Croma Group PLC

Results for the six months to 3l December 2007

Croma Group PLC ("Croma", the "Group", or "the Company") the AIM listed homeland security specialist, announces its interim results for the six months to 31 December 2007.

Highlights

- Turnover up 41% at £3.32m (2006 - £2.36m).
- Loss before tax of £18,733 (2006: loss £384,380).
- Profitable maintained in continuing businesses in 2008.
- Important and strategic new contracts won after the period end.

Chairman's Statement

This is my first opportunity to report to shareholders in my new capacity as non-executive chairman and I am very pleased to be able to report the financial results to 31 December 2007.

Following decisive action over the last year by the Board (including placing an unprofitable and cash hungry subsidiary into liquidation), the Group now has three profitable subsidiaries operating generally in the field of homeland security and related businesses, including the provision of access control software to a number of HM Government Agencies and the supply of enhanced visual imaging software to global defence industries.

The results of the Group reflect this activity. During the six months the turnover of the Group grew 41% to £3.32m (2006: £2.36m) and loss before tax was £18,733, a significant improvement over last year's loss of £384,380 (as revised for IFRS adjustments.) The loss reflects a profit on continuing activities of £198,112, but charges a further loss on a now discontinued subsidiary of £216,845. The Board confidently expects this growth to be sustained as these continuing businesses develop and strengthen their customer contacts in these growth markets.

I am also delighted to be able to report that the new Chief Executive of the Group, Sebastian Morley, has made some key new appointments, including a new Group Finance Director in Gerald McGill and a new divisional Managing Director. Sebastian comments on the businesses in more detail below.

The new management team has progressed well with the consolidation process and the Group has won some profitable and strategically important new contracts. In the meantime the central cost base of the Group has been drastically pruned to the level where it can maintain an efficiently run business and still obtain value for money.

The Board confidently expects to be able to report continued growth from new and repeat business in the second half of the year.

Nicholas Hewson
Non-executive Chairman
28th March 2008

Chief Executive's Statement

Introduction

I am very pleased to report an excellent first half of the Group's trading year which has seen it strengthen its position in the sectors in which it operates.

Vigilant Security continues to grow at a rapid rate with turnover growing by 40% to £2,029,468, profit before taxation up to £88,259 from £45,151 in the comparative six month period to 31st December 2006. The growth has come from new contract wins along with new business roll out from existing clients.

Research and Development Designs Services Ltd has seen turnover grow by 64% compared to the comparative period to £910,186. The company recorded a profit before taxation of £146,391 in the period compared to a loss in the equivalent period last year of £77,239.

Photobase Limited has recorded an increase in turnover by 6% to £378,360, and a profit before taxation of £20,000 compared to a loss in the comparative period of £40,683.

Group costs are being reduced so as to maintain a leaner, fitter group going forward.

Impact of the adoption of International Financial Reporting Standards ("IFRS")

The financial information shown in this interim report is presented in accordance with IFRS. The comparative information for the six months to 31 December 2006 and the year to 30 June 2007 have been restated under these standards. The Group's website contains the detail of these reconciliations.

The only impact on the Balance Sheet and Income Statement has been the adoption of IAS 36 'Impairment of Assets'. This has not impacted on either the profit in the 6 month period to 31 December 2007 or the net assets at that date. There is no difference in Group net assets under IFRS and UK GAAP at 31st December 2007 as the impairment review and associated charge in the period to 30th June 2007 aligns the carrying value of the goodwill under UK GAAP and IFRS. However, the adoption of IAS36 has had an impact on the net assets at 1st July 2006, 31st December 2006 and on losses incurred in the period to 30th June 2007.

The impact of the adoption of IAS 36 is set out below:

Balance Sheet implication of impact of IAS 36	As stated under UK GAAP	Effect of IAS36	As restated under IFRS
Net Assets at 1 July 2006	£4,017,812	£697,226	£4,715,038
Net Assets at 31 December 2006	£3,471,352	£962,173	£4,433,525
Net Assets at 30 June 2007	£1,283,786	-	£1,283,786
Income Statement implication of impact of IAS 36			
Loss in 6 month period to 31st December 2006	(£649,327)	£264,947	(£384,380)
Loss in period to 30th June 2007	(£3,819,595)	(£697,226)	(£4,516,821)

Outlook

The new board of directors have made considerable progress and while there is much still to be done, the strong results in the six months to 31 December 2007 will provide the Group with a platform to continue to grow the business and improve profitability. I believe that the Group is well placed to exceed market expectations for the year.

Sebastian Morley,
Chief Executive
28th March 2008

CROMA GROUP PLC

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

	6 Months ended 31 December 2007 Unaudited	6 Months ended 31 December 2006 Unaudited	Year ended 30 June 2007 Unaudited
	£	£	£
Revenue	3,318,014	2,356,358	5,052,508
Cost of Sales	(2,006,771)	(1,497,287)	(3,512,227)
Gross Profit	1,311,243	859,071	1,540,281
Operating Expenses			
-Goodwill impairment	-	-	(2,792,693)
-Other operating expenses	(1,056,873)	(1,154,182)	(2,537,705)
Profit/(Loss) from operations	254,370	(295,111)	(3,790,117)
Financial income	1,423	673	1,505
Financial expenses	(57,681)	(26,291)	(90,397)
Profit/(Loss) before taxation	198,112	(320,729)	(3,879,009)
Taxation	-	-	-
Profit/(Loss) for period	198,112	(320,729)	(3,879,009)
Loss from discontinued operations	(216,845)	(63,651)	(637,812)
Loss attributable to equity shareholders	(18,733)	(384,380)	(4,516,821)
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Earnings/(Loss) per share – Note 2

(Loss) per share - basic	(0.01p)	(0.26p)	(3.01p)
(Loss) per share - diluted	(0.01p)	(0.26p)	(3.01p)

CROMA GROUP PLC
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	31 December 2007 Unaudited	31 December 2006 Unaudited	30 June 2007 Unaudited
	£	£	£
Non-current assets			
Goodwill	2,594,136	5,646,832	2,594,136
Property, plant and equipment	200,619	235,422	191,109
	2,794,755	5,882,254	2,785,245
Current assets			
Inventories	253,558	581,442	311,212
Trade and other receivables	1,507,942	1,081,475	1,427,328
Cash	145,681	30,717	131,792
	1,907,181	1,693,634	1,870,332
Current liabilities			
Trade and other payables	(1,145,797)	(2,516,690)	(1,750,184)
Bank loans and overdrafts	(561,842)	(79,192)	(482,329)
Net current assets/(liabilities)	199,542	(902,248)	(362,181)
Total assets less current liabilities	2,994,297	4,980,006	2,423,064
Non-current liabilities		-	
Long term borrowings	(42,217)	(3,787)	(45,373)
Loan Notes	(1,186,544)	(515,280)	(1,091,077)
Deferred tax	(2,828)	(27,414)	(2,828)
	1,762,708	4,433,525	1,283,786
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Equity			
Share capital	10,229,935	8,976,145	9,829,935
Other reserves	460,636	234,069	362,981
Retained earnings	(8,927,863)	(4,776,689)	(8,909,130)
	1,762,708	4,433,525	1,283,786
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This interim financial information was approved by the Board of Directors on 31st March 2008

G M McGill
Director

CROMA GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

	6 Months ended 31 December 2007 Unaudited	6 Months ended 31 December 2006 Unaudited	Year ended 30 June 2007 Unaudited
	£	£	£
Cashflow from operating activities			
(Loss) before taxation	(18,733)	(384,380)	(4,516,821)
Adjustments for:			
Depreciation	13,259	25,143	76,827
Impairment of Goodwill	-	-	2,792,693
FRS20 charge	73,122	53,447	106,893
Interest received	(1,423)	(673)	(1,655)
Interest expense	57,681	27,837	97,815
(Increase)/Decrease in inventories	57,657	(40,481)	229,749
(Increase)/Decrease in trade and other receivables	(80,614)	225,360	(120,493)
(Decrease)/Increase in trade and other payables	(604,387)	64,378	845,182
Cash generated from operations	(503,438)	(29,369)	(489,810)
Tax paid	-	(167,294)	(222,021)
Net cash from operating activities	(503,438)	(196,666)	(711,831)
Cash Flows from investing activities			
Purchase of property, plant and equipment	(22,772)	(23,227)	(35,990)
Proceeds on disposal of property, plant and equipment	-	-	5,909
Interest received	1,423	673	1,655
Net cash from investing activities	(21,349)	(22,554)	(28,426)
Cash flows from financing activities			
Interest paid	(57,681)	(27,837)	(97,815)
Issue of Loan Notes	120,000	562,754	750,000
Repayment of borrowings	(3,156)	(1,630)	77
Issue of Share Capital	400,000		100,000
Net cash from financing activities	459,163	533,287	752,262
Net (decrease)/increase in cash and cash equivalents	(65,624)	314,067	12,005
Cash and cash equivalents at beginning of period	(350,537)	(362,542)	(362,542)
Cash and cash equivalents at end of period	(416,161)	(48,475)	(350,537)
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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

1.Financial Information

Croma Group PLC has adopted International Financial Reporting Standards ("IFRS") as adopted by the European Union with effect from 1st July 2006. The Group will apply IFRS in its consolidated financial statements for the year ended 30th June 2008. Therefore, these interim financial statements for the 6 months to 31st December 2007 are prepared using accounting policies in accordance with IFRS and International Financial Reporting Committee ("IFRIC") interpretations that are expected to be applicable to the consolidated financial statements for the year ended 30th June 2008. These standards remain subject to ongoing amendment and/or interpretation and are therefore still subject to change. Accordingly, information contained in these interim financial statements may need updating for subsequent amendments to IFRS required for first time adoption or for new standards issued post the balance sheet date.

The basis of preparation and accounting policies followed in this interim report differ from those set out in the Annual Report and Accounts for the year ended 30th June 2007 which were prepared in Accordance with United Kingdom accounting standards (UK GAAP). As permitted, this interim report has not been prepared in accordance with IAS 34 "Interim Financial reporting".

The interim financial statements do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

The financial information for the year to 30th June 2007 has been extracted from the statutory accounts for the Group for that period now amended to conform with the IFRS accounting policies expected to be applied in the consolidated financial statements for the year ended 30th June 2008. These published accounts in a form consistent with UK GAAP were reported on by the auditors without qualification or an emphasis matter reference and did not include a statement under section 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

A detailed explanation of the transition from UK GAAP to IFRS is contained on the Company's website.

2. Earnings per share

The earnings per share is based on the profit/(loss) for the period and the weighted average number of ordinary shares in issue and ranking for dividend.

	6 Months ended 31 December 2007 Unaudited	6 Months ended 31 December 2006 Unaudited	Year ended 30 June 2007 Unaudited
	£	£	£
(Loss) for the period	(18,733)	(384,380)	(4,516,821)
Weighted average number of shares	170,983,164	148,226,744	150,111,909
Basic (Loss) per share	(0.01)p	(0.26p)	(3.01p)
Fully diluted (Loss) per share	(0.01)p	(0.26p)	(3.01p)