

10 November 2022

**Croma Security Solutions Group Plc**  
("Croma", "CSSG", the "Company" or the "Group")

**Final Results**

**Investment & New Client Wins**

Croma Security Solutions Group plc, the AIM listed total security services provider, announces its final results for the year ended 30 June 2022.

**Financial highlights**

- 8% increase in revenues to £35.16m (2021: £32.54m) reflecting continued demand for the Group's security solutions
- Gross profit margin improved to 18.2% (2021: 16.5%)
- Pandemic related Government support income reduced to £0.1m (2021: £0.76m)
- EBITDA of £1.59m (2021: 1.98m). Excluding government support EBITDA was £1.50m (2021: £1.22m)
- No borrowings other than lease liabilities and credit card liabilities.
- Cash balances of £2.6m (30 June 2021: £5.4m) partly reflecting new investments in property, plant and equipment and inventory.
- 5% increase in total dividend for the year to 2.1p (2021: 2.0p) reflecting confidence in the outlook for all Group businesses.

**Operational highlights: Investment in assets, people and new technologies**

- Expansion of the security centre network with the acquisition of three stores (two post year-end) taking the network to 13 sites across the UK
- Following on from becoming the preferred UK distributor for iLOQ in October 2021, Group wide training was implemented on iLOQ to support ability to sell and install nationally
- Investment in new biometric partnership with Fingo, an identity authentication and payments platform
- Focus and investment on retention across staff base as competition for security professionals increases

**Post Year-End: Significant new client wins**

- Four new contract wins together worth £6.1m as follows:
  - Croma Vigilant won a three year contract worth £5m per annum, for the guarding services of a London property portfolio with option to extend for a further two years;
  - PR0ception won a three year contract worth £0.5m per annum, for the same London property portfolio (as above), with option to extend for a further two years;
  - Croma Vigilant won a three year contract worth £0.4m per annum, for the guarding services of a substantial North West retail site; and
  - £0.3m order for iLOQ for major UK company in the education sector with potential for further orders.

- Benefit from these new contracts will come in the current financial year and is equivalent to approximately 17% of Group revenues for 30 June 2022.

**Sebastian Morley, Chairman of CSSG, said:** *“This has been another successful year for the business. Coming out of the pandemic, the Group is in good order with increasing demand from existing and new customers, no borrowings and the capital to invest should opportunities arise. Profit margins improved during the year albeit comparisons with last year are skewed by government support income in 2021. During the year under review, we invested in assets, people and new technologies. We are now seeing the benefit of that investment, in the current financial year with significant new contract wins that will boost our future financial performance.”*

**For further information visit [www.cssgroupplc.com](http://www.cssgroupplc.com) or contact:**

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This announcement contains inside information as defined in the UK Market Abuse Regulations and is disclosed in accordance with the Company’s obligations under those Regulations.

## Chairman's Statement

This has been another solid trading period for the Group, and I am therefore very pleased to present the trading results for the 12 months to 30 June 2022.

Coming out of the pandemic period, the Group is equally well positioned as it was when we entered. During the pandemic, we adapted well to the market conditions, maintained our customer and employee base and continued to deliver premium security solutions and services. The Group's financial performance during the year under review, reflects this, with revenues increasing by 8% to £35.16m and earnings before interest, taxation depreciation and amortisation ("EBITDA") excluding government support income for the pandemic, increasing by 23% to £1.6m.

The Group remains debt free, excluding lease liabilities, and with cash balances, as of 30 June 2022, of £2.6m, is well placed to support and expand all parts of the business. Customer demand is strong, evidenced by the increase in sales during the year and the significant new contract wins announced since the year end.

Our strategic objectives have remained unchanged. We are focused on servicing the premium end of the security market and becoming the British security brand in Britain. The locksmith and systems security market remains highly fragmented made up of many small businesses which offer us acquisition opportunities. In the last 12 months we have added three further security centres through two acquisitions, the second coming post year end. Alongside growing by acquisition, we continue to grow organically led by our reputation for delivering a premium service and expanding the range of our services we provide to existing clients, in particular, adding PROception to current manned guarding contracts.

Also underpinning our organic growth is the perceived need amongst private companies and government departments to protect individuals and assets from the range of potential risks. These risks encompass many types of events from anti-social behaviour, vandalism, theft and physical threats to individuals or groups. Sadly, most corporate bodies will at some time experience one of these events and this experience then tends to lead senior management to upgrade the protection of their assets to a premium security service such as ours.

Innovation and in particular, innovation through technology continues to be 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. A key focus for the business is our partnership with Finnish firm iLOQ. The iLOQ product is a market leading lock product which is opened and powered by a mobile phone. We have been the preferred UK national distributor of iLOQ since October 2021 and we have invested in training our personnel across our security centres to be able to market and install the product nationally. Since the year end, we have signed a contract with a major education partner which has the potential to be rolled out nationally, the first we hope of many such contracts.

The Board is pleased to recommend a final dividend to shareholders of 2.1p per share and subject to approval at the Annual General Meeting to be held on 6 December 2022, the final dividend will be paid on 16 December 2022 to all shareholders on the register at the close of business on 2 December 2022. The shares will be marked ex-dividend on 1 December 2022.

The year under review has been a period of further growth but also one of investment in assets, people and new technologies. The benefit of these investments has been reflected in the excellent new business wins achieved since the year end, the impact of which will be first felt in the current financial year. As a Board, we are also acutely aware of the economic environment and how and where this might impact the Group. Employee retention is a key area and we have been working hard to ensure our employee base receives competitive pay levels combined with a positive and engaging work environment. Our position of having no borrowings and continued positive cash balances, ensures we have the financial flexibility to support our businesses where necessary.

As a consequence, the Board is confident in the prospects of the business.

**Sebastian Morley - Chairman**  
**10 November 2022**

## **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 2022.

The Group's strategic objectives continue to be:

- 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 £29.3m (2021: £27.4m) and operating profit of £0.7m (2021: £1.1m).

The increase in sales reflects the increase in demand for our security solutions however, operating profits have declined due to various factors including increased spend on post pandemic travel costs, new spending on IT software, a potential bad debt provision of £0.1m and additional rent and rates at our Dumfries office, where we have doubled our floorspace occupancy.

Our bottom line does not show the benefit from government support relating to the pandemic which inflated operating profits for this division by a net figure of £0.2m in 2021 compared to 2022.

Croma Vigilant provides manned guarding and reception services for property assets and individuals and continues to employ 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. A key area of innovation has been the creation of PROception, a front of house concept, making the modern reception part of a building's security strategy. It is a natural combination with the divisions manned guarding services for buildings where there is a reception, and our clients are recognising the significant benefits of combining the two services to the significant enhancement of a building's security.

The experience and expertise contained across our employee base is significant and in the current economic environment it is crucial that we remain an employer of choice with competitive pay levels together with providing a positive and engaging work environment. To deliver a premium security service is only possible by having a high quality of personnel to do so. To maintain our competitive advantage, we look for new ways to enhance our customer and employee experience and during the year we have invested approximately £0.1m in new payroll software which will enable us to future proof our employee expansion beyond the limits of our existing software which was becoming a constraint to growth.

Contracted revenues over a period exceeding one month were £25.9m being 88.4% (2021: 82%) of income, ensuring that the division continues to have good visibility over the reliability of future revenues. We encourage our existing customer base to sign longer term contracts and also to target new business which gives us the opportunity to invest having the surety of significant revenue streams. Since the year-end, Croma Vigilant has won three major contracts together worth £5.9m per annum all of which will run for a minimum of 3 years.

Approximately £20m of our contracted revenues are on contracts which are due for renewal in the coming year (note 3) and of these approximately £6m of revenue are on contracts where our customer has an option to extend for between 12 and 24 months.

There was a similar split in income to previous years between private and public, of approximately two thirds/one third respectively.

### **Croma Security Systems**

Croma Security Systems including Croma Biometrics recorded sales of £2.6m (2020: £2.5m) and an operating profit before impairment of £0.5m (2021: £0.5m). Prior year profits benefited from government support of 0.2m so this represents a good performance and shows that the business is returning to the level of performance seen pre-pandemic.

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.

As our cinema chain customers continue to recover from the COVID pandemic spending on refurbishments of their portfolio has not yet returned to pre-pandemic levels. We are hopeful that during the coming year further refurbishment projects will allow us to increase our offering to them through our expanding network of security centres.

Approximately 17% of our sales were derived from our cinema customers and 18% from our work with two Southern based NHS trusts. Revenues from maintenance contracts which are renewed on an annual basis account for approximately £0.5m (2021: 0.4m) of the division's income.

In January 2022, we entered a new strategic partnership with FinGo, a biometric identity authentication and payments platform. The new alliance naturally complements and strengthens each company's leading solutions in the provision of non-invasive biometric technology but has yet to yield any significant revenues to date.

FASTVEIN™ biometrics is deployed across the education and construction sectors, providing customers with a quick, easy to use, accurate and cost-effective access control and identity management systems. Working with FinGo enables us to include payments alongside identity and access control offerings.

Largely due to an increase in group WACC to 17% it has been necessary to impair the carrying value of goodwill in this division by £0.6m (2021: £nil).

### **Croma Locksmiths**

Croma Locksmiths, which operates through 13 security centres in the UK and centrally through the Group, delivered sales of £3.2m (2021: £2.6m) and operating profit of £0.4m (2021: £0.3m) which represents a good performance given that the prior year benefitted from government support of £0.3m.

We remain focused on creating a national chain of modern security centres. We began the financial year with 10 centres and since then the division has completed two acquisitions. The first acquisition, completed in November 2021 was of Safeguard Ltd, a Manchester based locksmith business servicing the security needs of Cheshire and operating from a retail store in Warrington. The second acquisition, completed in July 2022, was of Southern Stronghold Ltd, a long-standing locksmith business that operates from two freehold premises, one in Coventry and a second near Southampton in Totton. All three stores will in time be converted into the division's security centre format, increasing our national footprint and taking the number of centres to 13.

Our contracts with a leading mechanical and engineering business and with a cruise business operating out of Southampton were largely dormant during the prior year but in the current year we are pleased to report revenues of £0.5m.

The iLOQ partnership continues to show promise alongside significant investment in training security staff in how to market the product as well as install it nationwide. The benefit of this investment has been shown, in a new contract win, with a major player in the education sector. The initial contract worth £0.3m in revenue was completed in the new financial year. There is potential for a nationwide roll-out.

Trading in the security centres remains positive and we look forward to further expanding our network of centres across the UK.

### **Group Financials**

	<b>2022</b>	<b>2021</b>
	<b>£000's</b>	<b>£000's</b>
The Group financials can be summarised as follows:		
Revenue	35,165	32,539
Gross profit	6,396	5,385
Gross margin %	18.2%	16.5%
Other operating income	86	764
EBITDA	1,590	1,982
Impairment of goodwill	(627)	-
Operating profit	245	1,251
Earnings per share	0.42p	6.56p
Net assets	12,143	12,378
Cash (used in)/generated from operations	(860)	2,155
Cash and cash equivalents	2,556	5,433
Dividend per share in relation to the year	2.1p	2p

Gross profit increased by £1m however additional spending on overheads and a reduction in COVID support led to a reduction on EBITDA to £1.6m (2021: £2.0m). We also suffered a bad debt in the year of £0.1m in our guarding division.

During the year, cash generated from operations was negative at £0.9m (2021: positive £2.2m). This was largely driven by an increase in inventory of £0.3m and our debtor book which was £1.6m higher at £6.8m (2021: £5.1m) with debtor days up to 54 days (2021: 42 days).

Cash collection has improved post year end and as at 10 November 2022 we have realised approximately £5.7m or 91% of our year end debtor book.

### **Outlook and future developments**

Demand for our services is increasing as evidenced by the excellent new client wins post year end. Our strategy to be the leading British security brand is clear and to that end we are carefully extending our footprint of security stores across the country. We have the financial stability and cash resources to further invest in our development and we believe we are well placed to continue to grow both revenues and profits for the benefit of our shareholders.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022**

**Continuing operations:**

	<b>2022</b>		<b>2021</b>	
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Revenue</b>		35,165		32,539
Cost of sales		<u>(28,769)</u>		<u>(27,154)</u>
<b>Gross profit</b>		6,396		5,385
Administrative expenses		(6,237)		(4,898)
Other operating income		<u>86</u>		<u>764</u>
<b>Operating profit</b>		245		1,251
<b>Analysed as:</b>				
Earnings before interest, tax, depreciation amortisation		1,590		1,982
Impairment		(627)		-
Depreciation		(636)		(565)
Amortisation of intangible assets		<u>(82)</u>		<u>(166)</u>
Operating profit		245		1,251
Finance expenses		<u>(45)</u>		<u>(40)</u>
Profit before tax		200		1,211
Tax		<u>(137)</u>		<u>(234)</u>
Profit/(loss) for the year from continuing operations		63		977
<b>Total comprehensive (loss)/ income for the year attributable to owners of the parent</b>		<u><u>63</u></u>		<u><u>977</u></u>
<b>Earnings per share</b>				
Basic and diluted earnings/(loss) per share (pence)		0.4		6.6

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>£000's</b>	<b>£000's</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	5,827	6,454
Other intangible assets	207	290
Property, plant and equipment	1,477	488
Right-of-use assets	1,120	997
	<u>8,631</u>	<u>8,229</u>
<b>Current assets</b>		
Inventories	1,076	681
Trade and other receivables	6,778	5,097
Cash and cash equivalents	2,556	5,433
	<u>10,410</u>	<u>11,211</u>
<b>Total assets</b>	<b>19,041</b>	<b>19,440</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred Tax	(117)	(91)
Lease liabilities	(796)	(764)
	<u>(913)</u>	<u>(855)</u>
<b>Current liabilities</b>		
Trade and other payables	(5,609)	(5,924)
Borrowings and lease liabilities	(376)	(283)
	<u>(5,985)</u>	<u>(6,207)</u>
<b>Total liabilities</b>	<b>(6,898)</b>	<b>(7,062)</b>
<b>Net assets</b>	<b><u>12,143</u></b>	<b><u>12,378</u></b>
<b>Issued capital and reserves attributable to owners of the parent</b>		
Share capital	794	794
Treasury shares	(399)	(399)
Share premium	6,133	6,133
Merger reserve	2,139	2,139
Capital redemption reserve	51	51
Retained earnings	3,425	3,660
<b>Total equity</b>	<b><u>12,143</u></b>	<b><u>12,378</u></b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>£000's</b>	<b>£000's</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	200	1,211
Depreciation amortisation and impairment	1,345	731
(Profit) on sale of property, plant and equipment	(21)	(19)
Net changes in working capital	(2,091)	374
Financial expenses	45	40
Corporation tax paid	(338)	(182)
<b>Net cash (used in)/generated from operations</b>	<b>(860)</b>	<b>2,155</b>
<b>Cash flows from investing activities</b>		
Purchase of subsidiaries net of cash acquired	(94)	-
Purchase of property, plant and equipment	(1,216)	(138)
Proceeds on disposal of property, plant and equipment	31	28
<b>Net cash used in investing activities</b>	<b>(1,279)</b>	<b>(110)</b>
<b>Cash flows from financing activities</b>		
Payments to reduce lease liabilities	(445)	(408)
Increase in borrowings	5	11
Dividends paid	(298)	(291)
Interest paid	-	-
<b>Net cash used in financing activities</b>	<b>(738)</b>	<b>(688)</b>
<b>Net (decrease)/increase in cash</b>	<b>(2,877)</b>	<b>1,357</b>
Cash and cash equivalents at beginning of period	5,433	4,076
<b>Cash and cash equivalents at end of period</b>	<b>2,556</b>	<b>5,433</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Share capital £000's</b>	<b>Capital Redemption reserve £000's</b>	<b>Treasury shares £000's</b>	<b>Share premium £000's</b>	<b>Merger reserve £000's</b>	<b>Retained earnings £000's</b>	<b>Total equity £000's</b>
<b>At 1 July 2020</b>	794	51	(399)	6,133	2,139	2,974	11,692
Loss for the year	-	-	-	-	-	977	977
Dividends paid	-	-	-	-	-	(291)	(291)
<b>At 30 June 2021</b>	<b>794</b>	<b>51</b>	<b>(399)</b>	<b>6,133</b>	<b>2,139</b>	<b>3,660</b>	<b>12,378</b>
Profit for the year	-	-	-	-	-	63	63
Dividends paid	-	-	-	-	-	(298)	(298)
<b>At 30 June 2022</b>	<b>794</b>	<b>51</b>	<b>(399)</b>	<b>6,133</b>	<b>2,139</b>	<b>3,425</b>	<b>12,143</b>

## NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2022

### 1. Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (“Adopted IFRS”).

While the financial information included in this preliminary announcement has been computed in accordance with Adopted IFRSs, this announcement does not itself contain sufficient information to comply with Adopted IFRSs.

This preliminary announcement does not constitute statutory accounts of the Group for the years ended 30 June 2021 or 30 June 2022.

The financial information has been extracted from the statutory accounts of the Company for the year ended 30 June 2022. The auditors reported on those accounts; their reports were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The accounts for the year ended 30 June 2021 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The Annual Report will be posted to all shareholders who have requested a copy on 11 November 2022 and will be available on request from Unit 7 & 8 Fulcrum 4, Solent Way, Whiteley, Hampshire PO15 7FT and on the Company website at <http://www.cssgplc.com/investors/>. The Annual Report contains full details of the principal accounting policies adopted in the preparation of these financial statements.

### 2. Accounting policies

The accounting policies applied by the Group in this report are the same as those applied by the Group in the consolidated financial statements for the year ended 30 June 2022 and the year ended 30 June 2021. The directors expect similar accounting policies for the year ended 30 June 2023.

### 3. Segmental reporting

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Locksmiths (Locks)	Central	Total
<b>2022 Business Segments</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Segment revenues	29,334	2,579	3,252	-	35,165
Gross profit	3,838	1,215	1,343	-	6,396
Administrative expenses	(2,835)	(637)	(646)	(795)	(4,913)
Amortisation	-	-	(82)	-	(82)
Depreciation	(318)	(104)	(214)	-	(636)
Profit/(loss) on disposal	9	9	3	-	21
Other operating income	30	15	41	-	86
Operating profit/(loss) before impairment	724	498	445	(795)	872
Impairment of goodwill	-	(627)	-	-	(627)
Operating profit/(loss)	724	(129)	445	(795)	245
Segment assets	8,421	4,276	5,527	817	19,041
Segment (liabilities)	(4,425)	(826)	(1,598)	(49)	(6,898)
Segment net assets	3,996	3,450	3,929	768	12,143
Additions to non-current assets	404	255	1,100	-	1,759
<b>2021 Business Segments</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
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)	1,092	542	345	(728)	1,251
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	3,546	3,717	3,633	1,482	12,378
Additions to non-current assets	235	35	28	-	298