21 October 2020

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

Resilient Trading Performance

Croma Security Solutions Group plc, the AIM listed total security services provider, announces its final results for the year end ended 30 June 2020.

Financial Highlights

- Positive operational and trading response to Covid-19 which has resulted in EBITDA of £1.75m (2019: £1.87m), an uplift on previous guidance representing a better than expected performance by the Group
- Generated revenue of £32.3m (2019: £34.6m) reflecting the temporary retail closures during the period being partially offset by increased demand for manned guarding services
- Reported profit before tax was reduced to £87k (2019: £1.48m) including two non-cash items, an increased depreciation charge of £0.57m under IFRS16 and an impairment charge of £0.86m primarily driven by an increase in the Group's cost of capital
- Board's ongoing confidence reflected in an increased final dividend of 1.2p making a total dividend for the year of 1.95p (2019: 1.8p)
- Excellent financial platform with net cash of £4.1m

Trading Highlights

- Significant contract wins in the period
    - £5 million per annum contract effective from June 2020 with leading owner and developer of central London property
    - £1.3 million per annum contract commencing 2021, with Savills to manage the security for the Edinburgh St James Centre
- PROception had another strong year and is now fully integrated into the Croma Vigilant offering
- Retail network slowed in-line with Covid-19 restrictions but re-opened in July with trading moving back to normal levels
- Successful execution of our business continuity strategy to manage the disruption caused by Covid-19

Trading Outlook

- Strategy remains focused on creating a national network of Croma Security Centres alongside setting new standards in providing premium guarding services.
- Trading post the year end is progressing well underlining the Group's ability to continue to operate successfully during the Covid-19 crisis
- Potential new acquisition opportunities arising out of the pandemic

Sebastian Morley, Chairman of CSSG, said,

"We are pleased with the way the Group has responded to the current crisis. The trading performance for the year was resilient and this has continued into the current financial year. Demand for our premium security services has been consistent and while the retail side of our business has naturally dipped this has been partially offset by an increase in manned guarding services. Looking ahead, the Group has high levels of cash reserves, no borrowings and remains well placed to expand its security network with interesting new opportunities arising in our markets as a result of the pandemic."

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This announcement contains inside information as defined in Article 7 of the Market Abuse Regulations No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Chairman's Statement

I am pleased to be able to confirm a better than expected performance by the Group, with the results for the full year exceeding our earlier guidance. Like many at the outset of the pandemic our reaction was one of caution, and we suspended our interim dividend payment, closed our retail stores and worked to conserve cash and protect the business. As events unfolded it became clear the business was going to be able to weather the crisis reasonably safely, and while some areas such as retail would naturally be affected, other areas would prosper. Ultimately, Covid-19 did impact the results for the year, but our operations remain largely intact and the Board is confident in the Group's ability to continue to trade successfully through this crisis which is reflected in our decision to re-instate the interim dividend and pay a final dividend of 1.2p representing an increase of 9% over the prior year.

I would also like to make a particular mention of the way our teams have pulled together during a very challenging period, which has been the key factor behind our ability to continue to operate so successfully. So, on behalf of the Board, I would like to thank all our employees for their commitment and flexibility during an extraordinary period.

Strategy for Growth

The strategic direction for Croma is unchanged. Our focus is on establishing Croma as <u>the</u> British security brand in Britain. Two years ago, there was a marked shift in demand for the Group's services, driven by an increased and perceived level of risk across society arising from a mix of terror incidences and rising crime levels. The response from both the public and private sector was to increase the protection of their assets and themselves by opting for premium security services as offered by Croma. This created an opportunity to expand the Group's market position and commence establishing 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. Whereas previously stores focused on the consumer market only, the Croma Security Centres now sell successfully into both commercial and domestic markets. Currently, the Group has 10 centres and is actively seeking to acquire independent locksmith stores or small chains in suitable locations to be integrated into the Croma Security centre network. During 2020 the pandemic has slowed the Group's ability to complete transactions but also added to the pipeline of future opportunities.

At the heart of the Group's security activities is a strong ex-military ethos. It is this ethos that ensures Croma provides a premium level approach to every aspect of delivering security services and solutions. Perhaps the best example of the Company's ethos is through the approach of the Group's largest business, the manned guarding division, Croma Vigilant. The industry as a whole has a poor reputation for providing low paid and lowly motivated security officers. By contrast, Croma's security officers are capable and highly trained with the skillsets to manage a range of scenarios. Providing a smart, premium service has enabled us to set new standards across the industry for the provision of manned guarding.

The final element to our strategy for growth is the incorporation of technology and innovation into the security solutions we provide. From using the latest in biometrics recognition technology to introducing a new front of house security service called PROception, we are very focused on leading our industry in developing modern security solutions.

Trading Performance

With the backdrop of operating alongside the pandemic, all three divisions performed resiliently in the year under review. Trading levels were slightly lower than the prior year but the underlying performance of all the businesses is sound.

Croma Vigilant, our manned guarding division performed well. While revenues contracted overall, this was partially offset by an increase in project work. Critically, the division secured two major contract wins and extensions in the year with Savills and a well-known London focused property company which together are worth £6.3 million annually. PROception is the emerging jewel in the crown, enabling the team to present existing and new clients with a new approach to safeguarding buildings that integrates security into front of house services.

The trading performances of both Croma Security Systems and Locksmiths were naturally also affected by the pandemic but overall, given the store closures forced upon us during the period, they performed resiliently.

Croma Biometrics remains a significant opportunity for the Group with FastVein™ coming to the forefront as a potent biometric high-speed human identifier.

The impairment referred to in note 4 below was largely driven by an increase in our cost of capital to 12.7% (2019: 11.6%). Nevertheless, our balance sheet remains strong with no significant borrowings (other than lease liabilities) and cash at the year-end of £4.1m (2019:1.7m).

Dividend

Reflecting strong cashflow over the year, the Board is pleased to recommend a final dividend to shareholders of 1.2p per share (total 1.95p per share for the year) and subject to approval at the Annual General Meeting to be held on 25 November 2020, the final dividend will be paid on 27 November 2020 to all shareholders on the register at the close of business on 13 November 2020. The shares will be marked ex-dividend on 12 November 2020.

Outlook

An extraordinary year did not derail our business but instead the Group has adapted well to the new challenges enabling us to maintain our services fully. This is testimony to the strength in depth of the Group and to its contingency planning when client services were maintained despite significant numbers of staff in quarantine or furloughed. This was a test for our Group as it was for all companies and I believe we passed. This bodes well for the near future as we continue to operate under restrictions, and we are now confident in our ability to do so.

Importantly, we have also shown our ability to win material new mandates during the period, and since the year end the business is trading well. Taken together, we believe we are well positioned to make good progress for the year ahead.

Sebastian Morley
Chairman 21 October 2020

Operational Review

The Group's strategic objectives are:

- to deliver market leading full-service security offerings to some of the largest corporations and government departments. This is achieved by maintaining quality of service as a priority, focusing on meeting the full range of our clients' security needs, and leveraging both 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 £27.0m (2019: £28.5m) and operating profit of £1.1m (2019: £1.4m). Covid-19 was responsible for some contraction of sales which were partially offset by increased project work including keyholding and patrols in new areas due to the pandemic.

A critical factor in achieving this result was the ability of the division to adapt to the new challenges arising from Covid-19 and one of the advantages of managing a business with a strong military ethos is that there is within the management team a familiarity with adapting to a crisis situation. The Company had in the ordinary course of managing the business run a series of business continuity scenarios in December 2019 which were directly applicable to providing the operational response in the last six months. As a result, despite having over 100 security staff in self isolation at one time, the Company was still able to deliver its premium guarding services to all existing clients and critically meet the increased demand created by Covid-19. This was achieved whilst implementing all safety precautions set out by the UK government and providing the necessary PPE workwear.

Contracted revenues over a period exceeding one month represented approximately 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, remaining at approximately two thirds/one third respectively. Project work remains an important income stream and while it is often higher margin, it is less predictable. Our focus is on securing longer-term contracts, which are a better basis upon which to build the business for the future, good examples of which are the two larger contracts won during the year under review together worth £6.3 million annually.

Croma Vigilant provides manned guarding for assets and individuals and now employs over 850 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, and a fundamental change for the division and its future has been the creation of PROception.

Led by ex-policewoman Ruth McGowan, PROception is the Group's innovative new front of house concept, making the modern reception part of a building's security strategy. PROception provides security trained receptionists to both manage the front desk and play an active role in security and is transforming the way manned security services are delivered in offices, hotels and public institutions.

There is no doubt that the response to PROception amongst our customers has been very positive and that we are behind a transformation in the way many 'front-of-house' services will be managed going forward. This is translating into an expanded and often higher margin role for Croma Vigilant by incorporating PROception into a total manned guarding security solution.

Croma Vigilant is part of the Community Safety Accreditation Scheme enabling the division to provide private security within communities using mobile and foot patrol officers. This continues to be an area of growth as local councils and local communities take action to control their neighbourhoods. Croma Vigilant's reputation is growing in this area though our ability to provide a highly disciplined force of security personnel able to support the local police.

The first months of the new financial year have started positively and while Covid-19 restrictions do remain in place we are now confident in our ability to work within them.

Croma Security Systems

Croma Security Systems recorded sales of £2.46m (2019: £2.70m) and an operating profit before impairment of £0.28m (2019: £0.34m).

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.

During the financial year Croma Security Systems successfully gained a licence from the Financial Conduct Authority ("FCA") and is now able to provide product and services to certain customers on a deferred payment or credit basis.

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 £2.89m (2019: £3.42m) and operating profit before impairment of £0.36m (2019: £0.48m). As a result of Covid-19 all stores closed on 23 March 2020 and reopened on a phased basis from May 20. Since re-opening trading has been positive and retail sales and footfall are moving back towards pre-Covid-19 levels.

Under the Group's strategy to become the British Homeland security brand through establishing a national chain of modern security centres, this division has evolved substantially over the past 18 months. All retail outlets have been converted into security centres and offer the full range of Croma's security solutions from manned guarding, CCTV, intruder alarm and advanced security systems as well as high security locks.

The focus is no longer to cater for the security needs of the individual consumer, but instead the security centres are able to provide sophisticated security solutions for both domestic and commercial customers, if needed, drawing upon all the resources and services of the larger Group.

In the last 18 months, the Company has acquired three locksmith stores which have all been converted into security centres. The opportunity to acquire further stores has been slowed by the pandemic but the market is highly fragmented and there are opportunities coming available as independent store owners choose to retire or the market environment makes a sale the preferred option. The Group has a clear set of acquisition criteria which based on the progress of the first acquisitions are working well. Currently, the store network is focused on affluent areas close to London and in the South of England.

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.

Croma Biometrics

Croma Biometrics trades as a division of Croma Security and recorded turnover of £121k (2019: £101k). Our FastVein™ biometrics technology provides significant future potential for the Group. Currently deployed across the retail, education and construction sectors it provides customers with quick, easy to use, accurate and cost-effective data.

Group Financials

The Group financials can be summarised as follows:	**2020** **£000's**	**2019** **£000's**
Revenue	32,321	34,599
Gross profit	5,516	6,490
Gross margin %	17.1%	18.8%
EBITDA	1,754	1,871
Other operating income	615	-
Impairment of goodwill	(857)	-
Operating profit	136	1,449
(Loss)/earnings per share	(0.90p)	7.82p
Net assets	11,692	11,990
Cash generated from operations	3,044	462
Cash and cash equivalents	4,076	1,729
Dividend per share in relation to the year	1.95p	1.8p

Due to a reduction in higher margin project work and also the impacts of the Covid-19 crisis (mainly to our Locksmith and Security divisions), gross profit reduced by 15% to £5.5m (2019: £6.5m). However, some divisions of the Group benefited from various Government support initiatives with furlough and local authority grant income of £0.6m included in other operating income.

The reduction in trade debtors and other receivables by £1.7m was the main contributory factor to the increase in cash generated from operations and the boost in cash and equivalents to £4.1m.

With cashflow remaining robust, the Group has not considered it necessary to avail itself of the various Coronavirus loan support initiatives available to it, including the Coronavirus Large Business Interruption Loan Scheme.

Operating profits, earnings per share and net assets were all impacted by an impairment charge of £0.9m against the goodwill of our Security and Locksmiths divisions. This is discussed in more detail in note 11 to the accounts. Without this adjustment, which the Board consider to be a one-off, the Group would report earnings per share of 4.8p.

With all divisions continuing to trade profitably and showing positive cashflow, the Board is pleased to be able to maintain its progressive dividend policy and recommend a final dividend to shareholders of 1.2p per share (2019:1.1p).

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

Continuing operations:

	2020		2019	
	£000's	**£000's**	**£000's**	**£000's**
Revenue		32,321		34,599
Cost of sales		(26,805)		(28,109)
Gross profit		5,516		6,490
Administrative expenses		(5,995)		(5,041)
Other operating income		615		-
Operating profit		136		1,449
Analysed as:				
Earnings before interest, tax, depreciation amortisation	1,754		1,871	
Impairment	(857)		-	
Depreciation	(570)		(232)	
Amortisation of intangible assets	(191)		(190)	
Operating profit	136		1,449	
Finance expenses		(49)		(2)
Profit before tax		87		1,447
Tax		(221)		(281)
(Loss)/profit for the year from continuing operations		(134)		1,166
Total comprehensive (loss)/ income for the year attributable to owners of the parent		(134)		1,166
Earnings per share				
Basic and diluted (loss)/earnings per share (pence)		(0.90)		7.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2020

Assets	**2020**	**2019**
	£000's	**£000's**
Non-current assets		
Goodwill	6,454	7,311
Other Intangible assets	456	647
Property, plant and equipment	574	668
Right-of-use assets	1,120	-
	8,604	8,626
Current assets		
Inventories	764	825
Trade and other receivables	4,535	6,163
Cash and cash equivalents	4,076	1,729
	9,375	8,717
Total assets	17,979	17,343
Liabilities		
Non-current liabilities		
Deferred tax	(128)	(158)
Lease liabilities	(837)	(23)
	(965)	(181)
Current liabilities		
Trade and other payables	(4,982)	(5,126)
Borrowings and lease liabilities	(340)	(46)
	(5,322)	(5,172)
Total liabilities	(6,287)	(5,353)
Net assets	**11,692**	**11,990**
Issued capital and reserves attributable to owners of the parent		
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	2,974	3,272
Total equity	**11,692**	**11,990**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital £000's	Capital Redemption Reserve £000's	Treasury Shares £000's	Share Premium £000's	Merger Reserve £000's	Retained Earnings £000's	Share Options £000's	Total Equity £000's
At 1 July 2018	794	51	(399)	6,133	2,139	2,347	12	11,077
Profit for the year	-	-	-	-	-	1,166	-	1,166
Dividends paid	-	-	-	-	-	(253)	-	(253)
Transfer on lapse of options	-	-	-	-	-	12	(12)	-
At 30 June 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**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 £000's	2019 £000's
Cash flows from operating activities		
Profit before taxation	87	1,447
Depreciation amortisation and impairment	1,618	422
(Profit) on sale of property, plant and equipment	(2)	-
Net changes in working capital	1,698	(973)
Financial expenses	49	2
Corporation tax paid	(406)	(436)
Net cash generated from operations	**3,044**	**462**
Cash flows from investing activities		
Purchase of business costs net of cash acquired	-	(245)
Purchase of property, plant and equipment	(121)	(356)
Proceeds on disposal of property, plant and equipment	11	12
Net cash used in investing activities	**(110)**	**(589)**
Cash flows from financing activities		
Payments to reduce lease liabilities	(408)	(42)
Payments to reduce borrowings	(15)	(1)
Dividends paid	(164)	(253)
Interest paid	-	(2)
Net cash used in financing activities	**(587)**	**(298)**
Net increase/(decrease) in cash	**2,347**	**(425)**
Cash and cash equivalents at beginning of period	1,729	2,154
Cash and cash equivalents at end of period	**4,076**	**1,729**

1. Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("Adopted IFRS's").

During the year the Group adopted IFRS 16: Leases. This standard had a material impact on financial statements as detailed in notes 2, 5 & 6 below.

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 2019 or 30 June 2020.

The financial information has been extracted from the statutory accounts of the Company for the year ended 30 June 2020. 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 2019 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2020 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 23 October 2020 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

Except as described below, 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 2019.

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 will depreciate 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.

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 has been recognised as other operating income in the Consolidated Statement of Comprehensive Income.

3. Segmental reporting

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Locksmiths (Locks)	Central	Total
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	-	5,515
Administrative expenses	(2,204)	(688)	(770)	(716)	(4,378)
Amortisation	-	(62)	(129)	-	(191)
Depreciation	(231)	(88)	(251)	-	(570)
Profit/(loss) on disposal	3	-	(1)	-	2
Other operating income	165	126	324	-	615
Operating profit/(loss) before impairment	1,068	284	357	(716)	993
Impairment of goodwill	-	(433)	(424)	-	(857)
Operating profit/(loss) after impairment	1,068	(149)	(67)	(716)	136
Segment assets	7,201	4,459	4,950	1,369	17,979
Segment (liabilities)	(3,919)	(856)	(1,357)	(155)	(6,287)
Segment net assets	3,282	3,603	3,593	1,214	11,692
Additions to non-current assets	82	30	11	-	123
2019 Business Segments	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	28,477	2,702	3,420	-	34,599
Gross profit	3,873	1,113	1,511	(7)	6,490
Administrative expenses	(2,392)	(629)	(827)	(771)	(4,619)
Amortisation	-	(61)	(129)	-	(190)
Depreciation	(71)	(80)	(81)	-	(232)
(Loss)/profit on disposal	(4)	-	4	-	-
Segment operating profit/(loss)	1,406	343	478	(778)	1,449
Segment assets	8,259	4,600	5,113	(629)	17,343
Segment (liabilities)	(4,168)	(802)	(1,126)	743	(5,353)
Segment net assets	4,091	3,798	3,987	114	11,990
Additions to non-current assets	112	-	424	-	536

4. Goodwill

Cost	£000's
At 1 July 2019 & 30 June 2020	7,311
Accumulated impairment losses	
At 1 July 2019	-
Arising in the year	857
At 30 June 2020	857
Net book value	
At 1 July 2019	7,311
At 30 June 2020	6,454

Impairment testing

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". An impairment charge of £857k (2019: £Nil) occurred as a result of this review.

The carrying value of goodwill by each CGU is as follows:	2020 £000's	2019 £000's
Croma Security Systems	2,906	3,339
Croma Locksmiths	2,152	2,576
Croma Vigilant	1,396	1,396
	6,454	**7,311**

5. Right-of-use assets

	Property £000's	Motor vehicles £000's	Total £000's
Cost			
At 1 July 2019	-	-	-
Adjusted on adoption of new accounting standards	1,282	154	1,436
At 1 July 2019 (amended)	**1,282**	**154**	**1,436**
Additions	-	46	46
At 30 June 2020	1,282	200	1,482
Accumulated depreciation			
At 1 July 2019	-	-	-
Charge for the year	283	79	362
At 30 June 2020	**283**	**79**	**362**
Carrying amount			
At 30 June 2020	**999**	**121**	**1,120**
At 30 June 2019	**-**	**-**	**-**

6. Leases

As indicated above, the Group has adopted IFRS 16 Leases retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 1. Relevant practical expedients have been used in applying IFRS 16 as noted below.

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 2019. 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.

A reconciliation of the changes to reported operating lease commitments for 2019 is as follows:

	£000's
Operating lease commitments disclosed at 30 June 2019	1,359
New arrangements entered into on 1 July 2019	245
Less: Low value leases recognised as an expense	(3)
Discounted using the incremental borrowing rate at 1 July 2019	(165)
Lease liability and right of use assets recognised at 1 July 2019	1,436

Minimum lease payments fall due as follows:

Gross obligations repayable:	
Within one year	360
Between one and five years	598
Over five years	335
Net obligations repayable:	
Within one year	325
Between one and five years	525
Over five years	312

Amounts recognised in the consolidated statement of comprehensive income:

Interest on lease liabilities	49

Amounts recognised in the consolidated statement of cashflows:

Payments to reduce lease liabilities	408