M for the year. The division continues to bid for and win new work on a regular basis and the investment in our front of house PROception offering has yielded new work and helped to retain work from our more significant customers, who may now increasingly demand this service. Performance is monitored by the Operations director and business development manager reporting to the Chairman.
Gross margin	Largely due to the expected reduction in higher margin project work, gross margin was £3.9M which is down from the record £4.7M seen in the prior year. The industry remains highly competitive, and the gross margin performance of each contract is monitored closely to ensure cost savings are maximised using new technology and ways of working.
Customer retention	Retention of customers nearing the end of their contract is a priority of the operations director and the stability in turnover is testament to our quality service offering.
Cash	Croma Vigilant continues to be cash generative with borrowing facilities which remain unused along with positive cash resources at the year-end of £1,242k.
Croma Security Systems (including Croma Biometrics)	
Sales	In a competitive market, Systems sales have seen 2% reduction on 2018 down to £2.6M, from £2.7M and Biometric sales reduced to £0.1M from £0.3M. We continue to invest in our sales team and are now more actively marketing our Systems business through our chain of security centres.
Customer retention	Customer retention remains strong, with our largest customer, a national chain, delivering revenues of £861k up 26% 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 £209k with no external borrowings.

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 8.5% in the year to £3.4m including £200k from new business acquisitions and £632k from servicing our major utility contract. Our strategy has been to develop our existing geographic coverage by expanding our branch network and to gain more profitable commercial contract on the back of this. Our utility contract is an example of how this can be successful, however our challenge will be to maintain this growth into the new year.
Retail Performance	We are pleased to report that our shops are performing well and now contribute more enquiries to our Systems division from upgraded security Centres. The new EPOS systems are now fully implemented which better integrate with stock control to ensure availability of product, timely invoicing and cash collection. We have been able to quickly implement our systems into our 3 new locksmiths and car key businesses resulting in minimal business disruption and with no significant increase in our head office resource.
Cash	Croma Locksmiths has remained cash generative and at the year-end cash balances are at £233k with no external borrowings.

Roberto Fiorentino

Roberto Fiorentino
Chief Executive
18 October 2019

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 can 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.

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 ten 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.

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. The Remuneration Committee has 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. In addition, during the year the Company engaged a third-party business to carry out an external evaluation of Board performance. The results of this evaluation are set out below:

The Board acknowledges the need to continually monitor and evaluate its own performance and aims to seek continuous improvement in its effectiveness. The Chairman, in mutual discussion with the Directors, routinely assesses the performance of the Board and its members to identify and address any problems or shortcomings. In support of this, the Board asked independent external consultants to assist with the conduction of a formal Board Effectiveness Review as a rigorous evaluation of its performance. During the review, feedback was collected from all Directors regarding the performance of the Board.

The evaluation specifically sought thorough feedback on the Board's composition and processes; and its activities and behaviours. Following evaluation of the feedback, Conundrum Consulting Ltd presented findings and recommendations to the Board, the Board discussed these observations and agreed actions arising. Following the 2019 formal annual evaluation process, the Company considers that the process for evaluation has been conducted in a professional and rigorous manner and that the Board continues to provide the effective leadership that is required to drive CSSG forward to meet its ambitious targets.

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

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.
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.
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 to systematically 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. 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.

During the year our Guarding division achieved ISO 22301 accreditation and is now working to achieve accreditation under ISO 27001.

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, guidance 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 means the Board will keep this under review as necessary.

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

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 recognises the importance of considering succession planning, and each division has a leader and deputies, who are able, effectively, to step into the shoes of the leader. The Company is not associated with any one member of the Board, and seeks 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 above and 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 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.

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 37 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 Senior Independent Director and Chairman of the Audit and Nominations Committees 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.

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 2019.

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); Locksmithing Keys, Locks and Safes (Croma Locksmiths).

Result for the year

The profit for the year after taxation, was £1.17m. (2018:£1.62m)

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:	**Non-executive Directors:**
S J F Morley	A N Hewson
R M Fiorentino	C N McMicking
R A Juett	
P Williamson	

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

Including immediate relatives, the Directors in office at 30 June 2019 had the following beneficial interest in the ordinary shares of the Company

	2019	**2018**
S J F Morley	575,000	575,000
R M Fiorentino	3,902,175	3,902,175
R A Juett	12,500	12,500
A N Hewson	203,565	203,565
C N McMicking	50,000	50,000
P Williamson	170,639	170,639

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 2019:

Canaccord Genuity Group Inc.	12.19%
Francis Erard	5.03%
Liontrust Investment Partners LLP	3.77%

Purchase of own shares

During the prior year, the Company purchased 2,027,027 from a retiring director of its own ordinary shares at a cost of £760k. The shares had a nominal value of £101k being approximately 12% of the then issued share capital.

Share options over 2,000 shares lapsed during the year and no new options were issued. There are no options currently in issue over the company's shares.

At 30 June 2019, 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 16 and 19.

Research and development

There was no significant Research and development expenditure, during the year (2018: £30,000).

Employment of disabled persons

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

Employee involvement

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

Political and charitable donations

Charitable donations were £2,265 (2018: £4,800). 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 0.7p per share was declared on 25 February 2019 and paid on 8 April 2019. The total cost was £0.104m. Subject to approval at the AGM, the Board recommends a final dividend of 1.1p 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

Richard Juett

R A Juett
Finance Director
18 October 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2019

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

Richard Juett

R A Juett
Finance Director
18 October 2019

Nexia Smith & Williamson

Opinion
We have audited the group financial statements of Croma Security Solutions Group plc (the 'group') for the year ended 30 June 2019 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 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 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Key audit matters

We identified the key audit matters described below as those which were 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 these matters, we have performed the procedures below which were designed to address the matters 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 these individual matters.

Key audit matter	Description of risk	How the matter was addressed in the audit
Recoverability of intangibles including goodwill	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, regarding cash flows, growth rates, discount rates, and sensitivity assumptions	We challenged the assumptions used in the impairment model for goodwill and other intangible assets described in notes 12 and 13. As part of our procedures we: - 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, and; - considered sensitivity analysis of key variables included within the value in use calculations. In performing our procedures, we used internal valuation specialists to assess the suitability of the model and discount rate applied.
Revenue recognition and contract liabilities	The group has multiple income streams which can span different accounting periods which leads to an increased risk of error in the financial statements. There has also been the introduction of IFRS 15 'Revenue from contracts with customers' which has impacted the group for the first time this period.	As part of our procedures we: - Reviewed a sample of transactions around the year end and agreed that the goods and services have been recognised in the correct period. - Reviewed a sample of transactions throughout the year to ensure that they are being recognised appropriately; - Agreed a sample of contract liabilities to invoices raised in advance and confirmed advanced invoicing terms to supporting documentation. - Reviewed and agreed a sample of client calculations for contract liabilities at year end in 2018 and 2019 ensuring that revenue recognition remains appropriate under IFRS 15.

Our application of materiality

The materiality for the financial statements of the Group as a whole was set at £519,000. This has been determined with reference to the benchmark of the Group's revenue, which we consider to be one of the principal considerations for members of the company 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 £313,000. This has been determined with reference to the benchmark of the Parent’s total assets as the company carries on no trade in its own right. Materiality represents 3% of total assets as presented on the face of the Statement of Financial Position.

An overview of the scope of the audit

Of the Group’s eight reporting components, we subjected one to a full scope audit and the other seven 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% of Group revenue, 100% of Group profit before tax, and 100% 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 report thereon. The directors are responsible for the other information. Our opinion on the 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 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 financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 control as the directors determine is necessary to enable the preparation of 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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 2019.

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 parent 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
18 October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

Continuing operations:

		2019		2018	
	Notes	**£000's**	**£000's**	**£000's**	**£000's**
Revenue	3		34,599		35,119
Cost of sales			(28,109)		(27,970)
Gross profit			6,490		7,149
Administrative expenses			(5,041)		(5,136)
Operating profit			1,449		2,013
Analysed as:					
Earnings before interest, tax, depreciation amortisation		1,871		2,500	
Depreciation	14	(232)		(161)	
Amortisation of intangible assets	13	(190)		(326)	
		1,449		2,013	
Finance expenses	5		(2)		(38)
Profit before tax			1,447		1,975
Tax	8		(281)		(359)
Profit for the year from continuing operations			1,166		1,616
Total comprehensive income attributable to owners of the parent			1,166		1,616
Earnings per share	9				
Basic and diluted earnings per share (pence)					
Earnings from continuing operations (restated)			7.82		10.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £000's	2018 £000's
Assets			
Non-current assets			
Goodwill	12	7,311	7,213
Other intangible assets	13	647	835
Property, plant and equipment	14	668	476
		8,626	8,524
Current assets			
Inventories	15	825	668
Trade and other receivables	16	6,163	6,077
Cash and cash equivalents	28	1,729	2,154
		8,717	8,899
Total assets		**17,343**	**17,423**
Liabilities			
Non-current liabilities			
Deferred Tax	21	(158)	(197)
Trade and other payables over 1 year	18	(23)	(12)
		(181)	(209)
Current liabilities			
Trade and other payables	18	(5,126)	(6,071)
Borrowings and other payables	18	(46)	(66)
		(5,172)	(6,137)
Total liabilities		(5,353)	(6,346)
Net assets		**11,990**	**11,077**
Issued capital and reserves attributable to owners of the parent			
Share capital	22	794	794
Treasury shares	23	(399)	(399)
Share premium	23	6,133	6,133
Merger reserve	23	2,139	2,139
Capital redemption reserve	23	51	51
Retained earnings	23	3,272	2,347
Share options	23	-	12
Total equity		**11,990**	**11,077**

These financial statements were approved and authorised for issue by the Board of Directors on 18 October 2019 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 2019

	Notes	2019 £000's	2018 £000's
Cash flows from operating activities			
Profit before taxation		1,447	1,975
Depreciation amortisation and impairment		422	487
Net changes in working capital	26	(973)	263
Financial expenses		2	38
Corporation tax paid		(436)	(74)
Net cash generated from operations		**462**	**2,689**
Cash flows from investing activities			
Purchase of business including acquisition costs net of cash acquired		(245)	-
Purchase of property, plant and equipment		(356)	(264)
Proceeds on disposal of property, plant and equipment		12	47
Net cash used in investing activities		**(589)**	**(217)**
Cash flows from financing activities			
Purchase of treasury shares		-	(406)
Buy back and cancellation of shares		-	(354)
Sale of treasury shares		-	5
Payments to reduce Hire Purchase	27	(42)	(52)
Payments to reduce borrowings	27	(1)	(154)
Dividends paid		(253)	(89)
Interest paid		(2)	(38)
Net cash used in financing activities		**(298)**	**(1,088)**
Net (decrease)/increase in cash		**(425)**	**1,384**
Cash and cash equivalents at beginning of period		2,154	770
Cash and cash equivalents at end of period	28	**1,729**	**2,154**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

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 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 1 July 2018	**794**	**51**	**(399)**	**6,133**	**2,139**	**2,347**	**12**	**11,077**
Profit for the year	-	-	-	-	-	1,166	-	1,166
Dividends paid	-	-	-	-	-	(253)	-	(253)
Transfer on lapse of options	-	-		-	-	12	(12)	-
At 30 June 2019	**794**	**51**	**(399)**	**6,133**	**2,139**	**3,272**	**-**	**11,990**

The following notes form part of the primary financial statements

1. Accounting policies

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

Going concern

The Group's activities are funded by 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 2020.

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 three operating segments namely 'Croma Vigilant' which comprises the business of Vigilant Security (Scotland) Limited; 'Croma Security Systems' which includes Croma Biometrics and comprises the business of CSS Total Security Limited; and 'Croma Locksmiths', which comprises the business of Croma Locksmiths & Security Solutions Limited and of Basingstoke Locksmiths Limited.

In prior years, the results of Croma Biometrics were reported as a business segment, however in the current year the Directors do not consider the business to be a separate operating segment, due to its size.

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 transaction price 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.

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.
- Sale of goods is recognised at the point that the goods are delivered to a client on signature of a goods received note or to a customer in one of our retail outlets which is the point that control of over the asset is transferred.
- Installation income is recognised over the period of the installation.
- Maintenance and service fees are recognised over a period from the start of the contract until the date the service has been provided. This is typically a period of three months, leading to contract liabilities which is held under 'Accruals and contract liabilities' in the statement of financial position.
- Monitoring income is recognised over the term of the contract, leading to contract liabilities which is also held under 'Accruals and contract liabilities' in the statement of financial position.

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

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.

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).

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. See property, plant and equipment accounting policy for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

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

Share capital

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

Finance cost

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

Share-based payments

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

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

1. Accounting policies (continued)

Financial assets

Financial assets are trade receivables and other receivables.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

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.

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.

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. Excluding credit card and HP borrowings 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.

1. Accounting policies (continued)

New and amended standards adopted by the group and company

The Group and the Company have adopted "IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" for the first time this period. These new standards required additional disclosures which have been provided in notes 3 and 16. The adoption of these new standards has had an immaterial impact on the consolidated 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 2019 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 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 of £1.359m on an undiscounted basis, as shown in Note 25 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.

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 £7,311k. Details relating to the allocation of goodwill to cash generating units are given in note 12.

The directors do not consider there to be any key areas of judgement.

3. Segmental reporting

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

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Locksmiths (Locks)	Central Costs	Total
2019 Business Segments	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	28,477	2,702	3,420	-	34,599
Gross profit	3,873	1,113	1,511	(7)	6,490
Administrative expenses	(2,392)	(629)	(827)	(771)	(4,619)
Amortisation	-	(61)	(129)	-	(190)
Depreciation	(71)	(80)	(81)	-	(232)
Profit/(loss) on disposal	(4)	-	4	-	-
Segment operating profit/(loss)	1,406	343	478	(778)	1,449
Segment assets	8,259	4,600	5,113	(629)	17,343
Segment (liabilities)	(4,168)	(802)	(1,126)	743	(5,353)
Segment net assets	4,091	3,798	3,987	114	11,990
Additions to non-current assets	112	-	424	-	536
2018 Business Segments (restated)	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	28,993	2,973	3,153	-	35,119
Gross profit	4,744	1,175	1,230	-	7,149
Administrative expenses	(2,098)	(713)	(803)	(1,035)	(4,649)
Amortisation	-	(197)	(129)	-	(326)
Depreciation	(52)	(49)	(60)	-	(161)
Profit/(loss) on disposal	(2)	(1)	3	-	-
Segment operating profit/(loss)	2,592	215	241	(1,035)	2,013
Segment assets	7,993	4,789	3,882	759	17,423
Segment (liabilities)	(4,832)	(674)	(829)	(11)	(6,346)
Segment net assets	3,161	4,115	3,053	748	11,077
Additions to non-current assets	108	65	65	-	238

3. Segmental reporting (continued)

An analysis of revenue by type is shown below:

	2019	2018
Revenues	**£000's**	**£000's**
Security Personnel Services	28,300	28,793
Sale of Goods & Installation Services	5,513	5,266
Monitoring Maintenance and Service fees	499	552
Biometric Installation and Maintenances fees	101	308
Other income	186	200
	34,599	**35,119**

The following is an estimate of future revenues arising from unsatisfied performance obligations based on contract renewal dates and projected monthly billing:

	2019
	£000's
To be satisfied in the next financial year	19,887
To be satisfied in subsequent financial years	17,614
	37,501

Comparative data has not been disclosed in line with the practical expedients within IFRS 15.

Split of revenue:

At a point in time	3,420	3,153
Recognised over time	31,179	31,966
	34,599	**35,119**

4. Expenses	**2019 £000's**	**2018 £000's**
Research and development	-	30
Amount of inventory expensed as cost of sales	2,284	2,453
Operating lease expense	391	309
Depreciation	232	161
Amortisation	190	326
Auditors' remuneration:		
Audit of parent company and consolidated financial information payable to Nexia Smith & Williamson	38	37
Fees paid to the auditor in respect of tax compliance services	5	-

5. Finance expense	**2019 £000's**	**2018 £000's**
Interest paid on factoring arrangements	-	30
Interest on hire purchase agreements	2	8
	2	**38**

6. Staff and staff costs

The average monthly number of persons (including Directors) employed by the Group during the period was:	**2019 No.**	**2018 No.**
Management and administration	30	33
Service and product provision	925	945
	955	**978**
Staff cost (for the above persons):	**£000's**	**£000's**
Wages and salaries	24,965	25,082
Pension	445	228
Social security costs	2,351	2,275
	27,761	**27,585**

7. Directors' and key management personnel remuneration

2019	Salary and bonus £000's	Estimated value of benefits £000's	Fees £000's	Pension £000's	Total £000's
S J F Morley	171	4	-	5	180
R M Fiorentino	236	3	-	-	239
P Williamson	140	25	-	1	166
R A Juett	69	1	-	13	83
A N Hewson	25	1	-	-	26
C McMicking	25	-	-	-	25
	666	**34**	**-**	**19**	**719**

There were no share-based payments during the year

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.

Key management personnel compensation

Key management personnel compensation comprises short-term employee benefits which total £789k (2018: £1,032k) and long-term employee benefits which total £19k (2018: £42k)

8. Taxation	**2019 £000's**	**2018 £000's**
Analysis of the tax charge in the year		
Current year tax charge		
UK corporation tax charge on profit for the year	313	431
Adjustments for prior periods	7	(32)
Total current tax	320	399
Deferred tax (note 21)		
Current year	(28)	(47)
Adjustments for prior periods	(11)	7
Tax on profit on ordinary activities	**281**	**359**

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 higher than the standard rate of corporation tax in the UK of 19% (2018 - 19.75%). The differences are explained below:

Factors affecting the tax charge for the year

	2019 £000's	**2018 £000's**
Profit before taxation	1,447	1,975
Profit multiplied by the standard rate of taxation of 19% (2018: 19%)	275	375
Effects of:		
Expenses not deductible for tax purposes	10	8
Non-taxable income	-	1
Adjustment to tax charge for previous periods	(4)	(25)
Total tax charge for the year	**281**	**359**

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 comparative amounts below have been restated to adjust for the purchase and re-issue of treasury shares during the prior year.

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.

	2019 £000's	2018 £000's (restated)
Numerator		
Earnings for the year on continuing operations and used in basic and diluted EPS	1,166	1,616
Denominator		
Weighted average number of shares used in basic EPS (000's)	14,902	16,003
Weighted average number of shares used in diluted EPS (000's)	14,902	16,005
	Pence	**Pence**
Basic earnings per share	7.82	10.1
Diluted earnings per share:	7.82	10.1

The difference between the number of shares used in the basic EPS calculation and the diluted EPS calculation relates only to share options. There are no share options extant at 30 June 2019.

10. Dividends

A final dividend of 1.0p per share for the year ended 30 June 2018 was paid on 30 November 2018 and an interim dividend for the year ended 30 June 2019 of 0.7p per share was paid on 8 April 2019. The total costs of dividends during the year was £253k.

Subject to approval at the AGM, the directors recommend a final dividend of 1.1p per share for the year.

11. Business Combinations (Acquisitions)

During the year the company purchased three businesses in its Locksmiths division comprising 100% of the share capital of Basingstoke Locksmiths Limited, the trade and assets of Ascot Locks Limited and the trade and assets of the Bournemouth Car Key Company.

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

	£000's
Purchase consideration (satisfied entirely by cash)	252
Less: the fair value of assets acquired	
Tangible fixed assets	(46)
Other intangible fixed assets	(3)
Stock	(90)
Trade and other debtors	(37)
Cash	(7)
Add: the fair value of liabilities	
Trade and other creditors	29
Goodwill	98

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

During the period after acquisition, the new businesses contributed £207k to Group revenue and £25k to Group profits. If all the business acquisitions had been completed on the first day of the financial year, it is estimated Group revenues would have increased by £554k and that Group profits would have increased by £82k.

12. Goodwill

Cost	**£000's**
At 1 July 2018	7,213
Additions	98
At 30 June 2019	7,311
Impairment	
At 1 July 2018 and 30 June 2019	-
Net book value	
At 1 July 2018	7,213
At 30 June 2019	7,311

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 (2018: £Nil) as a result of this review. For this review goodwill was allocated to individual cash generating units (CGU) on the basis of the group's operations.

The carrying value of goodwill by each CGU is as follows:	**2019 £000's**	**2018 £000's**
Croma Security Systems	3,339	3,339
Croma Locksmiths	2,576	2,478
Croma Vigilant	1,396	1,396
	7,311	**7,213**

12. 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 2024, 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% (2018: 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, and in 2019 turnover has more than tripled from its level in 2012. For the present period to 30 June 2020 turnover is forecast to increase by 15% including a mixture of new contract wins and organic growth of our existing customer portfolio. Direct costs are forecast to increase proportionately and overheads by approximately 14% including scope for an expansion of office space.

For the period from 2020 to 2024 the same assumptions have been made as for the prior year, namely:

- Revenue to grow by 3% per annum (2018: 3%)
- Direct wages to rise in proportion to revenue
- Other direct costs to increase at 2.5% per annum (2018: 2.5%)
- Indirect costs to increase at 2% per annum (2018: 2%)

For the year ended 30 June 2025 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

Partly due to a weak performance from our Biometric division, for the year ended 30 June 2019 sales fell by approximately 9% and gross margin by approximately 5%. However, at the start of the current year sales have improved on a like for like basis, and so for the coming year we forecast a 15% growth in sales, margin and overheads.

For the period from 2020 to 2024 the following assumptions have been made:

- Revenue growth of 3.14% (2018: 3.1%)
- Direct cost growth of 2.6% (2018: 2.6%)
- Indirect costs growth of 2.06% (2018: 2.06%)

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 £4,174k

Croma Locksmiths

In the current year the business achieved 8% growth in turnover and nearly doubled operating profits driven by new business acquisitions and a significant contribution from our work upgrading locks for our utility customer in a contract which is due to end early 2020. In 2020, the board believe growth can be achieved, however for the purpose of the impairment review we have assumed turnover unchanged and operating profit to fall by 21%.

For the period from 2020 to 2024 the following assumptions have been made:

- Revenue growth of 3.14% (2018: 3%)
- Direct cost growth of 2.6% (2018: 2.5%)
- Indirect costs growth of 1.97% (2018: 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 £3,746k

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 2019.

13. 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 2017	**86**	**1,727**	**295**	**222**	**31**	**2,361**
Additions	-	-	-	-	-	-
At 30 June 2018	**86**	**1,727**	**295**	**222**	**31**	**2,361**
Additions	-	-	-	2	-	2
At 30 June 2019	**86**	**1,727**	**295**	**224**	**31**	**2,363**
Amortisation						
At 1 July 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**
Charge for the year	-	161	29	-	-	190
At 30 June 2019	**86**	**1,164**	**213**	**222**	**31**	**1,716**
Carrying Value at 1 July 2018	**-**	**724**	**111**	**-**	**-**	**835**
Carrying Value at 30 June 2019	**-**	**563**	**82**	**2**	**-**	**647**

R&D was developed internally. The other intangible assets were acquired with the business of CSS Total Security Limited, CSS Locksmiths Limited, Croma Locksmiths & Security Solutions Limited and Basingstoke Locksmiths Limited.

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% (2018: 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 £563k have a remaining life of between 2.5 to 6.5 years.

13. Other intangible assets (continued)

Brands

The brand of Croma Locksmiths is enduring within its locality. An assessment of the brand value was made by applying a comparable third-party royalty rate of 7.5% to forecast turnover using a nil rate growth model. After-tax revenues of the remaining estimated useful life of 3 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 £82k, have a remaining useful life of 3 years.

14. 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 2017	**131**	**454**	**329**	**914**
Additions	12	129	123	264
Disposals	-	-	(138)	(138)
At 30 June 2018	**143**	**583**	**314**	**1,040**
Additions	170	208	58	436
Disposals	-	-	(19)	(19)
At 30 June 2019	**313**	**791**	**353**	**1,457**
Depreciation				
At 1 July 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**
Charge for the year	18	114	100	232
On disposals	-	-	(7)	(7)
At 30 June 2019	**84**	**499**	**206**	**789**
Carrying value at 30 June 2018	**77**	**198**	**201**	**476**
Carrying value at 30 June 2019	**229**	**292**	**147**	**668**

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

	2019	2018
	£000's	£000's
At 30 June - Cost	175	152
Accumulated depreciation	(131)	(84)
Net book value	**44**	**68**

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

15. Inventories	**2019 £000's**	**2018 £000's**
Raw materials and consumables	761	650
Work in progress	64	18
	825	**668**

16. Trade and other receivables	**2019 £000's**	**2018 £000's**
Trade receivables	5,702	5,707
Allowance for bad debts	(7)	(35)
Net trade receivables	5,695	5,672
Other receivables	10	32
Prepayments	458	373
Total trade and other receivables	**6,163**	**6,077**

Owing to the short-term nature of the trade receivables, their fair value is the same as the book value. A provision for impairment of trade receivables is established using an expected loss model. Expected loss is calculated from a provision matrix based on the expected lifetime default rates and estimates of loss on default.

Provision for impairment of trade receivables	**2019 £000's**	**2018 £000's**
As at 1 July	35	34
Charge for the period	10	3
Uncollected amounts written off, net of recoveries	(38)	(2)
As at 30 June	**7**	**35**

In the view of the Board the level of credit risk is 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. The Directors review debt collection at each Board meeting and close attention is paid to collection of debt and credit control. Although there has been some deterioration in cash collection this is largely due to operational difficulties with our more significant customers and is not an indication of an increase in credit risk.

Age profile	**2019 £000's**	**2018 £000's**
Debts past due but not paid		
Under 60 days	407	215
60-90 days	342	140
Over 90 days	37	123
	786	**478**

17. Categories of financial asset	**2019 £000's**	**2018 £000's**
Loans and receivables		
Trade and other receivables	5,705	5,704
Cash at bank and in hand	1,729	2,154
	7,434	**7,858**

18. Trade and other payables	**2019 £000's**	**2018 £000's**
Trade payables	603	568
Other payables	103	93
	706	**661**
Other taxes and social security	1,253	1,548
Corporation tax liability	319	431
Accruals and contract liabilities	2,848	3,431
Total trade and other payables, excluding loans and borrowing classified as financial liability measured at amortised cost	**5,126**	**6,071**

Interest bearing loans and borrowings due within 1 year	**2019 £000's**	**2018 £000's**
Finance lease liabilities (due in less than 1 year)	16	35
Credit card liabilities	30	31
	46	**66**
Finance lease liabilities (due in 1 to 5 years)	23	12
Other payables due in more than 1 year	-	-
	23	**12**

Finance leases are secured against the assets to which they relate.

19. Interest rate and liquidity risk

2019	Weighted average effective interest rate	Less than one month or on demand	1-12 months	1-3 years	Total
	%	£000's	£000's	£000's	£000's
Fixed rate					
Trade and other payables		603	103	-	706
Finance lease obligations	11.40%	-	16	23	39
Accruals and contract liabilities		-	2,848	-	2,848
Floating rate					
Credit card liabilities	2.80%	-	30	-	30
Total		**603**	**2,997**	**23**	**3,623**

2018	Weighted average effective interest rate	Less than one month or on demand	1-12 months	1-3 years	Total
	%	£000's	£000's	£000's	£000's
Fixed rate					
Trade and other payables		568	93	0	661
Finance lease obligations	11.40%	-	35	12	47
Accruals and contract liabilities		-	3,431	-	3,431
Floating rate					
Credit card liabilities	2.80%	-	31	-	31
Total		**568**	**3,590**	**12**	**4,170**

20. Contingent liabilities

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

21. Deferred tax

	2019 £000's	2018 £000's
The movement on the deferred tax account is shown below		
At 1 July	197	238
Charged to the statement of comprehensive income	(39)	(40)
At 30 June	**158**	**197**

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

	2019 £000's	2018 £000's
Capital allowances in advance of depreciation	55	58
Arising on fair value adjustments recognised on business combination	109	151
Other short term temporary differences	(6)	(12)
	158	**197**

At 30 June 2019 deferred tax has been provided at a rate of 17%

The Group has tax losses of approximately £1.8M (2018: £1.8M) to carry forward which could not be utilised against trading profits. The potential deferred tax asset arising on these tax losses of £306k (2018: £306k) has not been recognised as it is doubtful that it will be utilised in the foreseeable future.

22. Share capital

	2019 £000's	2018 £000's
Authorised, allotted, called up and fully paid:		
Ordinary shares of 5 pence each	794	794

Issued and fully paid	2019 Number 000's	2019 £000's	2018 Number 000's	2018 £000's
Ordinary shares of 5 pence at the start of the year	15,899	794	16,912	794
Cancellation of own shares	-	-	(1,013)	(51)
Ordinary shares of 5 pence at the end of the year	**15,899**	**794**	**15,899**	**794**

22. 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 considering 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:

	2019 Number	**2018 Number**
Share options in issue at the start of the year	**2,000**	**19,000**
Lapsed in the year	(2,000)	-
Exercised in the year		(17,000)
Share options in issue at the end of the year	**-**	**2,000**

The charge to the statement of comprehensive income in the year was £nil (2018: £nil)

23. Reserves

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

Reserve	Description and purpose
Share Premium	Amount subscribed for share capital in excess of nominal value less related professional and regulatory fees.
Merger Reserve	The merger reserve arose on the acquisition of the CSS Group to the extent that this was funded by the issue of new shares.
Retained Earnings	Cumulative net gains and losses recognised in the statement of comprehensive income less amounts distributed to shareholders.
Capital Redemption Reserve	The capital redemption reserve arose on the purchase and cancellation of own shares.
Ordinary Shares	Amount subscribed for share capital at nominal value.
Treasury Shares Reserve	Arose on the purchase of own shares
Company Share Option Scheme	This represents the change in equity relating to the issue of company share options.

24. Related party transactions

Identity of related parties

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 £116,500 (2018: £98,500).

Sale of goods
Goods worth £3k (2018:£nil) were sold to R M Fiorentino and his family.

24. Related party transactions (continued)

Director's loans
During the prior year £29k was repaid to M Whettingsteel, a former director, in full settlement of an outstanding loan balance.

Purchase of own shares
During the prior 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 £78k (2018: £40k) were paid to close family members of key management personnel.

25. Operating lease commitments

The future aggregate minimum lease payments lease under non-cancellable operating leases are as follows:	**2019**	**2018**
	£000's	**£000's**
Land & Buildings		
No later than 1 year	282	213
Between 1 and 5 years	612	629
Over 5 years	307	685
	1,201	**1,527**
Other operating leases		
No later than 1 year	74	21
Between 1 and 5 years	84	9
Over 5 years	-	-
	158	**30**
Total	**1,359**	**1,557**

26. Notes supporting the cash flow statement

	2019	**2018**
	£000's	**£000's**
Net changes in working capital		
(Increase)/decrease in inventories	(67)	42
(Increase) in trade and other receivables	(49)	(2,273)
(Decrease)/Increase in trade and other payables	(857)	2,494
	(973)	**263**

27. Reconciliation of liabilities arising from financing activities

	Other payables £000's	Hire purchase £000's	Invoice discounting and credit card liabilities £000's	Total £000's
At 1 July 2017	**50**	**99**	**135**	**284**
Cash flows	(50)	(52)	(104)	(206)
At 1 July 2018	**-**	**47**	**31**	**78**
Assets acquired under hire purchase	-	34	-	34
Cash flows	-	(42)	(1)	(43)
At 30 June 2019	**-**	**39**	**30**	**69**

28. Cash and cash equivalents

	2019 £000's	2018 £000's
Cash at bank and in hand	1,729	2,154

29. Subsidiary audit exemption

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

Nexia Smith & Williamson

Opinion
We have audited the financial statements of Croma Security Solutions plc (the 'parent company') for the year ended 30 June 2019 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:
- give a true and fair view of the state of the parent company's affairs as at 30 June 2019;
- 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 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 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 financial statements is not appropriate; or
- the directors have not disclosed in the 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 financial statements are authorised for issue.

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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the 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 2019. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2019

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

18 October 2019

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £000's	2018 £000's
Assets			
Fixed assets			
Investments	E	8,935	8,935
		8,935	8,935
Current assets			
Debtors	F	1,484	655
Cash and bank and in hand		47	22
		1,531	677
Current liabilities			
Creditors: Amounts falling due within one year	G	(631)	(435)
Net current assets		900	242
Total assets less current liabilities		**9,835**	**9,177**
Issued capital and reserves attributable to owners of the parent			
Share capital	H	794	794
Capital redemption reserve		51	51
Treasury shares		(399)	(399)
Share premium		6,133	6,133
Merger reserve		2,139	2,139
Profit and loss account	C	1,117	459
Total equity		**9,835**	**9,177**

The company profit for year totalled £911k (2018:£502k)

These financial statements were approved and authorised for issue by the Board of Directors on 18 October 2019 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 2019

Cash flows from operating activities	**Notes**	**2019 £000's**	**2018 £000's**
Profit before taxation		911	502
Net changes in working capital	J	(633)	326
Net cash generated from operations		**278**	**828**
Cash flows from financing activities			
Sale of treasury shares		-	5
Purchase of treasury shares		-	(406)
Buy back and cancellation of shares		-	(354)
Dividends paid		(253)	(89)
Net cash used in financing activities		**(253)**	**(844)**
Net increase/(decrease) in cash		25	(16)
Cash and cash equivalents at beginning of period		22	38
Cash and cash equivalents at end of the period		**47**	**22**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	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 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**
Profit for the year	-	-	-	-	-	911	911
Dividends paid	-	-	-	-	-	(253)	(253)
At 30 June 2019	**794**	**51**	**(399)**	**6,133**	**2,139**	**1,117**	**9,835**

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

Basis of accounting

The separate financial statements of the Company have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The 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 £389k (2018: £414k). Dividends of £1.3m were received from its subsidiary undertakings (2018: £916k).

The Company's activities are funded by long term equity capital and by profits and cash generated from the activity of a holding company.

The financial statements do not reflect the adjustments that would be necessary were the performance of the Company to deteriorate and the Group's funding from invoice discounting to become unavailable. However, the Directors have considered expected cash requirements of the Company until 31 October 2020 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.

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.

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.

The directors do not consider there to be any key areas of estimation uncertainty. Areas of key judgement are considered below.

Impairment of investments

The directors have considered if there are any areas of impairment and have concluded based on the performance of the subsidiaries there are no indicators of impairment. At the year end the carrying value of investments totalled £8,935k (2018:£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 £911k (2018: £502k).

D. Staff costs	**2019 No.**	**2018 No.**
The average monthly number of persons (including Directors) employed by the company during the period was:		
Management and administration	6	6
Staff cost (for the above persons):	**£000's**	**£000's**
Wages and salaries	540	866
Pension	15	42
Social security costs	93	62
	648	**970**

	Shares in subsidiary undertakings
E. Fixed asset investments	**£000's**
Cost	
At 1 July 2018 and 30 June 2019	9,059
Impairment	
At 1 July 2018 and 30 June 2019	(124)
Net book value at 30 June 2018 and 30 June 2019	**8,935**

The principal fixed asset investments are as follows:

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

The registered office of CSS Total Security Limited, CSS Locksmiths Limited, Croma Locksmiths & Security Solutions Limited, Basingstoke Locksmiths Limited and Centre Security & Access key and Lock 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

F. Debtors	**2019 £000's**	**2018 £000's**
Amounts due from subsidiary undertakings, repayable on demand	1,456	626
Prepayments	28	29
	1,484	**655**

G. Creditors: Amounts falling due within 1 year	**2019 £000's**	**2018 £000's**
Amounts due to subsidiary undertakings, repayable on demand	521	292
Trade creditors	23	28
Other creditors	51	93
Other taxes and social security	36	22
	631	**435**

H. Share capital

Authorised, allotted, called up and fully paid:	**2019 £000's**	**2018 £000's**
Ordinary shares of 5 pence each	794	794

Issued and fully paid	**2019 Number 000's**	**2019 £000's**	**2018 Number 000's**	**2018 £000's**
Ordinary shares of 5 pence at 30 June 2017 and 30 June 2018	15,899	794	16,912	794
Purchase of own shares	-	-	(1,013)	(51)
Ordinary shares of 5 pence at 30 June 2018 and 30 June 2019	**15,899**	**794**	**15,899**	**794**

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 22 of the consolidated accounts.

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 31% of the voting shares.

Purchase of own shares

During the prior 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:

	2019	**2018**
	£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
Services provided by a service company for which C N McMicking is a director and which has been accounted for as Directors' remuneration.	-	15

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

J. Notes supporting the cash flow statement

	2019	**2018**
	£000's	**£000's**
Net changes in working capital		
(Increase)/decrease in trade and other receivables	(829)	208
Increase in trade and other payables	196	118
	(633)	**326**