



Croma Security Solutions Group PLC

(“CSSG”, “Croma”, the “Company”, or the “Group”)

Interim Results

‘Investment in Security Network Delivering’

Croma (AIM:CSSG), the AIM listed innovation and service-focused security solutions provider, is pleased to announce its unaudited interim results for the six months to 31 December 2023 (“H1” or the “Period”). The Group’s businesses have performed in line with management expectations in H1 delivering organic and acquisitive growth. In addition, the Company continues to successfully identify acquisition opportunities to enhance sales growth and profitability.

Financial Highlights

- Group revenue of £4.26 million (2022: £3.77 million) up 13 %
- Like for like growth of 7% within the Croma Locksmiths Security Centres
- EBITDA of £0.509 million (2022: 0.455 million) up 11.9%
- EBITDA margin maintained at 12.0% (2022: 12.1%)
- Net profit of £0.246 million (2022: £0.209 million) up 17.7%
- Strong balance sheet with net cash at end of Period of £1.73 million
- 400,000 shares bought back into treasury at 45p on 3 August 2023

Operational Highlights

- The Group invested £80,000 to enhance its infrastructure and central services over the Period.
- A number of new commercial orders were won in the Period including further sales of iLOQ

Outlook

- Promising start to H2 with solid pipeline.
- The Group acquired two profitable locksmith businesses with a combined turnover of £0.5 million, operating from Peterborough and Worthing. This expands the network to a total of 16 security centres nationwide in H2, as announced on 8 January 2024.
- Croma was re-awarded a three-year maintenance contract by an NHS Trust to cover the security needs of their hospitals, as announced on 29 January 2024. Strategy on track to enhance growth and profitability.
- Group is scheduled contractually to receive £5.78 million from the sale of Vigilant due in stage payments starting in March 2024 with the final payment scheduled for June 2026.
- The Group intends to declare a single final progressive dividend with the FY24 results.

Croma Chairman, Jo Haigh commented: *“I am delighted by our resilient performance to date, achieved in spite of a difficult macro backdrop. Our growth in profits is all the more impressive given the investment that we have made in the business over the Period. This very much underlines that our decision to refocus*

the business is the right one. Our acquisition strategy aims to enhance sales growth as we expand our security centres nationwide and focus on innovation as well to deliver cost synergies through shared expertise and services. I am confident in our ability to continue to drive sustainable growth both organically and through expanding our network and would like to thank the team for their unwavering determination to deliver.”

For further information visit www.cssgplc.com or contact:

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This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

CEO's Statement

This year marks a milestone for Croma as it will be the first full year of trading for the Group without Vigilant, the man guarding business sold in June 2023, and we are focused on delivering on the growth opportunities ahead.

With our reset and renewed focus, our H1 results are testament to our determination and strategy. I am therefore pleased to report sales growth of 13% for the Period with like-for-like growth within the security centres of 7%. A number of new commercial orders were won in the Period including further sales of iLOQ.

We have invested in improving our internal processes such that we have the right infrastructure in place as we scale. We have stepped up marketing spend, underlining our belief in the business and our commitment to long term growth. We have delivered solid growth in EBITDA and net profits.

At the end of 2022, we added three new security centres to our network as well as an online business with the acquisition of Safecell Security Group and Southern Stronghold Limited. These businesses delivered in line with management expectations last year and continue to perform well and we expect to see some acceleration in their contribution to growth and profitability this current financial year. In January 2024, we announced two further acquisitions which generate annual revenue of £0.5 million. Located in Worthing and Peterborough, these businesses have a strong local customer base and will be able to benefit from the Croma model which merges traditional locksmith services with more comprehensive and innovative security solutions. Once fully integrated, these centres will cater to both their existing local customer base as well as a broader network of commercial clients currently served by Croma. The Group's security centre network now comprises 16 sites.

The Group's strategy remains to roll out its security centre network nationwide and the management team is constantly on the look-out for further acquisitions. As we expand and acquire new sites, we are able to identify cross-selling opportunities as well as elevate the in-store product offering. We deliver synergies as we apply the Croma model and acquired businesses benefit from our expertise, central services and software. The pipeline is promising. In addition, the management team are open to acquiring businesses operating in complementary security areas where there is a strong commercial overlap.

Financial and Operational Review

Group revenue for the period was £4.26 million, up 13%. This reflects both solid underlying growth (like for like growth of our Croma Locksmiths Security Centres and Croma Fire and Security businesses was 7% and 3% respectively) as well as an acceleration in contribution from acquisitions that were made last year and which are performing in line with initial management expectations.

Gross margins for the period were down 160 basis points to 43.4% (H122: 45%) whilst EBITDA of £0.509 (H122: £0.455) was up 11.9%, maintaining EBITDA margin at 12%. The Group continues to invest in growth with investment in existing security centres and central services. As part of a phased investment plan, the Group spent £80,000 in modernising facilities and premises across the Group.

Group net profit of £0.246 million was up 17.7% on the previous period (H122: £0.209 million), a reflection of an improvement in profits at the operational level as well as net interest receivable contribution.

Net cash at the end of the Period was £1.73 million (Period ended June 30th 2023: £2.14 million).

With regard to the £5.78 million due from the sale of the Vigilant business, the first payment of £0.538 million is due to be received in March 2024 with further staged payments to follow and a final payment due in June 2026.

Outlook

We have had a promising start to H2. In January 2024 we acquired two profitable locksmith businesses with a combined turnover of £0.5 million, operating from Peterborough and Worthing. We have been successful

in delivering a number of new contracts including being re-awarded a three-year maintenance contract by an NHS Trust to cover their hospitals' security needs. This success reflects the high levels of service that make us a preferred supplier in the health sector. In addition, there are a number of contracts in the pipeline in the utilities and entertainment sector and we believe that these customers represent a material long term opportunity. A solid underlying performance, coupled with the success of our ongoing strategy to identify acquisitions where there is a significant opportunity to enhance sales growth and profitability, leaves us well-placed to deliver year-on-year growth despite continuing difficult macro conditions.

In line with last year, the Company is not proposing an interim dividend but intends to declare a single final progressive dividend with the FY24 results.

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED 31 DECEMBER 2023

		31-Dec-23	31-Dec-22	30-Jun-23
		Unaudited	Unaudited	Audited
		6 months	6 months	12 months
	Notes	£000s	£000s	£000s
Revenue		4,257	3,770	8,025
Cost of sales		(2,409)	(2,072)	(4,276)
Gross profit		<u>1,848</u>	<u>1,698</u>	<u>3,749</u>
Administrative expenses		(1,570)	(1,431)	(3,325)
Other operating income		-	-	3
Operating profit		<u>278</u>	<u>267</u>	<u>427</u>
Analysed by:				
Earnings before interest, tax, depreciation, impairment and amortisation of intangible assets (EBITDA)		509	455	954
Impairment		-	-	-
Amortisation		(24)	(30)	(60)
Depreciation		<u>(207)</u>	<u>(158)</u>	<u>(467)</u>
Operating profit		<u>278</u>	<u>267</u>	<u>427</u>
Finance income/(costs)		84	(13)	(24)
Profit before tax		<u>362</u>	<u>254</u>	<u>403</u>
Tax		(116)	(45)	(237)
Profit for the period from continuing operations		<u>246</u>	<u>209</u>	<u>166</u>
Profit for the period from discontinued operations	5	-	101	465
Profit on disposal of discontinued operations	5	-	-	3,069
Profit and total comprehensive income for the period attributable to owners of the parent		<u><u>246</u></u>	<u><u>310</u></u>	<u><u>3,700</u></u>
Earnings per share	3			
Basic and diluted earnings per share (pence) from continuing operations		1.78	1.40	1.11
Basic and diluted earnings per share (pence) from total operations		1.78	2.08	24.83

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	31-Dec-23 Unaudited 6 months £000s	31-Dec-22 Unaudited 6 months £000s	30-Jun-23 Audited 12 months £000s
Assets			
Non current assets			
Goodwill	5,042	4,851	5,042
Other intangible assets	123	177	147
Property, plant and equipment	1,987	1,953	1,950
Right-of-use assets	541	706	656
Other receivables	3,122	-	3,122
Total non current assets	<u>10,815</u>	<u>7,687</u>	<u>10,917</u>
Current assets			
Inventories	990	1,232	1,106
Trade and other receivables	3,556	1,298	3,551
Cash and cash equivalents	1,728	613	2,144
	<u>6,274</u>	<u>3,143</u>	<u>6,801</u>
Assets classified as held for sale	-	8,922	-
Total current assets	<u>6,274</u>	<u>12,065</u>	<u>6,801</u>
Total assets	<u>17,089</u>	<u>19,752</u>	<u>17,718</u>
Liabilities			
Current liabilities			
Trade and other payables	(1,461)	(2,098)	(1,754)
Borrowings and lease liabilities	(102)	(140)	(114)
	<u>(1,563)</u>	<u>(2,238)</u>	<u>(1,868)</u>
Liabilities directly associated with assets classified as held for sale	-	(4,668)	-
Total current liabilities	<u>(1,563)</u>	<u>(6,906)</u>	<u>(1,868)</u>
Non current liabilities			
Deferred tax	(154)	(104)	(154)
Lease liabilities	(445)	(601)	(545)
Total non current liabilities	<u>(599)</u>	<u>(705)</u>	<u>(699)</u>
Total liabilities	<u>(2,162)</u>	<u>(7,611)</u>	<u>(2,567)</u>
Net assets	<u>14,927</u>	<u>12,140</u>	<u>15,151</u>
Equity attributable to owners of the parent			
Share capital	794	794	794
Treasury shares	(946)	(399)	(778)
Share premium	6,133	6,133	6,133
Merger reserve	2,139	2,139	2,139
Capital redemption reserve	51	51	51
Retained earnings	6,756	3,422	6,812
Total equity	<u>14,927</u>	<u>12,140</u>	<u>15,151</u>

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR 6 MONTHS ENDED 31 DECEMBER 2023

	Notes	31-Dec-23 Unaudited 6 months £000s	31-Dec-22 Unaudited 6 months £000s	30-Jun-23 Audited 12 months £000s
Cash generated from operating activities	4	213	755	1,273
Cash flows from investing activities				
Purchase of subsidiaries, net of cash acquired		-	(1,287)	(1,225)
Purchase of property, plant and equipment		(130)	(160)	(411)
Proceeds on disposal of discontinued operations		-	-	670
Net cash used in investing activities		<u>(130)</u>	<u>(1,447)</u>	<u>(967)</u>
Cash flows from financing activities				
Payments to reduce lease liabilities		(113)	(196)	(374)
Increase/(reduction) in borrowings		-	6	(31)
Dividends paid		(302)	(313)	(313)
Interest paid		(20)	(6)	-
Interest income		104	-	-
Treasury shares acquired		(168)	-	-
Net cash used in financing activities		<u>(499)</u>	<u>(509)</u>	<u>(718)</u>
Net decrease in cash and cash equivalents		<u>(416)</u>	<u>(1,201)</u>	<u>(412)</u>
Cash and cash equivalents at beginning of period		2,144	2,556	2,556
Cash and cash equivalents at end of period		<u><u>1,728</u></u>	<u><u>1,355</u></u>	<u><u>2,144</u></u>
Total cash and cash equivalents at the end of the period can be analysed as:				
Included as part of continuing operations		1,728	613	2,144
Included as part of cash held for sale		-	742	-
		<u><u>1,728</u></u>	<u><u>1,355</u></u>	<u><u>2,144</u></u>

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Share premium	Merger reserve	Capital redemption reserve	Retained earnings	Total equity
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 July 2023	794	(778)	6,133	2,139	51	6,812	15,151
Treasury shares acquired	-	(168)	-	-	-	-	(168)
Profit for the period	-	-	-	-	-	246	246
Dividends paid	-	-	-	-	-	(302)	(302)
Balances at 31 December 2023	<u>794</u>	<u>(946)</u>	<u>6,133</u>	<u>2,139</u>	<u>51</u>	<u>6,756</u>	<u>14,927</u>
Balance at 1 July 2022	794	(399)	6,133	2,139	51	3,425	12,143
Profit for the period	-	-	-	-	-	310	310
Dividends paid	-	-	-	-	-	(313)	(313)
Balance at 31 December 2022	<u>794</u>	<u>(399)</u>	<u>6,133</u>	<u>2,139</u>	<u>51</u>	<u>3,422</u>	<u>12,140</u>
Balance at 1 July 2022	794	(399)	6,133	2,139	51	3,425	12,143
Treasury shares acquired	-	(379)	-	-	-	-	(379)
Profit for the year	-	-	-	-	-	3,700	3,700
Dividends paid	-	-	-	-	-	(313)	(313)
Balance at 30 June 2023	<u>794</u>	<u>(778)</u>	<u>6,133</u>	<u>2,139</u>	<u>51</u>	<u>6,812</u>	<u>15,151</u>

CROMA SECURITY SOLUTIONS GROUP PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR 6 MONTHS ENDED 31 DECEMBER 2023

1. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with UK-adopted international accounting standards (“IFRS”). IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the UK Endorsement Board. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the UK and applicable as at 30 June 2023. The Group has chosen not to adopt IAS 34 “Interim Financial Statements” in preparing the interim financial information.

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 (“the Act”). The statutory accounts for the year ended 30 June 2023 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act. The financial information for the six months ended 31 December 2023 and 31 December 2022 is unaudited.

Going concern

The interim financial report has 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 April 2025. 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.

2. Accounting policies

The accounting policies applied by the Group in this interim report are consistent with those applied by the Group in the consolidated financial statements for the year ended 30 June 2023. IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” has been applied following the Boards’ decision in December 2022 to divest itself of the operations of Croma Vigilant. The disposal was completed on 30 June 2023. The assets and liabilities of Croma Vigilant as at 31 December 2022 are classified as “held for sale” and shown separately in the consolidated statement of financial position from continuing operations. In the consolidated statements of comprehensive income for the six-month period ended 31 December 2022 and the year ended 30 June 2023 the results of Croma Vigilant are presented separately from continuing operations as a single line “profit for the period from discontinued operations” with all comparatives restated accordingly.

3. Earnings per share

Earnings per share is based upon the profit for the period and the weighted average number of shares in issue and ranking for dividend. The following reflects the profit and share data used in the basic and diluted EPS computations:

	6 months ended 31-Dec-23 £000s	6 months ended 31-Dec-22 £000s	Year ended 30-Jun-23 £000s
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders			
- continuing operations	246	209	166
- discontinuing operations	-	101	3,534
Number of shares (thousands)			
Weighted average number of shares used in basic and diluted EPS	13,801	14,902	14,902

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to the outstanding share options.

4. Cash generated from/(used in) operating activities:

	6 months ended 31-Dec-23 £000s	6 months ended 31-Dec-22 £000s	Year ended 30-Jun-23 £000s
Operating profit	278	267	427
Depreciation and amortisation	231	188	527
Decrease in inventories	116	157	98
(Increase) in trade and other receivables	(5)	(265)	(2,260)
(Decrease)/increase in trade and other payables	(405)	390	2,084
Cash generated from continuing operations	213	737	876
Cash generated assets held for sale	-	95	465
Tax paid	-	(77)	(68)
	<u>213</u>	<u>755</u>	<u>1,273</u>

5. Discontinued operations:

As announced in December 2022 the board has decided to divest itself of its manned guarding division, Croma Vigilant and accordingly the results of this division are set out separately as follows:

	6 months ended 31-Dec-23 £000s	6 months ended 31-Dec-22 £000s	Year ended 30-Jun-23 £000s
Revenue	-	15,925	34,802
Cost of sales	-	(13,908)	(30,432)
Gross profit	-	2,017	4,370
Operating profit	-	139	465
Finance costs	-	(12)	-
Profit before tax	-	127	465
Tax	-	(26)	-
Profit after tax	-	101	465
Profit from sale of discontinued operations	-	-	3,069
Total discontinued operations	-	101	3,534
Basic and diluted earnings per share (pence) from discontinued operations	-	0.68	23.71

6. Subsequent events

As part of the continuing strategy to expand the network of security centres, on 2 January 2024 the company purchased a business comprising 100% of the share capital of City Locks Limited, a business trading out of a locksmiths premises in Peterborough for a total consideration of 40,000. As a separate transaction, the company purchased the freehold property for £355,000.

In addition the Company purchased the assets of Attle Locksmiths, trading out of a locksmiths premises in Worthing for a total consideration of £43,000.

7. Financial information

The Board of Directors approved this interim report on 19 February 2024.

A copy of this report can be obtained by writing to the Chief Financial Officer at our registered office; Unit 7 & 8, Fulcrum 4, Solent Way, Whiteley, Hampshire PO15 7FT or from our website at www.cssgplc.com