

Croma Security Solutions Group Plc

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

Interim Results for the Six Months to 31 December 2017

High Demand for Increased Security Services Drives H1 Revenue and Profits Growth

Croma Security Solutions Group plc the AIM listed total security services provider announces its unaudited interim results for the six months to 31 December 2017.

Record Financial Performance

- 55% increase in revenues to £17.3m (2016: £11.2m)
- Significant rise in EBITDA to £1.2m (2016: £0.44m)
- Pre-tax profits up over fourfold to £1.0m (2016: 0.22m)
- Earnings per share more than quadrupled to 4.92p (2016: 1.09p)
- 20% increase in H1 dividend to 0.6p (2016: 0.5p)

Market Fundamentals Driving Demand

- Strong trading performance driven by the high demand for increased security from both the private and public sector
- Both divisions Croma Vigilant and Croma Systems have been successful in securing new and maintaining existing business
- Croma Vigilant has:
 - benefitted from a significant increase in demand for its premium services;
 - secured the largest manned guarding contract in the Company's history worth £27 million in total over 6 years, commencing in the current year; and
 - become accredited to provide security for local communities as "replacement police support".
- Croma Systems has:
 - recorded good growth across all security solutions;
 - benefitted from the consolidation of activities under one division; and
 - generated new commercial opportunities around the Group's FastVein (Biometrics) technology.

Outlook for 2018

- Ideally placed to deliver a record performance for the full year
- Look to maintain progressive dividend policy for FY 2017

Sebastian Morley, Chairman of CSSG, said:

"Profits for H1 are well in excess of the whole of last year so we are on track for this to be a record year for the business. While there have been some premium one-off contracts within the H1 trading performance, this has been combined with long-term contract wins which will commence in the second half. Moreover, we believe security will continue to be an increasing priority for government and the commercial world and that Croma's combination of technically innovative security solutions delivered with an ex-military ethos differentiates us and makes us well placed to continue to gain market share."

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

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An interview of Croma Security Solutions Group Plc Chairman, Sebastian Morley, discussing today's Interim Results with Vox Markets will be available today from 12:30. To listen go to <https://www.voxmarkets.co.uk/company/CSSG>.

Chairman's Statement

Introduction

I am pleased to report the financial results for the first six months of the current financial year which show the Group performing strongly and generating sales and profits significantly ahead of the prior year. The Group's financial performance shows our success to date but also we believe reflects a fundamental uplift in our future long-term earnings.

Heightened security tension in the UK and throughout the world has led to an increase in demand for security services and, in particular, premium security services, as organisations recognise the need to invest in high-quality security personnel and sophisticated technical solutions. From the outset, Croma has sought to provide a premium service amidst an industry which has historically been more cost driven as opposed to security driven. The switch in attitude is benefitting us and helping the Group gain market share.

Financial Review

Revenue increased by 55% to £17.3 million for the six months to 31 December 2017 (2016: £11.2m) leading to a fourfold increase in pre-tax profit of £1.0 million (2016: 0.22m) and earnings per share increasing to 4.92 per share (2016 :1.09p). This was therefore a strong financial performance reflecting the successful conversion of new business across each division.

The Company remains in a robust financial position with very low borrowings and net cash of £1.4 million, positioning the business well to continue to benefit and invest behind the opportunities that are arising in what is a good market.

Dividend

The Board is pleased to declare a 20% increased interim dividend of 0.6p (2016: 0.5p) per share, to be paid on 9 April 2018 to shareholders with an ex-dividend date of 8 March 2018 and an associated record date of 9 March 2018.

Croma Vigilant

Croma Vigilant is the largest part of our business providing manned guarding for assets and individuals and has had a very successful period. Providing high-grade security personnel who are typically ex-military is a significant factor in helping to ensure that Vigilant is able to deliver a premium service. The division now employs over 1,200 security personnel throughout the UK. In London alone, Croma is responsible for guarding assets worth in excess of £3 billion.

During the period under review, the division won six new contracts from both public and private organisations of which two were one off projects which boosted the financial performance, however, the balance of contracts are long-term and one contract in particular with a major UK local authority is the largest the Group has ever won. The contract is for six years providing a range of security services and is worth £27 million in total.

Reflecting the reduction in government budgets for the UK Police Force, Vigilant recently completed the Community Safety Accreditation Scheme. This accreditation enables Croma to provide private security within communities using mobile and foot patrol officers. There is an increased political focus currently around the reduction in the number of police officers patrolling our streets and with our highly disciplined force of security personnel Croma is well placed to support the regular police and local communities.

Croma Systems

Croma Systems, provider of a range of innovative security technology services including CCTV, Intruder Alarms, FastVein (Biometrics) and high security locks, delivered a good performance. This division is also benefitting from the general increase in security concerns and increasingly customers of Vigilant are buying security solutions from this division as part of a one stop shop service and vice versa.

FastVein the Group's biometric high-speed human identifier is part of the forefront of modern security technology. While still small in terms of contribution to the Group revenues, the potential for this technology is significant. Currently FastVein is in use in school entrances and on largescale construction sites verifying the shift times for employees and subcontractors. Interest and alternative applications are emerging all the time and it is exciting to be developing this product.

Outlook

We have begun the second half of the financial year strongly, continuing to take advantage of the high demand for premium security services. The Croma brand is clearly differentiated from the mainstream and we are providing total security solutions which are typically technically innovative but always implemented with our ex-military ethos which ensures a reliability and trustworthiness that sets us apart. We look forward to delivering a record year for the business.

Sebastian Morley
Chairman

28 February 2018

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED 31 DECEMBER 2017

	6 months ended 31-Dec-17 unaudited £000s	6 months ended 31-Dec-16 unaudited £000s	Year ended 30-Jun-17 audited £000s
Notes			
Revenue	17,269	11,154	22,058
Cost of sales	(14,066)	(9,120)	(18,033)
Gross profit	3,203	2,034	4,025
	<i>18.55%</i>	<i>18.24%</i>	<i>18.25%</i>
Administrative expenses	(2,187)	(1,789)	(3,802)
Other operating income	-	6	208
Operating profit	1,016	251	431
Analysed as:			
Earnings before interest, tax, depreciation, and amortisation	1,197	436	697
Depreciation	(60)	(64)	(81)
Amortisation	(121)	(121)	(185)
Operating profit	1,016	251	431
Finance expense costs	(18)	(27)	(74)
Profit before tax	998	224	357
Tax	(181)	(38)	3
Profit for the year from continuing operations	817	186	360
Profit and total comprehensive profit for the period attributable to owners of the parent	817	186	360
Earnings per share	2		
Basic and fully diluted earnings per share (pence)			
- From continuing operations	4.92	1.09	2.13

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	31-Dec-17 unaudited £000s	31-Dec-16 unaudited £000s	30-Jun-17 audited £000s
Assets			
Non-current assets			
Goodwill	7,213	7,213	7,213
Other intangible assets	1,040	1,280	1,161
Property, plant and equipment	474	429	420
	<u>8,727</u>	<u>8,922</u>	<u>8,794</u>
Current assets			
Inventories	638	684	710
Trade and other receivables	6,277	3,936	3,804
Cash and cash equivalents	1,374	296	770
	<u>8,289</u>	<u>4,916</u>	<u>5,284</u>
Total assets	<u>17,016</u>	<u>13,838</u>	<u>14,078</u>
Liabilities			
Non-current liabilities			
Deferred tax	(220)	(286)	(238)
Trade and other payables	(21)	(327)	(89)
	<u>(241)</u>	<u>(613)</u>	<u>(327)</u>
Current liabilities			
Trade and other payables	(6,006)	(2,261)	(3,251)
Borrowings	-	(759)	(195)
	<u>(6,006)</u>	<u>(3,020)</u>	<u>(3,446)</u>
Total liabilities	<u>(6,247)</u>	<u>(3,633)</u>	<u>(3,773)</u>
Net assets	<u>10,769</u>	<u>10,205</u>	<u>10,305</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	795	845	845
Capital redemption reserve	51		
Share premium	6,133	6,129	6,133
Merger reserve	2,139	2,139	2,139
Retained earnings	1,637	1,082	1,176
Other reserves	14	10	12
Total equity	<u>10,769</u>	<u>10,205</u>	<u>10,305</u>

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR 6 MONTHS ENDED 31 DECEMBER 2017

	6 months ended 31-Dec-17 unaudited £000s	6 months ended 31-Dec-16 unaudited £000s	Year ended 30-Jun-17 audited £000s
Cash flows from operating activities			
Profit before taxation	998	160	357
Depreciation, and amortisation	181	147	368
Loss on sale of plant and equipment	-	-	3
Net changes in working capital	167	(693)	443
Financial expenses	18	14	74
Taxes paid	(48)	-	(12)
Net cash generated/(used) from operations	1,316	(372)	1,233
Cash flows from investing activities			
Purchase of subsidiary, net of cash acquired	-	(605)	(100)
Purchase of property, plant and equipment	(114)	(113)	(114)
Proceeds on disposal of property, plant and equipment	-	-	7
Net cash (used) in investing activities	(114)	(718)	(207)
Cash flows from financing activities			
(Purchase of own shares)/New share issue	(355)	-	5
Hire purchase payments	(30)	33	(56)
(Repayments)/advances on borrowings	(195)	490	(439)
Dividends paid	-	-	(84)
Interest paid	(18)	(9)	(74)
Net cash generated/(used) in financing activities	(598)	514	(648)
Net increase/decrease in cash and cash equivalents	604	(576)	378
Cash and cash equivalents at beginning of period	770	839	392
Cash and cash equivalents at end of the period	1,374	263	770

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR 6 MONTHS TO 31 DECEMBER 2017

1. Basis of preparation

The financial information in the half yearly report has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union ("IFRS").

The principal accounting policies in this half yearly report are unchanged from those applied in the 2017 financial statements. The financial information for the six months ended 31 December 2017 and the six months ended 31 December 2016 are unaudited and have not been reviewed by the Group's auditor.

The financial statements for the year ended 30 June 2017, which were prepared in accordance with IFRS, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2003.

While the financial information in this half yearly report is consistent with the recognition and measurement principles of adopted IFRS, it does not comply with the requirements of IAS34 Interim Financial Reporting nor does it constitute statutory accounts within the meaning of the Companies Act 2006.

2. 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-17	6 months ended 31-Dec-16	Year ended 30-Jun-17
<i>Numerator</i>			
Profit for the year on continuing operations and used in basic EPS (£000s)	817	186	360
<i>Denominator</i>			
Number of shares (thousands)			
Weighted average number of shares used in basic EPS	16,591	16,893	16,894
Weighted average number of shares used in diluted EPS	16,604	16,893	16,903

3. Taxation

Taxation has been provided for at 19.0%

4. Dividends

The Board approved an interim dividend for the year of 0.6 pence per share (2016: 0.5p).

5. Financial Information

The Board of Directors approved this interim report on 27 February 2018.

A copy of this report can be obtained by writing to the Finance Director at our registered office; Unit 6 Fulcrum 4, Solent Way, Whiteley, Hampshire PO15 7FT or from our website at www.cssgroupplc.com