CROMA SECURITY SOLUTIONS GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 June 2020

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COMPANY INFORMATION

Directors	S J F Morley	(Executive Chairman)
	R M Fiorentino	(Group Chief Executive)
	R A Juett ACA	(Finance Director)
	P Williamson	(Executive Director)
	C N McMicking	(Non-Executive)
	A N Hewson MA FCA	(Non-Executive)

Registered office

Unit 7 & 8 Fulcrum 4
Solent Way
Whiteley
Fareham
Hampshire
PO15 7FT

Registered number

03184978

Nominated advisers and brokers

WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

Registered independent statutory auditor

Nexia Smith & Williamson
Cumberland House, 15-17 Cumberland Place, Southampton, SO15 2BG

Solicitors

Shoosmiths
Russell House,
Solent Business Park
Whiteley, Fareham
Hampshire
PO15 7AG

Registrars

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen B62 8HD

Principal bankers

Lloyds Banking Group plc
PO Box 1000
London BX1 1LT

Svenska Handelsbanken AB
3 Thomas More Square
London E1W 1WY

Website

www.cssgplc.com

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

Introduction

I am pleased to be able to confirm a better than expected performance by the Group, with the results for the full year exceeding our earlier guidance. Like many at the outset of the pandemic our reaction was one of caution, and we suspended our interim dividend payment, closed our retail stores and worked to conserve cash and protect the business. As events unfolded it became clear the business was going to be able to weather the crisis reasonably safely, and while some areas such as retail would naturally be affected, other areas would prosper. Ultimately, Covid-19 did impact the results for the year, but our operations remain largely intact and the Board is confident in the Group's ability to continue to trade successfully through this crisis which is reflected in our decision to re-instate the interim dividend and pay a final dividend of 1.2p representing an increase of 9% over the prior year.

I would also like to make a particular mention of the way our teams have pulled together during a very challenging period, which has been the key factor behind our ability to continue to operate so successfully. So, on behalf of the Board, I would like to thank all our employees for their commitment and flexibility during an extraordinary period.

Strategy for Growth

The strategic direction for Croma is unchanged. Our focus is on establishing Croma as <u>the</u> British security brand in Britain. Two years ago, there was a marked shift in demand for the Group's services, driven by an increased and perceived level of risk across society arising from a mix of terror incidences and rising crime levels. The response from both the public and private sector was to increase the protection of their assets and themselves by opting for premium security services as offered by Croma. This created an opportunity to expand the Group's market position and commence establishing a national network of Croma Security Centres.

The Centres have evolved from the Group's retail stores to provide 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. Whereas previously stores focused on the consumer market only, the Croma Security Centres now sell successfully into both commercial and domestic markets. Currently, the Group has 10 centres and is actively seeking to acquire independent locksmith stores or small chains in suitable locations to be integrated into the Croma Security centre network. During 2020 the pandemic has slowed the Group's ability to complete transactions but also added to the pipeline of future opportunities.

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. Perhaps the best example of the Company's ethos is through the approach of the Group's largest business, the manned guarding division, Croma Vigilant. The industry as a whole has a poor reputation for providing low paid and lowly motivated security officers. By contrast, Croma's security officers are capable and highly trained with the skillsets to manage a range of scenarios. Providing a smart, premium service has enabled us to set new standards across the industry for the provision of manned guarding.

The final element to our strategy for growth is the incorporation of technology and innovation into the security solutions we provide. From using the latest in biometrics recognition technology to introducing a new front of house security service called PROception, we are very focused on leading our industry in developing modern security solutions.

Trading Performance

With the backdrop of operating alongside the pandemic, all three divisions performed resiliently in the year under review. Trading levels were slightly lower than the prior year but the underlying performance of all the businesses is sound.

Croma Vigilant, our manned guarding division performed well. While revenues contracted overall, this was partially offset by an increase in project work. Critically, the division secured two major contract wins and extensions in the year with Savills and a well-known London focused property company which together are worth £6.3 million annually. PROception is the emerging jewel in the crown, enabling the team to present existing and new clients with a new approach to safeguarding buildings that integrates security into front of house services.

The trading performances of both Croma Security Systems and Locksmiths were naturally also affected by the pandemic but overall, given the store closures forced upon us during the period, they performed resiliently.

Croma Biometrics remains a significant opportunity for the Group with FastVein™ coming to the forefront as a potent biometric high-speed human identifier.

The impairment referred to in note 11 of these accounts was largely driven by an increase in our cost of capital to 12.7% (2019: 11.6%). Nevertheless our balance sheet remains strong with no significant borrowings (other than lease liabilities) and cash at the year-end of £4.1m (2019:1.7m).

Dividend

Reflecting strong cashflow over the year, the Board is pleased to recommend a final dividend to shareholders of 1.2p per share (total 1.95p per share for the year) and subject to approval at the Annual General Meeting to be held on 25 November 2020, the final dividend will be paid on 27 November 2020 to all shareholders on the register at the close of business on 13 November 2020. The shares will be marked ex-dividend on 12 November 2020.

Outlook

An extraordinary year did not derail our business but instead the Group has adapted well to the new challenges enabling us to maintain our services fully. This is testimony to the strength in depth of the Group and to its contingency planning when client services were maintained despite significant numbers of staff in quarantine or furloughed. This was a test for our Group as it was for all companies and I believe we passed. This bodes well for the near future as we continue to operate under restrictions, and we are now confident in our ability to do so.

Importantly, we have also shown our ability to win material new mandates during the period, and since the year end the business is trading well. Taken together, we believe we are well positioned to make good progress for the year ahead.

Sebastian Morley (Oct 20, 2020 15:38 GMT+1)

Sebastian Morley
Chairman 20 October 2020

Operational Review

The Group's strategic objectives are:

- to deliver market leading full-service security offerings to some of the largest corporations and government departments. This is achieved by maintaining quality of service as a priority, focusing on meeting the full range of our clients' security needs, and leveraging both our brand and our 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 £27.0m (2019: £28.5m) and operating profit of £1.1m (2019: £1.4m). Covid-19 was responsible for some contraction of sales which were partially offset by increased project work including keyholding and patrols in new areas due to the pandemic.

A critical factor in achieving this result was the ability of the division to adapt to the new challenges arising from Covid-19 and one of the advantages of managing a business with a strong military ethos is that there is within the management team a familiarity with adapting to a crisis situation. The Company had in the ordinary course of managing the business run a series of business continuity scenarios in December 2019 which were directly applicable to providing the operational response in the last six months. As a result, despite having over 100 security staff in self isolation at one time, the Company was still able to deliver its premium guarding services to all existing clients and critically meet the increased demand created by Covid-19. This was achieved whilst implementing all safety precautions set out by the UK government and providing the necessary PPE workwear.

Contracted revenues over a period exceeding one month represented approximately 84% of income, ensuring that the Company continues to have good visibility over the reliability of future revenues. There was a similar split in income to previous years between private and public, remaining at approximately two thirds/one third respectively. Project work remains an important income stream and while it is often higher margin, it is less predictable. Our focus is on securing longer-term contracts, which are a better basis upon which to build the business for the future, good examples of which are the two larger contracts won during the year under review together worth £6.3 million annually.

Croma Vigilant provides manned guarding for assets and individuals and now employs over 850 security personnel throughout the UK. Fundamental to the division's success is the military ethos that pervades all aspects of the way the division is run, and all contact with customers. Alongside this approach is a focus on innovation, and a fundamental change for the division and its future has been the creation of PROception.

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 strategy. 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.

There is no doubt that the response to PROception amongst our customers has been very positive and that we are behind a transformation in the way many 'front-of-house' services will be managed going forward. This is translating into an expanded and often higher margin role for Croma Vigilant by incorporating PROception into a total manned guarding security solution.

Croma Vigilant is part of the Community Safety Accreditation Scheme enabling the division to provide private security within communities using mobile and foot patrol officers. This continues to be an area of growth as local councils and local communities take action to control their neighbourhoods. Croma Vigilant's reputation is growing in this area though our ability to provide a highly disciplined force of security personnel able to support the local police.

The first months of the new financial year have started positively and while Covid-19 restrictions do remain in place we are now confident in our ability to work within them.

Croma Security Systems

Croma Security Systems recorded sales of £2.46m (2019: £2.70m) and an operating profit before impairment of £0.28m (2019: £0.34m).

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 including CCTV, high security locks to FastVein™ biometrics technology for high speed human identification.

During the financial year Croma Security Systems successfully gained a licence from the Financial Conduct Authority ("FCA") and is now able to provide product and services to certain customers on a deferred payment or credit basis.

Croma Locksmiths

Croma Locksmiths, which operates through 10 security centres on the South Coast of the UK and centrally through the Group, delivered a resilient performance with sales of £2.89m (2019: £3.42m) and operating profit before impairment of £0.36m (2019: £0.48m). As a result of Covid-19 all stores closed on 23 March 2020 and reopened on a phased basis from May 20. Since re-opening trading has been positive and retail sales and footfall are moving back towards pre-Covid-19 levels.

Under the Group's strategy to become the British Homeland security brand through establishing a national chain of modern security centres, this division has evolved substantially over the past 18 months. All retail outlets have been converted into security centres and 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.

The focus is no longer to cater for the security needs of the individual consumer, but instead the security centres are able to provide sophisticated security solutions for both domestic and commercial customers, if needed, drawing upon all the resources and services of the larger Group.

In the last 18 months, the Company has acquired three locksmith stores which have all been converted into security centres. The opportunity to acquire further stores has been slowed by the pandemic but the market is highly fragmented and there are opportunities coming available as independent store owners choose to retire or the market environment makes a sale the preferred option. The Group has a clear set of acquisition criteria which based on the progress of the first acquisitions are working well. Currently, the store network is focused on affluent areas close to London and in the South of England.

Trading in the security centres is returning to normal following re-opening and unless there is further disruption from Covid-19 the division is well placed to continue to expand.

Croma Biometrics

Croma Biometrics trades as a division of Croma Security and recorded turnover of £121k (2019: £101k). 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.

Group Financials

The Group financials can be summarised as follows:	**2020 £000's**	**2019 £000's**
Revenue	32,321	34,599
Gross profit	5,516	6,490
Gross margin %	17.1%	18.8%
EBITDA	1,754	1,871
Other operating income	615	-
Impairment of goodwill	(857)	-
Operating profit	136	1,449
(Loss)/earnings per share	(0.90p)	7.82p
Net assets	11,692	11,990
Cash generated from operations	3,044	462
Cash and cash equivalents	4,076	1,729
Dividend per share in relation to the year	1.95p	1.8p

Due to a reduction in higher margin project work and also the impacts of the Covid-19 crisis (mainly to our Locksmith and Security divisions), gross profit reduced by 15% to £5.5m (2019: £6.5m). However, some divisions of the Group benefited from various Government support initiatives with furlough and local authority grant income of £0.6m included in other operating income.

The reduction in trade debtors and other receivables by £1.7m was the main contributory factor to the increase in cash generated from operations and the boost in cash and equivalents to £4.1m.

With cashflow remaining robust, the Group has not considered it necessary to avail itself of the various Coronavirus loan support initiatives available to it, including the Coronavirus Large Business Interruption Loan Scheme.

Operating profits, earnings per share and net assets were all impacted by an impairment charge of £0.9m against the goodwill of our Security and Locksmiths divisions. This is discussed in more detail at note 11 to the accounts. Without this adjustment, which the Board consider to be a one-off, the Group would report earnings per share of 4.8p.

With all divisions continuing to trade profitably and showing positive cashflow, the Board is pleased to be able to maintain its progressive dividend policy and recommends a final dividend to shareholders of 1.2p per share (2019:1.1p).

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 non-compliance 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.

Risk management (continued)

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.

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 while there continue to be instances where customers have settled beyond these terms, this has not caused us any difficultly.

Covid-19 Pandemic
The COVID-19 crisis, which affected the entire market, has tested the resilience preparedness of the Group.

Controls and mitigating strategies
Immediately following the announcement of lockdown in March 2020, the Board formed a crisis management team which now meets on a weekly basis to monitor business operations, weekly sales, cashflow and debt collection. The Group rapidly provided the capacity and capability for more staff to work from home which has continued beyond full lockdown to the present day.

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 to itself. 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 formally on a monthly basis, usually in person but more recently by video conference to review and discuss strategy, financial results, business planning, sales, operations and HR matters. The Board has also been meeting weekly on a more informal basis and by video conference since the commencement of the lockdown in March 2020.

Directors' attendance at formal 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	10	11	-	-	-	-
R M Fiorentino	11	11	-	-	-	-
A N Hewson	11	11	2	2	2	2
R A Juett	11	11	-	-	-	-
P Williamson	10	11	-	-	-	-
C N McMicking	11	11	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 normally encouraged to attend and vote at our Annual General Meeting, however due to Covid-19 restrictions, this will not be possible for the forthcoming AGM.

Section 172 statement

Section 172 of the UK Companies Act 2006 requires Directors to act in a way they consider, in good faith, would most likely promote the success of the Group for the benefit of its members as a whole. In doing this the Directors are required to have regard to the interest of the Group’s employees and other stakeholders, including the impact of its activities on the community, environment and the Group’s reputation, when making decisions. Details on how the Board operates and the way Directors reach decisions, including some of the matters discussed during the year and the key stakeholder considerations that were central to those discussions, are included in the Corporate Governance Report on pages 14 to 22.

The Board considers that the impact of the Group’s operations on the community and environment are minimal. However, measures including the regular replacement of company vehicles so that our fleet meets the most up to date emission standards; occupation of modern energy efficient premises; route planning to minimise company mileage; and encouraging employees to work from home where possible, so as to reduce their carbon footprint; are all matters which are given importance.

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 £27.0m for the year which although down on the prior year, represents a good performance in the current environment. The division continues to bid for and win new work on a regular basis and the continued promotion of our PROception offering has yielded new work and helped to retain work from our more larger customers, who 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 £3.3m which is down from the record £3.9m 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. The majority of revenue is from contracts with renewal dates of between 1 and 5 years (see note 3)
Cash	Croma Vigilant continues to be cash generative with borrowing facilities which remain unused along with positive cash resources at the year-end of £2.7m.
Croma Security Systems (including Croma Biometrics)	
Sales	Impacted by Covid-19 sales have seen 7% reduction to £2.5m, from £2.7m in the prior year. Biometric sales are stable at £0.1m. We continue to invest in our sales team and actively market our Systems business through our chain of security centres.
Customer retention	Customer retention remains good, with our largest customers, two national cinema chains, delivering contracted revenues of £0.8m.
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 £0.3m.

Croma Locksmiths

Sales and retail performance	Using in-house developed EPOS software, sales and footfall are monitored on a daily basis for retail, and monthly basis for commercial sales. Emphasis is placed on individual performance of the outlets with regular visits and meetings with branch managers. In a difficult year, impacted by Covid-19, sales fell by 15% in the year to £2.9m. Our strategy, which has been put on hold while Covid-19 continues, is to develop our existing geographic coverage by expanding our branch network and to gain more profitable commercial contracts on the back of this.
Cash	Croma Locksmiths has remained cash generative and at the year-end cash balances are at £1.0m.

Roberto Fiorentino
Roberto Fiorentino (Oct 20, 2020 15:41 GMT+1)

Roberto Fiorentino
Chief Executive
20 October 2020

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 22 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 previously 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. Directors' remuneration is disclosed at note 7.

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

Frequency of meetings
Where possible, the Board meets on a formal basis every month, and during the Covid-19 crisis every week on an informal basis. 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.

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

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

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

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.

During the year we successfully completed our contract with a major water utility busines which was run in collaboration with a major lock supplier. This required continuous engagement between the supplier and our chief executive via face to face meetings, telephone and video conference.

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, some 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.

Our customers are of course pivotal to the success of our business. Through our sales and operations teams, we endeavour to supply a knowledgeable and targeted service. Our security solutions are mainly tailored to exactly meet our client's requirements. We are well placed to meet our customers security needs by bringing all the skills across our divisions together to provide a one-stop solution.

Where possible we engage with our customers at Board level and this is certainly the case with our operations director and chief executive who regularly monitor and attend meetings with our larger customers. Our significant contract wins of £6.3m during the current year can be directly attributed to this face to face approach.

For our smaller customers we continue to conduct telephone calls following the completion of our services and the results of these are monitored closely to ensure our reputation for excellence is maintained.

Being primarily a service business, our people are our most valuable-asset and are critical to the delivery of our strategy of growth. We currently employ over 850 people and correct engagement with them is vital. We are fortunate to have a great team of talented and motivated people in our Group and it is important to retain and develop them so that we can attract and inspire new people to join us as we grow our operations.

We operate an open-door policy and employees can speak and engage with senior management or the Board about issues or ideas.

We have a formal induction and appraisal processes for new and existing employees. We have a web-based employee portal primarily used by our guarding and PROception staff, for them to manage their work shifts, holidays, and personal information. This portal undergoes continuous development. We also have a cross company integrated email system and utilise Microsoft Teams for collaboration between our people internally and between us and our customers and suppliers.

When possible, we hold regular social events for our employees who are also encouraged to engage in charity events such as the three peaks challenge. We encourage our people to have a culture of respect and integrity and we reward long-service.

The Board recognises that the COVID-19 crisis has caused our people difficulties and hardship. To address this, we have provided additional IT equipment to enable more employees to work from home where possible and although it has been necessary to furlough some employees, we have continued to top up their wages and salaries to full value. We are delighted to report that so far, no significant redundancies have been necessary as a direct result of the COVID-19 crisis.

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

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.
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.
Our Guarding division continues to work to achieve accreditation under ISO 27001.

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

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 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

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 are all regulated by the SIA and as such undergo a timely recertification of their appropriateness for such an appointment. Additionally, certain members of the Board are themselves members of other professional bodies which require certain continuing professional development obligations to be complied with. All members of the Board are encouraged to attend management development courses. 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.

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

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 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

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 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

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 joined 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 39 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 2020.

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 loss for the year after taxation, was £0.13m (2019: profit £1.17m)

Directors

The Directors who have held office since 1 July 2020 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 as at 30 June 2020 had the following beneficial interest in the ordinary shares of the Company

	2020	**2019**
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	65,000	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 2020:

Canaccord Genuity Group Inc.	11.60%
Liontrust Investment Partners LLP	5.20%
Francis Erard	5.00%

There are no options currently in issue over the company's shares.

At 30 June 2020, 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 20.

Research and development

There was no significant Research and development expenditure during the year or the prior year.

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 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 has considerably more than 250 UK based employees and its 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, especially in the year under review, 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, and particularly in regard to health and safety at work.

Political and charitable donations
Charitable donations were £4,407 (2019: £2,265). 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 0.75p per share was declared on 7 March 2020 and cancelled on 19 March 2020 due to Covid-19 concerns. The interim dividend was subsequently reinstated and paid on 4 September 2020 at a cost of £0.1m. Subject to approval at the AGM, the Board recommends a final dividend of 1.2p 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
Richard Juett (Oct 20, 2020 15:45 GMT+1)

R A Juett - Finance Director
20 October 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2020

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

Richard Juett (Oct 20, 2020 15:45 GMT+1)

R A Juett - Finance Director
20 October 2020

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 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, 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 2020 and of its loss 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 in relation to the group and investment in subsidiaries in relation to the parent company	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 The parent company has material investments in subsidiaries. The parent company'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, other intangible assets and investments in subsidiaries described in notes 11 and 12. 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.

Our application of materiality

The materiality for the financial statements of the Group as a whole was set at £484,000. 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 £303,500. 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 27, 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 2020.

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
Nexia Smith & Williamson (Oct 20, 2020 16:17 GMT+1)

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

Date: 20/10/2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

Continuing operations:

		2020		2019	
	Notes	**£000's**	**£000's**	**£000's**	**£000's**
Revenue	3		32,321		34,599
Cost of sales			(26,805)		(28,109)
Gross profit			5,516		6,490
Administrative expenses			(5,995)		(5,041)
Other operating income			615		-
Operating profit			136		1,449
Analysed as:					
Earnings before interest, tax, depreciation amortisation		1,754		1,871	
Impairment	11	(857)		-	
Amortisation of intangible assets	12	(191)		(190)	
Depreciation	13	(570)		(232)	
		136		1,449	
Financial expenses	5		(49)		(2)
Profit before tax			87		1,447
Tax	8		(221)		(281)
(Loss)/profit for the year from continuing operations			(134)		1,166
Total comprehensive (loss)/income attributable to owners of the parent			(134)		1,166
Earnings per share	9				
Basic and diluted (loss)/earnings per share (pence) from continuing operations			(0.90)		7.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £000's	2019 £000's
Assets			
Non-current assets			
Goodwill	11	6,454	7,311
Other intangible assets	12	456	647
Property, plant and equipment	13	574	668
Right-of-use assets	14	1,120	-
		8,604	8,626
Current assets			
Inventories	15	764	825
Trade and other receivables	16	4,535	6,163
Cash and cash equivalents	26	4,076	1,729
		9,375	8,717
Total assets		**17,979**	**17,343**
Liabilities			
Non-current liabilities			
Deferred Tax	21	(128)	(158)
Lease liabilities	18	(837)	(23)
		(965)	(181)
Current liabilities			
Trade and other payables	18	(4,982)	(5,126)
Borrowings and lease liabilities	18	(340)	(46)
		(5,322)	(5,172)
Total liabilities		(6,287)	(5,353)
Net assets		**11,692**	**11,990**
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	2,974	3,272
Total equity		**11,692**	**11,990**

These financial statements were approved and authorised for issue by the Board of Directors on 20 October 2020 and signed on their behalf by

Sebastian Morley (Oct 20, 2020 15:38 GMT+1)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £000's	2019 £000's
Cash flows from operating activities			
Profit before taxation		87	1,447
Depreciation amortisation and impairment losses		1,618	422
(Profit) on sale of property, plant and equipment		(2)	-
Net changes in working capital	25	1,698	(973)
Financial expenses		49	2
Corporation tax paid		(406)	(436)
Net cash generated from operations		**3,044**	**462**
Cash flows from investing activities			
Purchase of business costs net of cash acquired		-	(245)
Purchase of property, plant and equipment		(121)	(356)
Proceeds on disposal of property, plant and equipment		11	12
Net cash used in investing activities		**(110)**	**(589)**
Cash flows from financing activities			
Payments to reduce lease liabilities		(408)	(42)
Payments to reduce borrowings		(15)	(1)
Dividends paid		(164)	(253)
Interest paid		-	(2)
Net cash used in financing activities		**(587)**	**(298)**
Net increase/(decrease) in cash		**2,347**	**(425)**
Cash and cash equivalents at beginning of period		1,729	2,154
Cash and cash equivalents at end of period	26	**4,076**	**1,729**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

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 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**
Loss for the year	-	-	-	-	-	(134)	-	(134)
Dividends paid	-	-	-	-	-	(164)	-	(164)
At 30 June 2020	**794**	**51**	**(399)**	**6,133**	**2,139**	**2,974**	**-**	**11,692**

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 financial statements have been prepared on a going concern basis.

The Group's activities are funded by long-term equity capital and 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 2021.

Despite the impacts of Covid-19 the Board continues to be positive about the retention of customers and the outlook of its trading operations. Profit and cash flow projections support the Board's view 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.

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 performance obligations, 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 straight line over the period of the installation.
- Maintenance and service fees are recognised when the service has been provided, which is typically a period of three to four months from invoice date, 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

- 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.

Government grants
Grants are accounted for under the accruals model under IAS20. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

Grants awarded to provide financial support or assistance rather than relating to specific expenditure are recognised in the Consolidated Statement of Comprehensive Income in the period which they become receivable.

Grant income has been recognised as other operating income in the Consolidated Statement of Comprehensive Income.

1. Accounting policies (continued)

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

Freehold property	-	4% on cost
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

The Group has applied IFRS 16 Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17. The details of accounting policies under IAS17 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 19.

Accounting policy applicable before 1 July 2019

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.

Accounting policy applicable after 30 June 2019

IFRS 16 was adopted as of 1 July 2019 without restatement of comparative figures.

A right of use asset and a lease liability has been recognised for all leases except leases of low value assets, which are considered to be those with a fair value below £4,500, and those with a duration of 12 months or less. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

1. Accounting policies (continued)

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been disclosed separately from property, plant and equipment.

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.

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.

1. Accounting policies (continued)

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 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 lease liabilities 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.

New and amended standards adopted by the group and company
The Group has adopted for the first time IFRS 16 "Leases". The Company has elected to adopt the modified retrospective method (including practical expedients of C10 of IFRS16) with the cumulative effect of initially applying the new standard recognised on 1 July 2019. These new standards required additional disclosures which have been provided in notes 4 and 19. The adoption of these new standards has had a material impact on the consolidated financial statements of the group.

There are no other new standards or amendments to standards which are mandatory for the first time for the financial year ended 30 June 2020.

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 2020 or later periods and have not been early adopted. The effect on the consolidated financial statements of the Group for these new standards, interpretations and amendments has not yet been assessed.

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. In order to derive the present value, the discount rate that has been calculated is 12.7% (2019: 11.6%).

The carrying amount of goodwill at the statement of financial position date was £6,454k. Details relating to the allocation of goodwill to cash generating units are given in note 11.

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

3. Segmental reporting `

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Locksmiths (Locks)	Central	Total
2020 Business Segments	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	26,968	2,459	2,894	-	32,321
Gross profit	3,335	996	1,184	-	5,515
Administrative expenses	(2,204)	(688)	(770)	(716)	(4,378)
Amortisation	-	(62)	(129)	-	(191)
Depreciation	(231)	(88)	(251)	-	(570)
Profit/(loss) on disposal	3	-	(1)	-	2
Other operating income	165	126	324	-	615
Operating profit/(loss) before impairment	1,068	284	357	(716)	993
Impairment of goodwill	-	(433)	(424)	-	(857)
Operating profit/(loss) after impairment	1,068	(149)	(67)	(716)	136
Segment assets	7,201	4,459	4,950	1,369	17,979
Segment (liabilities)	(3,919)	(856)	(1,357)	(155)	(6,287)
Segment net assets	3,282	3,603	3,593	1,214	11,692
Additions to non-current assets	82	30	11	-	123
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)
(Loss)/profit 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

3. Segmental reporting (continued)

An analysis of revenue by type is shown below:

Revenues from UK sources	2020 £000's	2019 £000's
Security Personnel Services	26,682	28,300
Sale of Goods & Installation Services	4,712	5,513
Monitoring Maintenance and Service fees	527	499
Biometric Installation and Maintenances fees	121	101
Keyholding income	279	186
	32,321	**34,599**

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

	2020 £000's	2019 £000's
To be satisfied in the next financial year	20,521	19,887
To be satisfied in subsequent financial years	17,200	17,614
	37,721	**37,501**

There were three customers where revenue was greater than 10% of the total (2019: three). Revenue from these customers was derived from Security Personnel Services.

Significant customer analysis:

	Total revenue		Total revenue	
	2020 £000's	2020 %	2019 £000's	2019 %
Customer 1	5,391	17%	6,610	19%
Customer 2	4,504	14%	4,490	13%
Customer 3	4,097	13%	3,742	11%

4. Expenses	**2020 £000's**	**2019 £000's**
Amount of inventory expensed as cost of sales	2,081	2,262
Write down of inventories	7	22
Operating lease expense	-	391
Lease rentals - low value assets	5	-
Impairment loss	857	-
Depreciation - owned assets	208	232
Depreciation - right of use assets	362	
Amortisation	191	190
Auditors' remuneration:		
Audit of parent company and consolidated financial information payable to Nexia Smith & Williamson	44	38
Fees paid to the auditor in respect of tax compliance services	5	5

5. Financial expenses	**2020 £000's**	**2019 £000's**
Interest on hire purchase agreements	-	2
Interest on other lease liabilities	49	-
	49	**2**

6. Staff and staff costs

The average monthly number of persons (including Directors) employed by the Group during the period was:	**2020 No.**	**2019 No.**
Management and administration	30	30
Service and product provision	874	925
	904	**955**
Staff cost (for the above persons):	**£000's**	**£000's**
Wages and salaries	23,957	24,965
Pension	456	445
Social security costs	2,230	2,351
	26,643	**27,761**

7. Directors' and key management personnel remuneration

2020	Salary and bonus £000's	Estimated value of benefits £000's	Pension £000's	Total £000's
S J F Morley	173	5	4	182
R M Fiorentino	236	4	-	240
P Williamson	172	12	1	185
R A Juett	68	2	14	84
A N Hewson	25	2	-	27
C McMicking	25	-	-	25
	699	**25**	**19**	**743**

There were no share-based payments during the year or the prior year

2019	Salary and bonus £000's	Estimated value of benefits £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**

Key management personnel compensation

Key management personnel compensation comprises short-term employee benefits which total £796k (2019: £789k) and long-term employee benefits which total £19k (2019: 19k)

8. Taxation	**2020 £000's**	**2019 £000's**
Analysis of the tax charge in the year		
Current year tax charge		
UK corporation tax charge on profit for the year	239	313
Adjustments for prior periods	14	7
Total current tax	253	320
Deferred tax (note 21)		
Current year	(51)	(28)
Adjustments for prior periods	19	(11)
Tax on profit on ordinary activities	**221**	**281**

Factors which may affect future tax charges

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

Factors affecting the tax charge for the year

	2020 £000's	**2019 £000's**
Profit before taxation	87	1,447
Profit multiplied by the standard rate of taxation of 19% (2019: 19%)	18	275
Effects of:		
Expenses not deductible for tax purposes	170	10
Adjustment to tax charge for previous periods	33	(4)
Total tax charge for the year	**221**	**281**

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders, from continuing operations, divided by the weighted average number of shares in issue during the year, calculated on a daily basis.

The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares and the post-tax effect of dividends and interest on the assumed conversion of all other dilutive options and other potential ordinary shares.

	2020	**2019**
	£000's	**£000's**
Numerator		
(Loss)/Earnings for the year on continuing operations and used in basic and diluted EPS	(134)	1,166
Denominator		
Weighted average number of shares used in basic and diluted EPS (000's)	14,902	14,902
	Pence	**Pence**
Basic and diluted (loss)/earnings per share	(0.90)	7.82

10. Dividends

A final dividend of 1.1p per share for the year ended 30 June 2019 was paid on 29 November 2019 at a cost of £164k. An interim dividend for the year ended 30 June 2020 of 0.75p per share was declared, cancelled, re-declared and finally paid on 4 September 2020.

Subject to approval at the AGM, the directors recommend a final dividend of 1.2p per share for the year.

11. Goodwill

Cost	**£000's**
At 1 July 2019 & 30 June 2020	7,311
Accumulated impairment losses	
At 1 July 2019	-
Arising in the year	857
At 30 June 2020	857
Net book value	
At 1 July 2019	7,311
At 30 June 2020	6,454

Impairment testing

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". An impairment charge of £857k (2019: £Nil) occurred 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:	**2020** **£000's**	**2019** **£000's**
Croma Security Systems	2,906	3,339
Croma Locksmiths	2,152	2,576
Croma Vigilant	1,396	1,396
	6,454	**7,311**

11. Goodwill (continued)

Forecasts, growth and discount rates

The recoverable amount relating to Croma Vigilant, Croma Security Systems and Croma Locksmiths was determined based on value-in-use calculations, covering a detailed forecast for the five-year period to 30 June 2025, 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 12.7% which is based on a number of factors including the risk-free rates in the UK (using the yield from 20 year British Government Securities, with a nominal zero coupon, as at 30 June 2020), the Group's estimated market risk premium, the anticipated future rates of corporation tax and a premium to reflect size of the Group and current economic environment associated with the COVID-19 pandemic.

Cashflow assumptions

Croma Vigilant

The effect of the COVID-19 pandemic on the business of Croma Vigilant is considered minimal and for the year to 30 June 2021 turnover is forecast to increase by 13% through the growth of the existing customer portfolio. Direct costs are forecast to increase proportionately and overheads by approximately 4%.

For the period from 2021 to 2024 the same assumptions have been made as for the prior year, namely:

- Revenue to grow by 3% per annum (2019: 3%)
- Direct wages to rise in proportion to revenue
- Other direct costs to increase at 2.5% per annum (2019: 2.5%)
- Indirect costs to increase at 2% per annum (2019: 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

For the year ended 30 June 2020 sales were impacted by the COVID-19 pandemic and fell by 7% mainly as a result. On the basis that any future Government lockdown provisions do not impact the business, we forecast a modest 5% increase in turnover for the year ending 30 June 2021 from this lower base.

For the period from 2021 to 2025 the following assumptions have been made:

- Revenue growth of 3.14% (2019: 3.14%)
- Direct cost growth of 4.0% (2019: 2.6%)
- Overheads growth of 2.30% (2019: 2.06%)

For the year ended 30 June 2025 onwards, net revenues are assumed to increase by 2% per annum.

Primarily driven by the increase in the discount rate applied and based on these assumptions the net present value of future cashflows is £3,718k which when compared to the carrying value of goodwill and net assets has resulted in an impairment loss of £433k.

Croma Locksmiths

Towards the end of March through to May 2020 sales were severely impacted by lockdown measures and during the phased reopening of our retail units sales have remained below the levels seen during the period from July to February 2020. Since the year end and following full reopening, we have seen a continued improvement in our retails sales but in the commercial sector we are still seeing reluctance to spend particularly for customers trading in the entertainment and holiday sectors. For the year ended 30 June 2021 therefore we have prepared a conservative forecast which indicate a slight reduction from the level seen during the year ending 30 June 2020 and operating profits reducing by approximately 3%.

For the period from 2021 to 2025 the following assumptions have been made:

- Revenue growth of 3.14% (2019: 3.14%)
- Direct cost growth of 2.6% (2019: 2.6%)
- Indirect costs growth of 2.19% (2019: 1.97%)

For the year ended 30 June 2025 onwards, net revenues are assumed to increase by 2% per annum.

Primarily driven by the increase in the discount rate applied and based on these assumptions the net present value of future cashflows is £3,937k which when compared to the carrying value of goodwill and net assets has resulted in an impairment loss of £424k.

Sensitivities

The Directors have applied sensitivity analysis to future cashflows to estimate the likelihood of future impairment.

The cashflow forecasts are sensitive to changes in the discount rate and to long term revenue growth. For example, for each 0.1% increase in the discount rate the value of future cashflows reduces by approximately £70K and for each 0.1% decrease in long term revenue growth the value of future cashflows reduces by approximately £50k, each change would impact the impairment loss in a negative way.

In difficult trading conditions the Directors have prepared conservative and achievable forecasts and believe it is likely that long term revenue growth can be achieved or exceeded.

The discount rate which increased by 1.1% during the year, is determined largely by factors outside of the directors control, however the directors consider it unlikely that a similar increase will be seen in the year to 30 June 2021 and so if a further impairment adjustment is necessary it is unlikely to be of the magnitude seen in the current year under review.

12. Other intangible assets

Fair value	R&D £000's	Customer relationships £000's	Brands £000's	Software licences £000's	Brand Royalties £000's	Total £000's
At 1 July 2018	**86**	**1,727**	**295**	**222**	**31**	**2,361**
Additions	-	-	-	2	-	2
At 30 June 2019 & 2020	**86**	**1,727**	**295**	**224**	**31**	**2,363**
Amortisation						
At 1 July 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**
Charge for the year	-	162	29	-	-	191
At 30 June 2020	**86**	**1,326**	**242**	**222**	**31**	**1,907**
Carrying Value at 1 July 2019	**-**	**563**	**82**	**2**	**-**	**647**
Carrying Value at 30 June 2020	**-**	**401**	**53**	**2**	**-**	**456**

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.

The amortisation expense of £191k has been categorised as an administrative expense in the consolidated statement of comprehensive income.

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 12.70% (2019: 11.60%) 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 £401k have a remaining life of between 1.5 to 5.5 years.

12. Other intangible assets (continued)

Brands

The brand of Croma Locksmiths is enduring within its locality. An assessment of the brand value was made by applying a comparable third-party royalty rate of 7.5% to forecast turnover using a nil rate growth model. After-tax revenues of the remaining estimated useful life of 2 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 £53k, have a remaining useful life of 2 years.

13. Property, plant and equipment

	Property	Plant and office equipment	Motor vehicles	Total
	£000's	£000's	£000's	£000's
Cost				
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**
Additions	2	96	23	121
Disposals	-	-	(24)	(24)
At 30 June 2020	**315**	**887**	**352**	**1,554**
Accumulated depreciation				
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**
Charge for the year	26	120	62	208
On disposals	-	-	(17)	(17)
At 30 June 2020	**110**	**619**	**251**	**980**
Carrying amount				
At 30 June 2020	**205**	**268**	**101**	**574**
At 30 June 2019	**229**	**292**	**147**	**668**

14. Right-of-use assets

	Property £000's	Motor vehicles £000's	Total £000's
Cost			
At 1 July 2019	-	-	-
Adjusted on adoption of new accounting standards	1,282	154	1,436
At 1 July 2019 (amended)	**1,282**	**154**	**1,436**
Additions	-	46	46
At 30 June 2020	**1,282**	**200**	**1,482**
Accumulated depreciation			
At 1 July 2019	-	-	-
Charge for the year	283	79	362
At 30 June 2020	**283**	**79**	**362**
Carrying amount			
At 30 June 2020	**999**	**121**	**1,120**
At 30 June 2019	-	-	-

15. Inventories

	2020 £000's	2019 £000's
Raw materials and consumables	742	761
Work in progress	22	64
	764	**825**

16. Trade and other receivables	2020 £000's	2019 £000's
Trade receivables	4,160	5,702
Allowance for bad debts	-	(7)
Net trade receivables	4,160	5,695
Other receivables	30	10
Prepayments	345	458
Total trade and other receivables	**4,535**	**6,163**

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	2020 £000's	2019 £000's
As at 1 July	7	35
Charge for the period	10	10
Uncollected amounts written off, net of recoveries	(17)	(38)
As at 30 June	**-**	**7**

In the view of the Board the level of credit risk remains low, due to a wide mix of clients in different trade sectors. No significant impairment has arisen because of the Covid-19 crisis. 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	2020 £000's	2019 £000's
Debts past due but not paid		
Under 60 days	455	407
60-90 days	206	342
Over 90 days	233	37
	894	**786**
Debtor days	44	55

17. Categories of financial asset	**2020 £000's**	**2019 £000's**
Loans and receivables		
Trade and other receivables	4,190	5,705
Cash at bank and in hand	4,076	1,729
	8,266	**7,434**

18. Trade and other payables	**2020 £000's**	**2019 £000's**
Trade payables	345	603
Other payables	158	103
	503	**706**
Other taxes and social security	1,854	1,253
Corporation tax liability	166	319
Accruals and contract liabilities	2,459	2,848
Total trade and other payables, excluding borrowings and lease liabilities	**4,982**	**5,126**

Interest bearing borrowings and lease liabilities due within 1 year	**2020 £000's**	**2019 £000's**
Lease liabilities (due in less than 1 year)	325	16
Credit card liabilities	15	30
	340	**46**
Lease liabilities due after 1 year		
Lease liabilities (due in 1 to 5 years)	837	23
	837	**23**

Lease liabilities are secured against the assets to which they relate.

Due to the COVID-19 crisis, HMRC has allowed the Group to defer payment of certain VAT and PAYE liabilities

19. Leases

As indicated in note 1, the Group has adopted IFRS 16 Leases retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 1. Relevant practical expedients have been used in applying IFRS 16 as noted below.

The Group has lease contracts for property, vehicles and other assets which have lease terms varying between 1 and 10 years. The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value; these leases have been expensed in accordance with the practical expedients permitted under IFRS 16.

Contracts may contain both lease and non- lease components. The Group allocates consideration between lease and non-lease components based on the price a lessor, or similar supplier, would charge to purchase that component separately.

The lease term begins at the commencement date and includes any rent-free periods provided by the lessor. Lease terms vary between contracts and depend on the individual facts and circumstances of the contract.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rate applied was 3.5%. The Group has taken advantage of the practical expedient permitted under IFRS 16 to apply a single discount rate to a portfolio of leases with similar characteristics.

A reconciliation of the changes to reported operating lease commitments for 2019 is as follows:

	£000's
Operating lease commitments disclosed at 30 June 2019	1,359
New arrangements entered into on 1 July 2019	245
Less: Low value leases recognised as an expense	(3)
Discounted using the incremental borrowing rate at 1 July 2019	(165)
Lease liability and right of use assets recognised at 1 July 2019	1,436

Minimum lease payments fall due as follows:

Gross obligations repayable:	
Within one year	360
Between one and five years	598
Over five years	335
Net obligations repayable:	
Within one year	325
Between one and five years	525
Over five years	312

Amounts recognised in the consolidated statement of comprehensive income:

Interest on lease liabilities	49

Amounts recognised in the consolidated statement of cashflows:

Payments to reduce lease liabilities	408

20. Interest rate and liquidity risk

2020	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		345	158	-	503
Lease obligations	3.50%	-	325	837	1,162
Accruals		1,265	1,194	-	2,459
Floating rate					
Credit card liabilities	2.80%	-	15	-	15
Total		**1,610**	**1,692**	**837**	**4,139**

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
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**

21. 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	**2020 £000's**	**2019 £000's**
The movement on the deferred tax account is shown below		
At 1 July	160	197
Charged to the statement of comprehensive income	(32)	(39)
At 30 June	**128**	**158**
The deferred tax provision at 30 June comprises the following temporary differences:		
Capital allowances in advance of depreciation	59	55
Arising on fair value adjustments recognised on business combination	83	109
Other short term temporary differences	(14)	(6)
	128	**158**

At 30 June 2020 deferred tax has been provided at a rate of 19% (2019: 17%)

The Group has tax losses of approximately £1.8m (2019: £1.8m) to carry forward which could not be utilised against trading profits. The potential deferred tax asset arising on these tax losses of £324k (2019: £306k) has not been recognised as it is doubtful that it will be utilised in the foreseeable future.

22. Share capital	**2020 £000's**	**2019 £000's**
Authorised, allotted, called up and fully paid:		
Ordinary shares of 5 pence each	794	794
	Number 000's	**Number 000's**
Issued and fully paid		
Ordinary shares of 5 pence at the start and end of the year	15,899	15,899

22. Share capital (continued)

The Group operates the CSSG Share Option Scheme 2014 (the Scheme), which is a share option scheme approved by HMRC.

Although there are no current share options in issue, the Board keep the scheme under review, and consider new options as a way 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:

	2020 Number	**2019 Number**
Share options in issue at the start of the year	**-**	**2,000**
Lapsed in the year	-	(2,000)
Exercised in the year		
Share options in issue at the end of the year	**-**	**-**

The charge to the statement of comprehensive income in the year was £nil (2019: £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

The Parent Company has a controlling related party relationship with its subsidiary companies. The Group has a related party relationship with its Directors, executive officers, pension funds and trusts, who with their immediate relatives control 33% of the voting shares.

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 £117k (2019: £117k) and in respect of these leases, £484k (2019: £nil) is included in lease liabilities at 30 June 2020.

Salaries paid to close family members
During the year salaries totalling £70k (2019: £78k) were paid to close family members of key management personnel.

25. Notes supporting the cash flow statement

	2020 £000's	2019 £000's
Net changes in working capital		
Decrease/(increase) in inventories	61	(67)
Decrease/(increase) in trade and other receivables	1,628	(49)
Increase/(decrease) in trade and other payables	9	(857)
	1,698	**(973)**

26. Cash and cash equivalents

	2020 £000's	2019 £000's
Cash at bank and in hand	4,076	1,729

27. Reconciliation of liabilities arising from financing activities

	Lease liabilities £000's	Invoice discounting and credit card liabilities £000's	Total £000's
At 1 July 2018	**47**	**31**	**78**
New lease liabilities	34	-	34
Cash flows	(42)	(1)	(43)
At 30 June 2019	**39**	**30**	**69**
Application of IFRS16	1,436	-	1,436
At 1 July 2019 (amended)	**1,475**	**30**	**1,505**
New lease liabilities	46	-	46
Cash flows	(359)	(15)	(374)
At 30 June 2020	**1,162**	**15**	**1,177**

28. Subsidiary audit exemption

The wholly-owned subsidiaries of Croma Security Solutions Group Plc: Vigilant Security (Scotland) Limited, CSS Total Security Limited, CSS Locksmiths Limited, 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 2020 which comprise the statement of financial position, the statement of cash flows, the statement of changes in equity and the parent company notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on 27, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the group's and 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

Other matter
We have reported separately on the group financial statements of Croma Security Solutions Group Plc for the year ended 30 June 2020. This separate auditor's report on the group financial statements includes other audit planning and scoping matters that relate to the parent company audit. The recoverability of investment in subsidiaries was considered to be a key audit matter in relation to the parent company and has been reported on in the separate auditor's report on the group financial statements.

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
Nexia Smith & Williamson (Oct 20, 2020 16:17 GMT+1)

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

Date: 20/10/2020

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 £000's	2019 £000's
Assets			
Fixed assets			
Investments	E	8,498	8,935
		8,498	8,935
Current assets			
Debtors	F	1,544	1,484
Cash and bank and in hand		76	47
		1,620	1,531
Current liabilities			
Creditors: Amounts falling due within one year	G	(413)	(631)
Net current assets		1,207	900
Total assets less current liabilities		**9,705**	**9,835**
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	987	1,117
Total equity		**9,705**	**9,835**

The company profit for year totalled £34k (2019:£911k)

These financial statements were approved and authorised for issue by the Board of Directors on 16 October 2020 and signed on their behalf by

Sebastian Morley (Oct 20, 2020 15:38 GMT+1)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
Cash flows from operating activities	**Notes**	**£000's**	**£000's**
Profit before taxation		34	911
Net changes in working capital	J	(278)	(633)
Impairment losses		437	-
Net cash generated from operations		**192**	**278**
Cash flows from financing activities			
Dividends paid		(164)	(253)
Net cash used in financing activities		**(164)**	**(253)**
Net increase in cash		28	25
Cash and cash equivalents at beginning of period		47	22
Cash and cash equivalents at end of the period		**75**	**47**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	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 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**
Profit for the year	-	-	-	-	-	34	34
Dividends paid	-	-	-	-	-	(164)	(164)
At 30 June 2020	**794**	**51**	**(399)**	**6,133**	**2,139**	**987**	**9,705**

The following notes form part of the primary financial statements

A. Significant accounting policies

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

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 £767k (2019: £389k). Dividends of £0.8m were received from its subsidiary undertakings (2019: £1.3m).

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 2021 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.

Estimates and assumptions:
Impairment of investments in subsidiaries. The directors have considered if there are any areas of impairment and concluded that under current market conditions, and in particular the unknown future impacts of the COVID-19 crisis on cashflow projections that there are indicators of impairment. Determining whether investments in subsidiaries is impaired requires an estimation of the value in use of the cash generating units to which the investment relates. The value in use calculation requires the entity to estimate the future cashflows expected to arise from the cash generating unit. In order to derive the present value, the discount rate that has been calculated is 12.7%.

An impairment of £437k against fixed assets investments has been recorded and at the year end the carrying value of investments totalled £8,498k (2019:£8,935k).

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

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 within the financial statements of the Company was £33k (2019: £911k).

D. Staff costs	**2020 No.**	**2019 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	521	540
Pension	18	15
Social security costs	72	93
	611	**648**

E. Fixed asset investments	**Shares in subsidiary undertakings** **£000's**
Cost	
At 1 July 2019 and 30 June 2020	9,059
Impairment	
At 1 July 2019	124
Arising in the year	437
At 30 June 2020	561
Net book value	
At 30 June 2020	8,498
At 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 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	2020 £000's	2019 £000's
Amounts due from subsidiary undertakings, repayable on demand	1,531	1,456
Prepayments	13	28
	1,544	**1,484**

G. Creditors: Amounts falling due within 1 year	2020 £000's	2019 £000's
Amounts due to subsidiary undertakings, repayable on demand	259	521
Trade creditors	20	23
Other creditors	22	51
Other taxes and social security	112	36
	413	**631**

H. Share capital

Authorised, allotted, called up and fully paid:	2020 £000's	2019 £000's
Ordinary shares of 5 pence each	794	794

Issued and fully paid	2020 Number 000's	2019 Number 000's
Ordinary shares of 5 pence at the start and end of the year	15,899	15,899

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 33% of the voting shares.

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

J. Notes supporting the cash flow statement	2020 £000's	2019 £000's
Net changes in working capital		
(Increase)/decrease in trade and other receivables	(60)	(829)
(Decrease)/Increase in trade and other payables	(218)	196
	(278)	**(633)**