

Croma Security Solutions Group Plc

("CSSG", "Croma", "the "Company" or the "Group")

Interim Results

A Solid First Half

Croma Security Solutions Group plc (AIM:CSSG), the total security services provider is pleased to announce its unaudited interim results for the six months to 31 December 2021.

Financial Highlights:

- A good performance in a challenging market
- Continued steady demand for the Company's security solutions
- Revenues up by 9% to £17.87m (H1 2020: £16.36m)
- Generating EBITDA of £0.87m (H1 2020: £0.86m)
- Other than lease liabilities, the Group remains ungeared with cash balances of £3.5m (31 December 2020: £3.9m)
- No interim dividend declared, however the Board expect to pay a final dividend once the financial year has been completed

Operational Highlights: Expansion of Security Store Portfolio and New Technology led Partnerships

- Acquired Manchester based security store in November 2021 and further opportunities in the pipeline
- Systems and Locksmiths businesses increased revenues by 16% despite closing security stores during Covid-19 restrictions
- In October 2021, announced the Group is the UK strategic partner for iLOQ, a leading Finnish security business
- In January 2022, post the period end, the Group announced a new strategic partnership with Fingo a biometric identity authentication and payments platform

PROception leading the way for modern security solution

- Croma PROception the ground-breaking front of house business, which combines reception and security is establishing a new standard in building security
- Overall, manned guarding revenues increased by 8% alongside offering increased optionality over a wider range of security solutions

Outlook

- Second half trading has started well and therefore the Board believes the business is well placed to deliver a good a trading performance for the year.

Sebastian Morley, Chairman of CSSG, said: "We are pleased to have delivered a good performance amidst a challenging market. Demand from our client base was steady which given the disruption caused by the pandemic was a solid performance. We completed the acquisition of a new security store in Manchester, and we believe we have a good pipeline of further opportunities. Similarly, we see opportunity in technology led areas such as the tie up with Biometric expert Fingo and iLOQ the specialist locks business. Overall, the business is well placed, our balance sheet is strong, our core businesses are profitable and cash generative and we are adding to them with bolt on acquisitions and through partnerships with technology leaders."

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

Croma Security Solutions Group Plc
Sebastian Morley (Chairman)

Tel: +44 (0)7768 006 909

WH Ireland Limited
(Nominated Adviser and Broker)
Mike Coe
Jessica Cave
Sarah Mather

Tel: +44 (0)207 220 1666

Novella
Tim Robertson
Fergus Young

Tel: +44 (0)203 151 7008

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.

Chairman's Statement

Introduction

I am pleased to report Croma's unaudited interim results for the six months to 31 December 2021 which saw the Group generate revenues of £17.87 million and EBITDA of £0.87 million. A good performance in a challenging market during which we managed any change caused by the pandemic and continued to deliver uninterrupted guarding services for the buildings, assets and individuals under our protection. Alongside this, the Company continued to focus on expanding our services and asset base in pursuit of our objective of establishing Croma as the British security brand.

Group strategy

Our overall strategy remains focused on:

- setting new standards in providing premium guarding services, community awareness schemes and innovative front of house solutions under the Croma Vigilant and PROception brands;
- building a national network of Croma Security Centres, through which all the Group's services are sold; and
- becoming the British security brand.

Like many businesses, as restrictions associated with the pandemic recede, we can reflect on what we have learnt from operating under Covid-19 and have a better understanding of the flexibility of our teams, operating structures and have uncovered additional efficiencies all of which we are feeding into the business and will further support the Company in achieving its objectives.

With the deeply saddening events unfolding in Ukraine coupled with the visible inflationary cost increases, all businesses will need to adapt. While Croma is reasonably positioned to manage inflationary cost increases, it is likely some customers will be impacted and may well look to reduce the costs of their security solutions. Anticipating this, Croma Vigilant has introduced a wider range of security solutions with more flexible cost structures.

Longer term, the prospects look unchanged for the Group. The UK security market continues to be made up of a large number of smaller enterprises laying the ground for the Group to act as a consolidator. In the period, the Company completed the acquisition of a security store in Manchester and there is a good pipeline of similar opportunities.

The macro security trends also remain unchanged; individuals, government and business all want to ensure their safety and that of their assets. Security attacks are increasing and have become more sophisticated. Consequently, technology is a central part of our security solutions, and to keep ahead we are significantly evolving our offer every year. That said, at the heart of all of Croma's security solutions is a strong military ethos and a focus on security personnel being a part of a premium service in which individuals are well trained, well-motivated and well paid. The combination of a strong team and leading technology continues to prove to be a compelling commercial proposition.

Croma Vigilant

Croma Vigilant is the largest part of our business providing manned guarding for assets and individuals. Employing over 950 high-grade security personnel throughout the UK and continued to deliver an uninterrupted service throughout the period under review despite the restrictions and staff isolation required to comply with Covid-19 related rules.

The adaptability of the whole team has been very impressive coupled with excellent operational organisation. There is no doubt the pandemic has shown the division what it is capable of, if required. Croma Vigilant's point of differentiation is that it offers a premium security solution in all aspects and has built a successful business based on this proposition. That said, more recently due to rising cost pressures on customers, it is providing the same premium manned guarding services but on a more flexible basis. For example, replacing a 24-hour guarding service of an office building with regular patrol visits. This flexibility is important to retain and meet the full range of our customers' needs and budgets.

Improving on the traditional security offering is fundamental to the success of the business. The introduction and subsequent demand for the PROception service is an excellent example of the Group leading the way for modern security solutions. Making the reception desk part of a building's security solution has improved the appearance of the security team, introduced a more technology led solution and created economies of scale with reception duties being combined with security. The success of this new modern guarding concept is reflected in the strong customer demand.

Reflecting the prevailing trends in the market, an increasing proportion of this division's income is now contracted which increases visibility over future earnings and enhances our ability to invest for the future.

Croma Systems & Locksmiths

Croma Systems & Locksmiths, the provider of a range of innovative security technology services including CCTV, Intruder Alarms, FastVein (Biometrics) and high security locks, delivered a resilient performance.

The division now operates through 11 security centres with one added following the acquisition of a site in Manchester in October 2022. The security centres are all operating under the Croma brand and are marketing, under one roof, the entire range of the Group's services.

The Company has also formed two new strategic partnerships both of which have significant future potential.

In October 2021, the Company announced it had agreed to be the UK strategic partner for iLOQ, a leading Finnish security business. Specialising in locks, iLOQ has developed a new battery free door lock which can be opened by smartphone. The lock is powered by the mobile phone opening it, a unique feature clearly differentiating it from 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 and maintain iLOQ equipment in the UK.

In January 2022, the Company announced a new strategic partnership with FinGo, a biometric identity authentication and payments platform. The Company's existing biometrics solution, FASTVEIN™ which provides quick, easy to use, accurate and cost-effective identity management, is a natural fit with FinGo. Working together will allow Croma to expand its product suite to include payments alongside existing identity and access control offerings in these sectors. This partnership will also expand FinGo's digital identity management and payment expertise to include access management.

Financial Review

Revenue increased by 9% for the six months to 31 December 2021 to £17.87m (H1 2020: £16.36m). Cash balances at 31 December 2021 are £3.5m (30 December 2020: £3.9m). Earnings per share increased 13.8% to 2.97p per share (H1 2020: 2.61p).

Other than lease and short-term trading liabilities, the Group remains free from borrowings.

Dividend

The Board has decided to maintain the decision to not pay an interim dividend and instead to consider the payment of a single final dividend, allowing the business to complete the financial year before deciding on the level of the dividend to be paid for the 12-month period. This maintains a slightly more prudent approach, started during the pandemic, and now reflecting the continuation of challenging market conditions.

Outlook

Looking ahead, we believe the business is well placed with no long-term borrowings and £3.5m of cash to support future investment. All business units are performing well and we are seeing opportunities to expand organically and via acquisition.

Sebastian Morley
Chairman
9 March 2022

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED 31 DECEMBER 2021

	Notes	6 months ended 31-Dec-21 unaudited £000s	6 months ended 31-Dec-20 unaudited £000s	Year ended 30-Jun-21 audited £000s
Revenue		17,869	16,362	32,539
Cost of sales		(14,431)	(13,560)	(27,154)
Gross profit		<u>3,438</u>	<u>2,802</u>	<u>5,385</u>
Administrative expenses		(2,936)	(2,676)	(4,898)
Other operating income		62	377	764
Operating profit		<u>564</u>	<u>503</u>	<u>1,251</u>
Analysed as:				
Earnings before interest, tax, depreciation, impairment, and amortisation of intangible assets		866	863	1,982
Impairment		-	-	-
Amortisation		(45)	(83)	(166)
Depreciation		(257)	(277)	(565)
Operating profit		<u>564</u>	<u>503</u>	<u>1,251</u>
Finance costs		(24)	(24)	(40)
Profit before tax		<u>540</u>	<u>479</u>	<u>1,211</u>
Tax		(97)	(91)	(234)
Profit/(loss) for the year from continuing operations		<u>443</u>	<u>388</u>	<u>977</u>
Profit and total comprehensive income for the period attributable to owners of the parent		<u>443</u>	<u>388</u>	<u>977</u>
Earnings per share	3			
Basic and diluted earnings/(loss) per share (pence) from continuing operations		2.97	2.61	6.56

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	31-Dec-21 unaudited £000s	31-Dec-20 unaudited £000s	30-Jun-21 audited £000s
Assets			
Non-current assets			
Goodwill	6,464	6,454	6,454
Other Intangible assets	246	373	290
Property, plant and equipment	1,433	535	488
Right-of-use assets	894	943	997
	<u>9,037</u>	<u>8,305</u>	<u>8,229</u>
Current assets			
Inventories	800	620	681
Trade and other receivables	6,047	5,440	5,097
Cash and cash equivalents	3,509	3,879	5,433
	<u>10,356</u>	<u>9,939</u>	<u>11,211</u>
Total assets	19,393	18,244	19,440
Liabilities			
Non-current liabilities			
Deferred tax	(88)	(116)	(91)
Lease liabilities	(586)	(685)	(753)
	<u>(674)</u>	<u>(801)</u>	<u>(844)</u>
Current liabilities			
Trade and other payables	(5,844)	(5,353)	(5,925)
Borrowings and Lease liabilities	(352)	(301)	(293)
	<u>(6,196)</u>	<u>(5,654)</u>	<u>(6,218)</u>
Total liabilities	(6,870)	(6,455)	(7,062)
Net assets	<u>12,523</u>	<u>11,789</u>	<u>12,378</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	794	794	794
Treasury shares	(399)	(399)	(399)
Share premium	6,133	6,133	6,133
Merger reserve	2,139	2,139	2,139
Capital redemption reserve	51	51	51
Retained earnings	3,805	3,071	3,660
Total equity	<u>12,523</u>	<u>11,789</u>	<u>12,378</u>

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR 6 MONTHS ENDED 31 DECEMBER 2021

	6 months ended 31-Dec-21 unaudited £000s	6 months ended 31-Dec-20 unaudited £000s	Year ended 30-Jun-21 audited £000s
	Notes		
Cash flows from operating activities			
Profit before taxation	540	479	1,211
Depreciation, amortisation and impairment	314	360	731
(Profit) on sale of property, plant and equipment	(12)	(4)	(19)
Net changes in working capital	4 (1,017)	(420)	374
Financial expenses	24	24	40
Corporation tax paid	(131)	(72)	(182)
Net cash (used)/generated from operations	(282)	367	2,155
Cash flows from investing activities			
Purchase of business including acquisition costs net of cash acquired	(137)	-	-
Purchase of property, plant and equipment	(1,093)	(65)	(138)
Proceeds on disposal of property, plant and equipment	18	8	28
Net cash used in investing activities	(1,212)	(57)	(110)
Cash flows from financing activities			
Payments to reduce lease liabilities	(123)	(213)	(408)
Increase/(reduction) in borrowings	(1)	3	11
Dividends paid	(298)	(291)	(291)
Interest paid	(8)	(6)	-
Net cash used in financing activities	(430)	(507)	(688)
Net (decrease)/increase in cash and cash equivalents	(1,924)	(197)	1,357
Cash and cash equivalents at beginning of period	5,433	4,076	4,076
Cash and cash equivalents at end of the period	3,509	3,879	5,433

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000s	Treasury Shares £000s	Share Premium £000s	Merger Reserve £000s	Capital Redemption Reserve £000s	Retained Earnings £000s	Total Equity £000s
Balance at 1 July 2021	794	(399)	6,133	2,139	51	3,660	12,378
Profit for the period	-	-	-	-	-	443	443
Dividends paid	-	-	-	-	-	(298)	(298)
At 31 December 2021	794	(399)	6,133	2,139	51	3,805	12,523
Balance at 1 July 2020	794	(399)	6,133	2,139	51	2,974	11,692
Profit for the period	-	-	-	-	-	388	388
Dividends paid	-	-	-	-	-	(291)	(291)
Balance at 31 December 2020	794	(399)	6,133	2,139	51	3,071	11,789
Balance at 1 July 2020	794	(399)	6,133	2,139	51	2,974	11,692
Profit for the year	-	-	-	-	-	977	977
Dividends paid	-	-	-	-	-	(291)	(291)
Balance at 30 June 2021	794	(399)	6,133	2,139	51	3,660	12,378

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR 6 MONTHS TO 31 DECEMBER 2021

1. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the UK. 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 2022. 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 2021 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 2021 and 31 December 2020 is unaudited.

2. Accounting policies

The accounting policies applied by the Group in this interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 30 June 2021.

A number of other new and amended standards and interpretations are effective from 1 January 2021 but they do not have a material effect on the Group’s financial statements.

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-21	6 months ended 31-Dec-20	Year ended 30-Jun-21
<i>Numerator</i>			
Profit/(loss) for the year on continuing operations and used in EPS (£000s)	443	388	977
<i>Denominator</i>			
Number of shares (thousands)			
Weighted average number of shares used in basic and diluted EPS	14,902	14,902	14,902

4. Note supporting the cash flow statement

	6 months ended 31-Dec-21 unaudited £000s	6 months ended 31-Dec-20 unaudited £000s	Year ended 30-Jun-21 audited £000s
Net changes in working capital			
(Increase)/Decrease in inventories	17	144	61
(Increase)/decrease in trade and other receivables	(895)	(905)	1,628
Increase in trade and other payables	<u>(138)</u>	<u>341</u>	<u>9</u>
	(1,017)	(420)	1,698

5. Financial Information

The Board of Directors approved this interim report on 9 March 2022.

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