

CROMA SECURITY SOLUTIONS GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 June 2021

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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 Forum 5 Parkway Whiteley Fareham PO15 7PA
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
Principal bankers	Lloyds Banking Group plc 25 Gresham Street, London EC2V 7HN Svenska Handelsbanken AB 3 Thomas More Square London E1W 1WY
Website	www.cssgplc.com

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

I am very happy to present the trading results for this financial year.

The Group adapted quickly to the unique set of market conditions created by the global pandemic and delivered a resilient trading performance including an 13% increase in EBITDA to £1.98m (2020:£1.75m), and operating profits up to £1.3m (2020: £0.1m). While revenues increased slightly, the step up in profitability came from a higher margin business mix and operational efficiencies secured in response at the outset of the pandemic which have since been maintained. The Group also benefited from the UK Government's Job Support Scheme with income of £0.76m (2020: £0.62m).

From a management perspective, we believe the business is well placed with no long-term borrowings and £5.4m of cash to support future investment. All business units are performing well and we are seeing opportunities to expand organically and via acquisition.

Focused on servicing the premium end of the security market, Croma has a strong brand in a fragmented market with the objective of becoming the British security brand in Britain. Demand for the Group's premium security services remains high as individuals and businesses seek to protect themselves and their assets from a range of potential risks. To service this demand, we are creating 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. Currently there are 10 security centres and while the pandemic has slowed the acquisition of new stores there is a good pipeline of potential new sites to be pursued in the coming months.

Innovation and in particular, innovation through technology is a specific focus for the Group. We have a strong track record of early adoption where we see opportunity to differentiate and enhance our services. To this end, we recently signed an agreement to become the UK partner for iLOQ. iLOQ is a leading Finnish security business with sales in excess of £66 million and within its portfolio of products is a potentially market changing lock which is opened and powered by a mobile phone. An interesting opportunity for the Group.

Reflecting strong cashflow over the year, the Board is pleased to recommend a final dividend to shareholders of 2p per share and subject to approval at the Annual General Meeting to be held on 24 November 2021, the final dividend will be paid on 26 November 2021 to all shareholders on the register at the close of business on 12 November 2021. The shares will be marked ex-dividend on 11 November 2021.

Like so many businesses we were tested in new ways by the pandemic, and it is very pleasing to be able to say that the business weathered it well. Our teams adapted quickly to the new environment, we not only continued to service our client base but were able to win and service new clients.

The next 12 months will bring new opportunities, as there are many companies in our sector who have not fared so well and need to find partners or acquirers to be able to continue to pursue their commercial goals. We are in dialogue with a range of potential partners and acquisition targets, but we are, as ever, cautious in our approach and any decision will be preceded by detailed due diligence.

Looking ahead, the Board is confident in the prospects of business. This confidence is reflected in the Board's decision to approve a 2.6% increase in the total dividend for the year.



Sebastian Morley (Oct 20, 2021 09:14 GMT+1)

Sebastian Morley - Chairman

20 October 2021

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2021

Operational Review

The Directors present the Group Strategic Report for Croma Security Solutions Group plc and its subsidiary companies for the year ended 30 June 2021

The Group's strategic objectives are:

- to deliver market leading full-service security offerings to the upper quartile end of both large corporations and government. Achieved by maintaining quality of service as a priority, focusing on meeting the full range of our clients' security needs, and leveraging our brand and client base;
- to produce consistent growth in financial performance, by maintaining our margins and managing our costs. Acquisitions will be pursued only when they can be seen clearly to add value to the Group;
- to develop and bring to market new technologies; and
- to deliver attractive shareholder returns.

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 £27.4m (2020: £27.0m) and operating profit of £1.1m (2020: £1.1m). This is a good result given the backdrop of the ongoing pandemic reflecting consistent demand from existing customers and new clients won over the year.

Croma Vigilant provides manned guarding for assets and individuals and now employs over 900 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. In 2019, the Company launched PROception, a new front of house of concept, making the modern reception part of a building's security strategy. An innovative proposition, PROception was successful very quickly and is now a central component of nearly all our new building security contracts where there is a need for front of house services.

Following on from the previous year, our security teams continued to work well together to adapt to the new environment whilst implementing all safety precautions set out by the UK government and operating with the necessary PPE workwear, at all times.

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2021

Contracted revenues over a period exceeding one month represented approximately 82% (2020: 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, of approximately two thirds/one third respectively.

Since the year-end, Croma Vigilant has continued to perform well with demand consistent with internal forecasts.

Croma Security Systems

Croma Security Systems including Croma Biometrics recorded sales of £2.45m (2020: £2.46m) and an operating profit before impairment of £0.54m (2020: £0.28m).

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.

Due to the pandemic, the restrictions and closure of entertainment venues impacted sales and orders from our cinema customers, however maintenance and monitoring income from annual contracts, mainly from Croma installed systems, improved to £0.45m (2020: £0.33m).

Last year, the Company gained a licence from the Financial Conduct Authority ("FCA") to enable the sale of product and services on a deferred payment or credit basis. This has yet to be fully exploited.

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 £2.64m (2020: £2.89m) and operating profit before impairment of £0.34m (2020: £0.36m).

Due to the pandemic some centres were closed or operating at reduced opening hours. Following the ending of government restrictions on the retail sector in 2021, trading has been moving back to normalised levels with pleasing levels of orders from our cruise ship customers.

This year the Company agreed to become the UK partner for iLOQ. Specialising in locks, iLOQ has developed a new battery less door lock which can be opened by a smartphone. The lock is powered by the mobile phone opening it, a feature clearly differentiating it from many competing products. The potential applications for the mobile iLOQ are significant across multiple industries given its' advantages relating to security, data collection and central control. Under the partnership, Croma will sell, install, integrate, and maintain iLOQ products in the UK.

We remain focused on creating a national chain of modern security centres. The pandemic has limited the ability of the Group to add new stores, however, there is a good pipeline of potential acquisitions which are typically independent security stores often family run. Target stores are all located in affluent areas and are large enough to be converted into security centres. To date, the conversions have all successfully increased revenues and profitability by offering a full range of products and services to both private individuals and commercial customers.

STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

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.

Group Financials

	2021	2020
	£000's	£000's
The Group financials can be summarised as follows:		
Revenue	32,539	32,321
Gross profit	5,385	5,516
Gross margin %	16.5%	17.1%
Other operating income	764	615
EBITDA	1,982	1,754
Impairment of goodwill	-	857
Operating profit	1,251	136
Earnings/(loss) per share	6.56p	(0.90p)
Net assets	12,378	11,692
Cash generated from operations	2,155	3,044
Cash and cash equivalents	5,433	4,076
Dividend per share in relation to the year	2p	1.95p

The Group achieved 13% growth in EBITDA by a combination of a savings in overheads and an increase in other operating income. Operating profit was not impacted by an impairment charge enabling us to deliver positive earnings per share of 6.56p.

Other operating income comprised mainly income from the UK Government's Job Support Scheme. The scheme has served its purpose and we do not anticipate any redundancies after the scheme closed on 30 September 2021.

Cash generated from operations remained positive at £2.2m (2020: £3.0m). The prior year benefited from an influx of cash from the collection of overdue debts and deferment of HMRC liabilities as we entered the first lockdown.

Outlook and future developments

With all operating divisions profitable, and central overheads holding steady, the increase in cash reserves to £5.4m, and with a £1m bank facility secured on the debtor book, the Board believes the Group is a good position to pursue acquisition opportunities, win new contracts and develop its iLOQ partnership, whilst expanding and improving existing refurbishing infrastructure as demand continues to return to pre-pandemic levels.

**STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021**

Risk management

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

Principal risks and uncertainties

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, CHAS and the Environment Agency. 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.

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.

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 exists which can help identify anomalies. Where possible, our insurance strategy minimises other risks.

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 our IT systems is delegated to our in-house IT and third-party consultants who implement and monitor cyber security across the Group.

**STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021**

Risk management (continued)

Other risks and uncertainties

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.

Credit Risk

If our customers do not pay within terms, 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 (currently subject to a £1m limit) and while there continue to be instances where customers have settled beyond these terms, this has not caused us any difficulty.

Liquidity and funding

The directors regularly review new investment opportunities and capital projects which could compromise working capital if not adequately appraised and costed.

Controls and mitigating strategies

The group finance director is responsible for reviewing our banking covenants and capital structures. Robust budgets and cashflow forecasts are prepared and presented to the Board which are reviewed and updated to ensure new projects and opportunities can be pursued either within existing working capital, or where necessary, external sources such as our banks with whom we enjoy a good working relationship.

Covid-19 Pandemic

The Covid-19 crisis, which affected the entire market, has continued to test the resilience and preparedness of the Group.

Controls and mitigating strategies

Immediately following the first lockdown in March 2020, the Board formed a crisis management team which met on a weekly basis to monitor business operations, weekly sales, cashflow and debt collection. With Covid-19 now easing, the Directors discuss the Group's response as part of normally monthly reporting.

To reduce possible virus spread, the Group continues to provide the capacity and capability for some staff to work from home and encourages staff to test periodically using rapid flow testing kits.

**STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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.

STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

Board meetings

The Board normally meets formally on a monthly basis, by video conference to review and discuss strategy, financial results, business planning, sales, operations, Covid-19 response and HR matters. Face-to-face meetings of the Board will be recommencing during the coming financial year.

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	11	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.

STRATEGIC REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2021

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

Relations with shareholders

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

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 13 to 21.

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.

The Group recently completed its first report under the Energy Savings Opportunity Scheme (ESOS). This has highlighted further measures the Group can take to reduce its environmental impact.

Audit committee matters

The terms of reference of the Audit Committee are to assist the Board in discharging its collective legal responsibility for ensuring that:

- the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position;
- the Group's published financial statements represent a true and fair reflection of this position; and
- the external audit, which the law requires in order to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

The external auditor may attend Audit Committee meetings.

STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

Key performance indicators

Indicator Performance

Croma Vigilant

Sales Sales were up £0.5m on the year to £27.4m for the year. The division has an active commercial department which prepares bids and tender documents. The promotion of our PROception offering continues to yield new work and helped to retain work from our larger customers, who increasingly demand this service.

Gross margin Performance is monitored by the Operations director and business development manager reporting to the Chairman.

Gross profit was up £0.1m to £3.5m. The industry remains competitive, and the gross margin performance of each contract is monitored closely to ensure we are billing all our time and 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 and margins continues to be testament to our quality service offering. A significant element 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 £3.8m (2020: £2.7m).

Croma Security Systems (including Croma Biometrics)

Sales Sales continued to be impacted by Covid-19 but were stable at £2.45m.

Demand from our existing customer base continued for our FastVein™ biometric systems and there was growth in turnover to £152k (2020: £121k)

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, however due to Covid-19 impacts our largest customers, two national cinema chains restricted spending and revenues were halved, to £0.4m (2020: £0.8m). We expect revenues to improve during the current year as these cinema chains re-open following the easing of Covid-19 restrictions.

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 unchanged at £0.3m.

STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

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 year impacted by Covid-19, sales fell by 9% to £2.64m (2020: £2.89m)

Our strategy continues to be to develop our existing geographic coverage by expanding our branch network of security centres 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 £1.3m (2020: £1.0m).

R M Fiorentino
R M Fiorentino (Oct 20, 2021 12:51 GMT+1)

Roberto Fiorentino - Chief Executive
20 October 2021

CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2021

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 21 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.

CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2021

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.

CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2021

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 finance director acts largely independently of the operating subsidiaries, with a scope to evaluate and test the Group's financial control procedures and 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 has met more frequently on an informal basis to primarily monitor cashflow. Relevant information is distributed to Directors in advance of the meetings. The Board makes decisions on all material matters including long term and commercial strategy, annual operating and capital budgets, capital structure and financial and internal controls.

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

Evaluating board performance

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

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

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

CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2021

Communication with shareholders

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

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

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

Risk management and internal controls

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

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

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

To provide a framework for the delivery of the Group's strategy and plans, the Executive Committee has developed an organisational structure with clear roles and responsibilities, and clear lines of reporting. In addition to day-to-day risk management, the Executive Directors formally assess the major business risks and evaluate their potential impact on the Group.

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

City code on takeovers and mergers

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

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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 continue to 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 always give of its best.

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

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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 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.

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 950 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 video conferencing software 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. Our gender pay gap is not significant.

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 continue to report that, no significant redundancies have or will be necessary as a direct result of the pandemic.

CORPORATE GOVERNANCE (continued) FOR THE YEAR ENDED 30 JUNE 2021

The Directors' Report gives details 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 has several ISO accreditations most recently ISO 22301 and is currently working 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 non-executives and the expansion in the business means the Board keep this under review.

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

**CORPORATE GOVERNANCE (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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 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 Group lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.

BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2021

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 many 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 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 several commercial operations thereafter.

Nick Hewson MA FCA - Non-Executive Director

Nick is a Chartered Accountant and has been on the Board of several 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

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 2021.

Principal activities

The Group's principal activities are the provision of manned guarding and asset protection services (Croma Vigilant); CCTV security, fire and alarm systems (Croma Security Systems); Locksmithing Keys, Locks and Safes (Croma Locksmiths).

Result for the year

The profit for the year after taxation, was £0.98m (2020: Loss -£0.13m)

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:

S J F Morley
R M Fiorentino
R A Juett
P Williamson

Non-executive Directors:

A N Hewson
C N McMicking

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

Including immediate relatives, the Directors in office at 30 June 2021 had the following beneficial interest in the ordinary shares of the Company

	2021	2020
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	65,000
P Williamson	197,422	170,639

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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 at 30 June 2021:

Canaccord Genuity Group Inc.	6.71%
Liontrust Investment Partners LLP	5.16%
Francis Erard	4.90%

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

At 30 June 2021, 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.

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 30 JUNE 2021

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 £1,010 (2020: £4,407). 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 for the year ended 30 June 2020 was paid on 4 September 2020 at a cost of £0.112m. The final dividend for the year ended 30 June 2020 was declared on 21 October 2020 and paid on 27 November 2020 at a cost of £0.179m. Subject to approval at the AGM, the Board recommends a final dividend of 2.0p per share.

Post balance sheet events

Subsequent to the balance sheet date, the Directors have monitored business performance and no adjustments have been identified that would impact the balance sheet at 30 June 2021.

Outlook

The outlook for the business remains positive. The Group continues to invest in infrastructure and other opportunities to expand operations and deliver growth.

Auditors

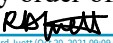
A resolution proposing the reappointment of Nexia Smith & Williamson Audit Limited will be put to the shareholders at the forthcoming Annual General Meeting.

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 Group and Company's auditors are aware of that information.

By order of the Board


Richard Juett (04.10.2021 09:09 GMT+1)

R A Juett - Finance Director

20 October 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 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 (Oct 20, 2021 09:09 GMT+1)

R A Juett - Finance Director
20 October 2021

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**



Opinion

We have audited the group financial statements of Croma Security Solutions Group Plc (the 'group') for the year ended 30 June 2021 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 group financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the group financial statements in the UK, including the FRC's Ethical Standard as applied to 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

In auditing the group financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the group financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial period ending 31 October 2022;
- Considering historical trading performance by comparing recent growth rates of both revenue and operating profit across the group's segments;
- Comparing the forecast results to those actually achieved in the 2022 financial period so far;
- Reviewing bank statements to monitor the cash position of the group post year end, and obtaining an understanding of any significant expected cash outflows in the forthcoming 12-month period;
- Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

Key audit matters

We identified the key audit matters described below as those that were of most significance 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	<p>The group has material goodwill and other intangible assets relating to three cash generating units.</p> <p>The Group's assessment of The carrying value of these cash generating units requires significant judgement regarding cash flows, growth rates, discount rates, and sensitivity assumptions.</p> <p>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.</p>	<p>We challenged the assumptions used in the impairment model for goodwill and other intangible assets as described in notes 11 and 12 of the group financial statements and investments in subsidiaries as described in note E of the parent company financial statements. As part of our procedures we:</p> <ul style="list-style-type: none"> • assessed actual trading performance in the financial year against budget to determine the reasonableness of using budgets for the impairment model; • assessed budgets for the next financial year against actual current year trading performance, and then reviewed and challenged the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations and historical data; and • considered sensitivity analysis of key variables included within the value in use calculations. <p>In performing our procedures, we used our internal valuation specialists and third-party evidence to assess the appropriateness of the discount rate applied.</p>

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

Our application of materiality

The materiality for the group financial statements as a whole (“group FS materiality”) was set at £488,000. 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 group’s performance. FS materiality represents 1.5% of the group’s revenue as presented in the consolidated statement of comprehensive income.

The materiality for the parent company financial statements as a whole (“parent FS materiality”) was set at £308,000. This has been determined with reference to the benchmark of the parent company’s total assets as it exists only as a holding company for the group and carries on no trade in its own right. Parent FS materiality represents 3% of the parent company’s total assets as presented on the face of the parent company statement of financial position.

Performance materiality for the group financial statements was set at £317,200, being 65% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 65% to reflect the areas of judgement and estimation within the financial statements and our expectations regarding potential audit differences.

Performance materiality for the parent company financial statements was set at £246,400, being 80% of parent FS materiality. It was set at 80% to reflect the fact that few misstatements were expected in the current period and there is little judgement or estimation in the financial statements other than the recoverability of the carrying value of investments in subsidiaries as referred to in our key audit matters above.

An overview of the scope of the audit

Of the group’s eight reporting components, we subjected one to an audit for group reporting purposes and seven to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that 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 reports thereon. The directors are responsible for the other information contained within the Report and Financial statements. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the group financial statements themselves. 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

Opinions 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 in relation to which 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 25, 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 group financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the group's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the group's industry and regulation.

We understand that the group complies with the framework through:

- Outsourcing tax compliance to external experts.
- Subscribing to relevant updates from external experts and consultants. and making changes to internal procedures and controls as necessary.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

- Accreditations from regulatory bodies to ensure its compliance with regulatory requirements in the sectors it operates.
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation, claims or non-compliance with regulations would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and international accounting standards in respect of the preparation and presentation of the consolidated financial statements.
- Accreditations with regulatory bodies such as the Security Industry Authority ("SIA"), the National Security Inspectorate ("NSI"), The Contractors Health and Safety Assessment Scheme ("CHAS") and the Environmental Agency to ensure it continues to meet its regulatory requirements in the sectors it operates.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above

- Examined the results of any regulatory compliance audits available and performed online searches of key regulators to ensure adequate certificates/accreditations were held.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements, especially revenue, via fraudulent journal entries in particular those affecting the recognition of revenue around the year end.
- Estimates and judgements made by management regarding the forecasts and discount rate used in the impairment review of intangible assets including goodwill.
- The group's status as an AIM listed entity which creates an incentive for fraudulent financial reporting to show favourable results to the market.

The procedures we carried out to gain evidence in the above areas included:

- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and journals outside the normal scope of the client business as well as journal entries affecting the recognition of revenue around the year end;
- Substantive testing around whether revenue was recorded in the correct period; and
- Challenging management regarding the assumptions used in the estimates identified above, and comparison to historical data, market data and post-year-end data as appropriate.

A further description of our responsibilities is available 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 2021.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY
SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carl Deane

Carl Deane (Oct 20, 2021 16:02 GMT+1)

Carl Deane
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Date: 20/10/2021

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

Continuing operations:

		2021		2020	
	Notes	£000's	£000's	£000's	£000's
Revenue	3		32,539		32,321
Cost of sales			<u>(27,154)</u>		<u>(26,805)</u>
Gross profit			5,385		5,516
Administrative expenses			(4,898)		(5,995)
Other operating income			<u>764</u>		<u>615</u>
Operating profit			1,251		136
Analysed as:					
Earnings before interest, tax, depreciation amortisation			1,982		1,754
Impairment	11		-		(857)
Amortisation of intangible assets	12		(166)		(191)
Depreciation	13		<u>(565)</u>		<u>(570)</u>
			1,251		136
Financial expenses	5		<u>(40)</u>		<u>(49)</u>
Profit before tax			1,211		87
Tax	8		<u>(234)</u>		<u>(221)</u>
(Loss)/profit for the year from continuing operations			977		(134)
Total comprehensive income/(loss) attributable to owners of the parent			<u>977</u>		<u>(134)</u>
Earnings per share					
	9				
Basic and diluted earnings/(loss) per share (pence) from continuing operations			6.6		(0.90)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 £000's	2020 £000's
Assets			
Non-current assets			
Goodwill	11	6,454	6,454
Other intangible assets	12	290	456
Property, plant and equipment	13	488	574
Right-of-use assets	14	997	1,120
		<u>8,229</u>	<u>8,604</u>
Current assets			
Inventories	15	681	764
Trade and other receivables	16	5,097	4,535
Cash and cash equivalents	26	5,433	4,076
		<u>11,211</u>	<u>9,375</u>
Total assets		<u>19,440</u>	<u>17,979</u>
Liabilities			
Non-current liabilities			
Deferred Tax	21	(91)	(128)
Lease liabilities	18	(764)	(837)
		<u>(855)</u>	<u>(965)</u>
Current liabilities			
Trade and other payables	18	(5,924)	(4,982)
Borrowings and lease liabilities	18	(283)	(340)
		<u>(6,207)</u>	<u>(5,322)</u>
Total liabilities		<u>(7,062)</u>	<u>(6,287)</u>
Net assets		<u>12,378</u>	<u>11,692</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	22	794	794
Treasury shares	23	(399)	(399)
Share premium	23	6,133	6,133
Merger reserve	23	2,139	2,139
Capital redemption reserve	23	51	51
Retained earnings	23	3,660	2,974
Total equity		<u>12,378</u>	<u>11,692</u>

These financial statements were approved and authorised for issue by the Board of Directors on 20 October 2021 and signed on their behalf by



Sebastian Morley (Oct 20, 2021 09:14 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 2021**

	Notes	2021 £000's	2020 £000's
Cash flows from operating activities			
Profit before taxation		1,211	87
Depreciation amortisation and impairment losses		731	1,618
(Profit) on sale of property, plant and equipment		(19)	(2)
Net changes in working capital	25	374	1,698
Financial expenses		40	49
Corporation tax paid		(182)	(406)
Net cash generated from operations		2,155	3,044
Cash flows from investing activities			
Purchase of property, plant and equipment		(138)	(121)
Proceeds on disposal of property, plant and equipment		28	11
Net cash used in investing activities		(110)	(110)
Cash flows from financing activities			
Payments to reduce lease liabilities		(408)	(408)
Increase/(reduction) of borrowings		11	(15)
Dividends paid		(291)	(164)
Interest paid		-	-
Net cash used in financing activities		(688)	(587)
Net increase/(decrease) in cash		1,357	2,347
Cash and cash equivalents at beginning of period		4,076	1,729
Cash and cash equivalents at end of period	26	5,433	4,076

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

Attributable to owners of parent

	Share Capital	Capital Redemption Reserve	Treasury Shares	Share Premium	Merger Reserve	Retained Earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 July 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
Profit for the year	-	-	-	-	-	977	977
Dividends paid	-	-	-	-	-	(291)	(291)
At 30 June 2021	794	51	(399)	6,133	2,139	3,660	12,378

The following notes form part of the primary financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. Accounting policies

The Group financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006

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 2022.

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 power over the investee; has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns, the investee 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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’ being part of ‘Trade and other payables’ 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’ being part of ‘Trade and other payables’ 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 |

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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, which is presented gross, has been recognised as other operating income in the Consolidated Statement of Comprehensive Income.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. Accounting policies (continued)

Property, plant and equipment

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

Freehold property	-	4% on cost
Leasehold property	-	Over the term of the lease
Plant, computer and office equipment	-	Between 10% and 35% on cost
Motor vehicles	-	25% on cost

Inventories

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

Dividends

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

Taxes

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

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

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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

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 depreciates 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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. Accounting policies (continued)

Financial assets

Financial assets are trade receivables and other receivables.

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

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

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

Financial liabilities

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

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

Capital management

The Group manages capital 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

There are no new standards or amendments to standards which are mandatory for the first time for the financial year ended 30 June 2021 which have a material impact on the Group.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 2021 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. These new and amended standards and interpretations include:

- Amendments to IAS1: "Classification of Liabilities as Current or Non-current"

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% (2020: 12.7%).

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.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

3. Segmental reporting

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Locksmiths (Locks)	Central	Total
2021 Business Segments	£000's	£000's	£000's	£000's	£000's
Segment revenues	27,454	2,447	2,638	-	32,539
Gross profit	3,473	982	934	(4)	5,385
Administrative expenses	(2,389)	(568)	(505)	(724)	(4,186)
Amortisation	-	(47)	(119)	-	(166)
Depreciation	(252)	(79)	(234)	-	(565)
Profit/(loss) on disposal	2	11	6	-	19
Other operating income	258	243	263	-	764
Operating profit/(loss)	<u>1,092</u>	<u>542</u>	<u>345</u>	<u>(728)</u>	<u>1,251</u>
Segment assets	8,297	4,673	4,931	1,539	19,440
Segment (liabilities)	(4,751)	(956)	(1,298)	(57)	(7,062)
Segment net assets	<u>3,546</u>	<u>3,717</u>	<u>3,633</u>	<u>1,482</u>	<u>12,378</u>
Additions to non-current assets	<u>235</u>	<u>35</u>	<u>28</u>	<u>-</u>	<u>298</u>
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	-	5,516
Administrative expenses	(2,204)	(688)	(770)	(716)	(4,378)
Amortisation	-	(62)	(129)	-	(191)
Depreciation	(231)	(88)	(251)	-	(570)
(Loss)/profit on disposal	3	-	(1)	-	2
Other operating income	165	126	324	-	615
Operating profit/(loss) before impairment	<u>1,068</u>	<u>284</u>	<u>357</u>	<u>(716)</u>	<u>993</u>
Impairment of goodwill	-	(433)	(424)	-	(857)
Operating profit/(loss) after impairment	<u>1,068</u>	<u>(149)</u>	<u>(67)</u>	<u>(716)</u>	<u>136</u>
Segment assets	7,201	4,892	5,374	512	17,979
Segment (liabilities)	(3,919)	(856)	(1,357)	(155)	(6,287)
Segment net assets	<u>3,282</u>	<u>4,036</u>	<u>4,017</u>	<u>357</u>	<u>11,692</u>
Additions to non-current assets	<u>82</u>	<u>30</u>	<u>11</u>	<u>-</u>	<u>123</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

3. Segmental reporting (continued)

An analysis of revenue by type is shown below:

	2021	2020
Revenues from UK sources	£000's	£000's
Security Personnel Services	27,244	26,682
Sale of Goods & Installation Services	4,497	4,712
Monitoring Maintenance and Service fees	436	527
Biometric Installation and Maintenances fees	152	121
Keyholding income	210	279
	32,539	32,321

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

	2021	2020
	£000's	£000's
To be satisfied in the next financial year	20,208	20,521
To be satisfied in subsequent financial years	11,505	17,200
	31,713	37,721

There were three customers where revenue was greater than 10% of the total (2020: three). Revenue from these customers was derived from Security Personnel Services.

Significant customer analysis:

	Total revenue		Total revenue	
	2021	2021	2020	2020
	£000's	%	£000's	%
Customer 1	5,155	16%	5,391	17%
Customer 2	4,399	14%	4,504	14%
Customer 3	4,807	15%	2,858	9%

Revenue of £235k (2020: £151k) which was included in contract liabilities at 1 July 2020 was recognised during the year. At 30 June 2021, contract liabilities totalled £254k (2020: £235k).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

4. Expenses	2021 £000's	2020 £000's
Amount of inventory expensed as cost of sales	2,063	2,081
Write (up)/down of inventories	(3)	7
Lease rentals - low value assets	5	5
Impairment loss	-	857
Depreciation - owned assets	215	208
Depreciation - right of use assets	350	362
Amortisation	166	191

Auditors' remuneration:

Audit of parent company and consolidated financial information payable to Nexia Smith & Williamson	44	44
Fees paid to the auditor in respect of tax compliance services	5	5

5. Financial expenses	2021 £000's	2020 £000's
------------------------------	------------------------	------------------------

Interest on lease liabilities	40	49
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6. Staff and staff costs

The average monthly number of persons (including Directors) employed by the Group during the period was:	2021	2020
--	-------------	-------------

	No.	No.
Management and administration	49	30
Service and product provision	938	874
	987	904

Staff cost (for the above persons):	£000's	£000's
Wages and salaries	24,241	23,957
Pension	461	456
Social security costs	2,303	2,230
	27,005	26,643

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

7. Directors' and key management personnel remuneration

2021	Salary and bonus £000's	Estimated value of benefits £000's	Pension £000's	Total £000's
S J F Morley	178	10	4	192
R M Fiorentino	241	4	-	245
P Williamson	167	2	1	170
R A Juett	73	2	14	89
A N Hewson	25	2	-	27
C McMicking	25	-	-	25
	709	20	19	748

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

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

Key management personnel compensation

Key management personnel compensation payable to the directors including employers National Insurance, comprises short-term employee benefits which total £799k (2020: £796k) and long-term employee benefits which total £19k (2020: 19k).

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

8. Taxation	2021	2020
	£000's	£000's
Analysis of the tax charge in the year		
Current year tax charge		
UK corporation tax charge on profit for the year	280	239
Adjustments for prior periods	(9)	14
Total current tax	<u>271</u>	<u>253</u>
Deferred tax (note 21)		
Current year	(41)	(51)
Adjustments for prior periods	4	19
Total deferred tax	<u>(37)</u>	<u>(32)</u>
Tax on profit on ordinary activities	<u>234</u>	<u>221</u>

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% (2020 - 19%). The differences are explained below:

Factors affecting the tax charge for the year

	2021	2020
	£000's	£000's
Profit before taxation	1,211	87
Profit multiplied by the standard rate of taxation of 19% (2020: 19%)	230	18
Effects of:		
Expenses not deductible for tax purposes	9	170
Adjustment to tax charge for previous periods	(5)	33
Total tax charge for the year	<u>234</u>	<u>221</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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.

	2021	2020
	£000's	£000's
<i>Numerator</i>		
Earnings/(loss) for the year on continuing operations and used in basic and diluted EPS	977	(134)
<i>Denominator</i>		
Weighted average number of shares used in basic and diluted EPS (000's)	14,902	14,902
	Pence	Pence
Basic and diluted earnings/(loss) per share	6.6	(0.90)

10. Dividends

An interim dividend for the year ended 30 June 2020 was paid on 4 September 2020 at a cost of £0.112m. The final dividend for the year ended 30 June 2020 was declared on 21 October 2020 and paid on 27 November 2020 at a cost of £0.179m. Subject to approval at the AGM, the Board recommends a final dividend of 2.0p per share.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

11. Goodwill

Cost	£000's
At 1 July 2020 & 30 June 2021	7,311
Accumulated impairment losses	
At 1 July 2020	857
Arising in the year	-
At 30 June 2021	<u>857</u>
 Net book value	
At 1 July 2020	6,454
At 30 June 2021	6,454

Impairment testing

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". An impairment charge of £nil (2020: £857k) 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.

	2021	2020
	£000's	£000's
The carrying value of goodwill by each CGU is as follows:		
Croma Security Systems	2,906	2,906
Croma Locksmiths	2,152	2,152
Croma Vigilant	<u>1,396</u>	<u>1,396</u>
	6,454	6,454

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 2026, 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 2021), 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

For the year to 30 June 2022 turnover is forecast to increase by 7% through the growth of the existing customer portfolio. Direct costs are forecast to increase proportionately and overheads by approximately 8%.

For the period from 1 July 2022 to 30 June 2026 the same assumptions have been made as for the prior year, namely:

- Revenue to grow by 3% per annum (2020: 3%)
- Direct wages to rise in proportion to revenue
- Other direct costs to increase at 2.5% per annum (2020: 2.5%)
- Indirect costs to increase at 2% per annum (2020: 2%)

For the year ended 30 June 2027 onwards, revenues less costs are assumed to increase by 2% per annum.

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

Croma Security Systems including Croma Biometric

For the year ended 30 June 2021 sales continued to be impacted by the pandemic however, we have retained all our major customers, whilst also gaining new work during this period. On the basis that any future Government lockdown provisions do not impact the business, we forecast an 11% increase in turnover for the year ending 30 June 2022.

For the period from 1 July 2022 to 30 June 2026 the following assumptions have been made:

- Revenue growth of 3.14% (2020: 3.14%)
- Direct cost growth of 2.6% (2020: 4.0%)
- Overheads growth of 2.17% (2020: 2.30%)

For the year ended 30 June 2027 onwards, revenues less costs are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £450k more than the carrying value of goodwill.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Croma Locksmiths

During the year to 30 June 2021 mainly due to further lockdowns and reduced spending from our B2B customers sales declined by 9% from 2020. Assuming there are no further lockdowns for the year ended 30 June 2022 we forecast a recovery of 7% in sales from our existing customer base. We anticipate our partnership with iLOQ to yield further improvement, although this has not been included in our forecast for 2022 or for future periods.

We recently delivered the first tranche of sales for our media client, albeit at a lower 10% margin. Our full year forecast includes sales of £500k from this source and an overall increase in sales of 25%.

For the period from 1 July 2022 to 30 June 2026 the following assumptions have been made:

- Revenue growth of 3.14% (2020: 3.14%)
- Direct cost growth of 2.6% (2020: 2.6%)
- Indirect costs growth of 2.14% (2020: 2.19%)

For the year ended 30 June 2027 onwards, revenues less costs are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £759k more than the carrying value of goodwill.

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 £80K and for each 0.1% decrease in long term revenue growth the value of future cashflows reduces by approximately £50k.

Based on these forecasts, if the discount rate was to increase to greater than 13.8% or independently, long-term revenue growth was to decrease to below 0.1% this would give rise to an impairment loss, however the directors consider this unlikely in current trading conditions.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

12. Other intangible assets

	R&D £000's	Customer relationships £000's	Brands £000's	Software licences £000's	Brand Royalties £000's	Total £000's
At 30 June 2020 & 2021	86	1,727	295	224	31	2,363
Amortisation						
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
Charge for the year	-	137	29	-	-	166
At 30 June 2021	86	1,463	271	222	31	2,073
Carrying Value at 1 July 2020	-	401	53	2	-	456
Carrying Value at 30 June 2021	-	264	24	2	-	290

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 £166k 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% (2020: 12.70%) 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 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 £264k have a remaining life of between 0.5 to 4.5 years. Customer relationships and other intangible assets acquired with the business of CSS Total Security Limited were fully written down in the year.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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 less than 1 year 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 £24k, will be fully written down in the year ending 30 June 2022.

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 2019	313	791	353	1,457
Additions	2	96	23	121
Disposals	-	-	(24)	(24)
At 30 June 2020	315	887	352	1,554
Additions	-	107	31	138
Disposals	-	-	(15)	(15)
At 30 June 2021	315	994	368	1,677
Accumulated depreciation				
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
Charge for the year	27	142	46	215
On disposals	-	-	(6)	(6)
At 30 June 2021	137	761	291	1,189
Carrying amount				
At 30 June 2021	178	233	77	488
At 30 June 2020	205	268	101	574

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

14. Right-of-use assets

	Property £000's	Motor vehicles £000's	Total £000's
Cost			
At 1 July 2019	1,282	154	1,436
Additions	-	46	46
At 30 June 2020	1,282	200	1,482
Additions	67	160	227
Eliminated on expiry	-	(78)	(78)
At 30 June 2021	1,349	282	1,631
Accumulated depreciation			
At 1 July 2019	-	-	-
Charge for the year	283	79	362
At 30 June 2020	283	79	362
Charge for the year	257	93	350
Eliminated on expiry	-	(78)	(78)
At 30 June 2021	540	94	634
Carrying amount			
At 30 June 2021	809	188	997
At 30 June 2020	999	121	1,120

15. Inventories	2021 £000's	2020 £000's
Raw materials and consumables	665	742
Work in progress	16	22
	681	764

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	£000's	£000's
16. Trade and other receivables		
Trade receivables	4,643	4,160
Allowance for bad debts	-	-
Net trade receivables	4,643	4,160
Other receivables	17	30
Prepayments	437	345
Total trade and other receivables	5,097	4,535

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. There was no provision for impairment of trade receivables at 30 June 2021 and at 30 June 2020.

In the view of the Board the level of credit risk remains low, due to a wide mix of clients in different trade sectors. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above. The Directors review debt collection at each Board meeting and close attention is paid to collection of debt and credit control. As noted below, the age profile of overdue debt is much improved due to improved credit control.

	2021	2020
	£000's	£000's
Age profile		
Debts past due but not paid		
Under 60 days	382	455
60-90 days	103	206
Over 90 days	47	233
	532	894
Debtor days	42	44

	2021	2020
	£000's	£000's
17. Categories of financial asset		
Loans and receivables		
Trade and other receivables	4,660	4,190
Cash at bank and in hand	5,433	4,076
	10,093	8,266

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	£000's	£000's
18. Trade and other payables		
Trade payables	511	345
Other payables	174	158
	685	503
Other taxes and social security	2,290	1,854
Corporation tax liability	255	166
Accruals and contract liabilities	2,694	2,459
Total trade and other payables, excluding borrowings and lease liabilities	5,924	4,982
	2021	2020
	£000's	£000's
Interest bearing borrowings and lease liabilities due within 1 year		
Lease liabilities (due in less than 1 year)	257	325
Credit card liabilities	26	15
	283	340
Lease liabilities due after 1 year	764	837

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

19. Leases

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 2021. 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.

	2021	2020
	£000's	£000's
Minimum lease payments fall due as follows:		
Gross obligations repayable:		
Within one year	278	360
Between one and five years	604	598
Over five years	239	335
Net obligations repayable:		
Within one year	257	325
Between one and five years	540	525
Over five years	224	312
Amounts recognised in the consolidated statement of comprehensive income:		
Interest on lease liabilities	40	49
Amounts recognised in the consolidated statement of cashflows:		
Payments to reduce lease liabilities	408	408

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

20. Interest rate and liquidity risk

2021	Weighted average effective interest rate %	Less than one month or on demand £000's	1-12 months £000's	1-3 years £000's	Total £000's
Fixed rate					
Trade and other payables		511	174	-	685
Lease obligations	3.50%	-	257	764	1,021
Accruals		1,425	1,269	-	2,694
Floating rate					
Credit card liabilities	2.80%	-	26	-	26
Total		1,936	1,726	764	4,426

2020	Weighted average effective interest rate %	Less than one month or on demand £000's	1-12 months £000's	1-3 years £000's	Total £000's
Fixed rate					
Trade and other payables		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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	£000's	£000's

21. Deferred tax

The movement on the deferred tax account is shown below

At 1 July	128	160
Charged to the statement of comprehensive income	(37)	(32)
At 30 June	91	128

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

Capital allowances in advance of depreciation	53	59
Arising on fair value adjustments recognised on business combination	52	83
Other short term temporary differences	(14)	(14)
	91	128

At 30 June 2021 deferred tax has been provided at a rate of 19% (2020: 19%)

The Group has tax losses of approximately £1.8m (2020: £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 (2020: £324k) has not been recognised as it is doubtful that it will be utilised in the foreseeable future.

	2021	2020
	£000's	£000's

22. Share capital

Authorised, allotted, called up and fully paid:

Ordinary shares of 5 pence each	794	794
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	Number	Number
	000's	000's

Issued and fully paid

Ordinary shares of 5 pence at the start and end of the year	15,899	15,899
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**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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 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 was nil.

The charge to the statement of comprehensive income in the year was £nil (2020: £nil)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

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 (2020: £117k) and in respect of these leases, £383k (2020: £484k) is included in lease liabilities at 30 June 2021.

Salaries paid to close family members

During the year salaries totalling £66k (2020: £70k) were paid to close family members of key management personnel.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	£000's	£000's
25. Notes supporting the cash flow statement		
Net changes in working capital		
Decrease in inventories	83	61
(Increase)/decrease in trade and other receivables	(562)	1,628
Increase in trade and other payables	853	9
	<u>374</u>	<u>1,698</u>

	2021	2020
	£000's	£000's
26. Cash and cash equivalents		
Cash at bank and in hand	5,433	4,076

27. Reconciliation of liabilities arising from financing activities

	Lease liabilities £000's	Invoice discounting and credit card liabilities £000's	Total £000's
At 30 June 2019	1,475	30	1,505
New lease liabilities	46		46
Cash flows	(359)	(15)	(374)
At 1 July 2020	1,162	15	1,177
New lease liabilities	227	-	227
Cash flows	(368)	11	(357)
At 30 June 2021	1,021	26	1,047

28. Contingent liabilities

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

29. Subsidiary audit exemption

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**



Opinion

We have audited the financial statements of Croma Security Solutions Group Plc (the 'parent company') for the year ended 30 June 2021 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 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 2021;
- 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 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

In auditing the parent company financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is appropriate. Our evaluation of the directors' assessment of the parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial period ending 31 October 2022.
- Considering historical trading performance
- Comparing the forecast results to those actually achieved in the 2022 financial period so far;
- Reviewing bank statements to monitor the cash position of the post year end, and obtaining an understanding of significant expected cash outflows in the forthcoming 12-month period;

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

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 contained within Report and Financial Statements. 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. 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 course of 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 this gives rise to a material misstatement in the parent company financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, 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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the parent company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the parent company's industry and regulation.

We understand that the company complies with the framework through:

- Outsourcing tax compliance to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the parent company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the parent company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the parent company's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements via fraudulent journal entries.

The procedures we carried out to gain evidence in the above areas included:

- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and journals outside the normal scope of the client business.

A further description of our responsibilities is available 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 2021. This separate auditor's report on the group financial statements includes the key audit matters and other audit planning and scoping matters that relate to the parent company audit.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2021**

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carl Deane

Carl Deane (Oct 20, 2021 16:02 GMT+1)

Carl Deane
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Date: 20/10/2021

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 £000's	2020 £000's
Assets			
Fixed assets			
Investments	E	<u>8,498</u>	<u>8,498</u>
		8,498	8,498
Current assets			
Debtors	F	1,712	1,544
Cash and bank and in hand		<u>19</u>	<u>76</u>
		1,731	1,620
Current liabilities			
Creditors: Amounts falling due within one year	G	<u>(257)</u>	<u>(413)</u>
Net current assets		1,474	1,207
Total assets less current liabilities		<u>9,972</u>	<u>9,705</u>
 Issued capital and reserves attributable to owners of the parent			
Share capital	H	794	794
Capital redemption reserve		51	51
Treasury shares		(399)	(399)
Share premium		6,133	6,133
Merger reserve		2,139	2,139
Profit and loss account	C	1,254	987
Total equity		<u>9,972</u>	<u>9,705</u>

The company profit for year totalled £558k (2020: £34k)

These financial statements were approved and authorised for issue by the Board of Directors on 20 October 2021- and signed on their behalf by



[Sebastian Morley \(Oct 20, 2021 09:14 GMT+1\)](#)

S J F Morley
Director

Croma Security Solutions Group plc - Company Number: 03184978

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 £000's	2020 £000's
Cash flows from operating activities			
Profit before taxation		558	34
Net changes in working capital	J	(323)	(277)
Impairment losses		-	437
Net cash generated from operations		<u>235</u>	<u>193</u>
Cash flows from financing activities			
Dividends paid		(291)	(164)
Net cash used in financing activities		<u>(291)</u>	<u>(164)</u>
Net increase in cash		(56)	29
Cash and cash equivalents at beginning of period		76	47
Cash and cash equivalents at end of the period		<u>19</u>	<u>76</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	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 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
Profit for the year	-	-	-	-	-	558	558
Dividends paid	-	-	-	-	-	(291)	(291)
At 30 June 2021	794	51	(399)	6,133	2,139	1,254	9,972

The following notes form part of the primary financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

A. Significant accounting policies

Croma Security Solutions Group Plc is a public limited company incorporated and domiciled in England and Wales and is 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 £343k (2020: £767k). Dividends of £0.9m were received from its subsidiary undertakings (2020: £0.8m).

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 2022 and these projections suggest that the Company will meet its obligations as they fall due at least until this date.

Investments

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

Financial instruments

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

A. Significant accounting policies (continued)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets after deducting all of its financial liabilities.

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument they are classified as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity are debited direct to equity.

Taxes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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 consider that there no are indicators of impairment. An impairment of £nil (2020:£437k) against fixed assets investments has been recorded and at the year end the carrying value of investments totalled £8,498k (2020:£8,498k).

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 £558k (2020: £34k).

D. Staff costs	2021	2020
	No.	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	554	521
Pension	18	18
Social security costs	69	72
	641	611

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

	Shares in subsidiary undertakings
	£000's
E. Fixed asset investments	
Cost	
At 1 July 2020 and 30 June 2021	9,059
Impairment	
At 1 July 2020 and 30 June 2021	561
Net book value	
At 1 July 2020 and 30 June 2021	8,498

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

F. Debtors	2021 £000's	2020 £000's
Amounts due from subsidiary undertakings, repayable on demand	1,689	1,531
Prepayments	23	13
	1,712	1,544

G. Creditors: Amounts falling due within 1 year	2021 £000's	2020 £000's
Amounts due to subsidiary undertakings, repayable on demand	200	259
Trade creditors	3	20
Other creditors	20	22
Other taxes and social security	34	112
	257	413

H. Share capital

Authorised, allotted, called up and fully paid:	2021 £000's	2020 £000's
Ordinary shares of 5 pence each	794	794

Issued and fully paid	2021 Number 000's	2020 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.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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 are included in note 7 to the financial statements of the Group.

	2021	2020
J. Notes supporting the cash flow statement	£000's	£000's
Net changes in working capital		
Decrease in trade and other receivables	(168)	(60)
Decrease in trade and other payables	(155)	(217)
	<u>(323)</u>	<u>(277)</u>