



Croma Security Solutions Group Plc

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

Interim Results

Expanding Security Centre Network Showing Returns

Croma Security Solutions Group plc (AIM:CSSG) is pleased to announce its unaudited interim results for the six months to 31 December 2022 (the "Period")

Financial highlights from continuing operations:

- Revenues grew by 25% to £3.77 million (H1 2021: £3.01 million)
- EBITDA of £0.46 million (H1 2021: £0.39 million), represented an increase of 18%
- Revenues from existing security centres grew 35% on a like for like basis to £1.32 million
- Revenues from our strategic partnership with iLOQ were encouraging at over £0.38 million
- Ungeared with cash balances of £0.61 million (31 December 2021: £0.65 million)
- As with recent previous years, the Group is not paying an interim dividend

Operational highlights from continuing operations:

- The Group acquired Southern Stronghold Limited and Safecell Security Group Limited (with three security centres between them) for net cash of £1.27 million
- A further £0.085 million was invested in improvements to the existing portfolio of security centres
- Identified acquisition opportunities supporting the further expansion of the security centre network

Assets held for sale:

- As announced on 6 December 2022, the Board is considering the proposed divestment of Vigilant Security (Scotland) Limited ("Croma Vigilant") and expects this process to be resolved by the end of the financial year
- Croma Vigilant generated revenues up 7% during the Period to £15.9 million (H1 2021: £14.86 million)
- Profit before tax was £0.13 million (H1 2021: £0.35 million), held back by a mix of factors including some non-recurring exceptional costs, general wage inflation which is beginning to be passed on in adjusted contract rates and upfront investment in people ahead of a new substantial contract win commencing in January 2023.

Outlook:

- Second half trading in our core businesses has started well
- Croma Vigilant has begun the second half positively with the substantial new contract commencing as planned

Nick Hewson, Non-Executive Chairman of CSSG, said: *"We are pleased that our decision to invest heavily in our security systems and locks businesses is beginning to show strong returns. As set out in December, we will look to deploy the proceeds of the sale of the manned guarding business as and when it is sold into further geographic expansion of our network of security centres"*.

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

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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 the Group's unaudited interim results for the six months to 31 December 2022 ("H1" or the "Period").

The Group currently comprises two distinct businesses, Croma Vigilant and Croma Systems and Locks. In December 2022, the Board announced its intention to divest Croma Vigilant, its manned guarding business and concentrate on its systems and locks businesses. The intention to divest means that the trading performance of Croma Vigilant is reported separately in the consolidated statement of comprehensive income ("SOCI") and its assets and liabilities are grouped and shown separately in the consolidated statement of financial position. The results for the continuing businesses of systems and locks ("the Continuing Group") and comparative numbers have been restated in the SOCI.

The Continuing Group generated revenues from continuing operations of £3.77 million (H1 2021: £3.01 million) and EBITDA of £0.46 million (H1 2021: £0.39 million).

The Continuing Group provides a range of innovative security technology services including CCTV, intruder alarms, FastVein (Biometrics) and high security locks. It operates through 14 security centres, the majority operating under the Croma brand and each security centre markets and sells the entire range of the Continuing Group's services. Eventually, all of our security centres will be operating under our Croma brand, providing a comprehensive security services solution in each location.

Revenues from security centres grew 63% to £1.61 million (H1 2021: £0.99 million) and like for like growth (excluding the three new centres that came on stream during the Period) was up 35% to £1.32 million. Footfall in those same centres grew 7% like for like, and by 30% when taking into account the new centres acquired.

To complement and improve its range of services, the Continuing Group also engages in strategic partnerships with various providers of innovative security solutions, and I am pleased to report that our strategic partnership with our Scandinavian partner iLOQ continues to develop positively. 'iLOQ' is a new battery free door lock which can be opened by smartphone. The lock is powered by the mobile phone itself, an important feature clearly differentiating it from competing products. The potential applications for the mobile iLOQ are significant across multiple industries, given its advantages not only in security, but also in data collection, identity, access and control applications. Under the partnership, Croma sells, installs and maintains iLOQ equipment in the UK. This strategic collaboration contributed over £0.38 million to our revenues for the Period and we confidently expect this revenue stream to grow.

Financial review – Continuing Group

Revenue from continuing businesses increased by 25% for the Period to £3.77m (H1 2021: £3.05m). Cash balances (excluding cash in the subsidiary to be sold) at 31 December 2022 were £0.61 million (31 December 2021: £0.65 million). The Continuing Group spent £1.29 million during the Period investing in new security centres, including three freehold premises, and a further £0.085 million improving our existing network of centres. Earnings per share from continuing businesses increased over 30% to 1.40p per share (H1 2021: 1.07p). As with recent previous years, the Group is not paying an interim dividend.

Other than lease and short-term trading liabilities, the Continuing Group is debt free.

Acquisitions

During the Period, the Continuing Group completed two acquisitions for the Croma Systems and Locks division, being Southern Stronghold Limited and Safecell Security Group Limited.

Southern Stronghold Limited ("Stronghold") was acquired in July 2022 for a total consideration of £0.96 million. Stronghold is a long-standing locksmith business that operates from two freehold premises, one in Coventry and a second near Southampton in Totton. Coventry is the larger of the operations and is a main Assa/Abloy service centre and provides a large number of Master Key systems to local businesses. Stronghold also has an on-line business "Stronghold Direct".

Safecell Security Group Limited was acquired in December 2022 for a total consideration estimated to be £0.75 million, part of which is deferred and dependant on the working capital of the business at the completion date. Safecell is a well-known and long-standing security business based in Manchester, providing a comprehensive range of services with a particular focus on electronic and physical security together with fire systems, to retail and commercial customers across the North of England. Safecell's locksmith business operates from premises in Bury (North Manchester).

The acquisitions have increased the number of the Continuing Group's security centres which now number 14, and have significantly enhanced the geographic reach of the Continuing Group and its ability to service nationwide security clients.

I am pleased to report that both acquisitions have performed well since acquisition and their integration is proceeding smoothly.

Asset held for sale

As announced on 6 December 2022, the Board is considering the proposed divestment of Croma Vigilant. Discussions in relation to the proposed divestment remain ongoing, and although there can be no certainty that the Group will complete the disposal, the Board hopes to resolve a sale by the end of the current financial year. If the proposed divestment of Croma Vigilant were to proceed, it would be classified as a fundamental disposal under the AIM rules and, as a result, would be subject to shareholders' approval.

Revenues from Croma Vigilant were up 7% for the Period to £15.92 million (H1 2021: £14.86 million). However, profit before tax was £0.13 million (H1 2021: £0.36 million) held back by a number of factors including non-recurring exceptional costs, up-front investment in staff costs ahead of the start of a substantial contract that commenced successfully, as planned, in January 2023, as well as general wage inflation which has impacted staff retention and the ability to recruit. The increased wage costs are beginning to be passed on in adjusted contract rates and will be reflected in all new contracts.

Board changes

During the Period, the former executive directors of the Group, Sebastian Morley and Paul Williamson, stepped down from the Board in order to pursue the purchase of Croma Vigilant, following which I was appointed Non-Executive Chairman. In addition, post Period end, Richard Juett, CFO gave notice of his intention to resign with effect from 31 March 2023. We thank them for their service. Teo Andreeva, currently the Group's financial controller, will become CFO from 1 April 2023 and we welcome her to the Board.

Outlook

The sale process for Croma Vigilant continues and the Board hopes it will be resolved by the end of the financial year. The Continuing Group is trading well and has the potential for further growth. We will continue to seek out opportunities to further expand our national chain of security centres.

A N Hewson
Non-executive Chairman
14 March 2023

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED 31 DECEMBER 2022

	6 months ended 31-Dec-22 unaudited	6 months ended 31-Dec-21 unaudited as restated	Year ended 30-Jun-22 audited as restated
Notes	£000s	£000s	£000s
Revenue	3,770	3,005	5,831
Cost of sales	(2,072)	(1,790)	(3,273)
Gross profit	<u>1,698</u>	<u>1,215</u>	<u>2,558</u>
Administrative expenses	(1,431)	(1,055)	(2,902)
Other operating income	-	42	55
Operating profit/(loss)	267	202	(289)
Analysed as:			
Earnings before interest, tax, depreciation, impairment, and amortisation of intangible assets	455	394	738
Impairment	-	-	(627)
Amortisation	(30)	(45)	(82)
Depreciation	(158)	(147)	(318)
Operating profit/(loss)	267	202	(289)
Finance costs	(13)	(13)	(31)
Profit before tax	254	189	(320)
Tax	(45)	(30)	(89)
Profit/(loss) for the period from continuing operations	209	159	(409)
Profit for the period from discontinued operations	6	101	284
Profit and total comprehensive income for the period attributable to owners of the parent	310	443	63
Earnings per share	3		
Basic and diluted earnings/(loss) per share (pence) from continuing operations	1.40	1.07	(2.74)
Basic and diluted earnings per share (pence) from discontinued operations	0.68	1.91	3.17

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	31-Dec-22 unaudited £000s	31-Dec-21 unaudited £000s	30-Jun-22 audited £000s
Assets			
Non-current assets			
Goodwill	4,851	6,464	5,827
Other intangible assets	177	246	207
Property, plant and equipment	1,953	1,433	1,477
Right-of-use assets	706	894	1,120
	<u>7,687</u>	<u>9,037</u>	<u>8,631</u>
Current assets			
Inventories	1,232	800	1,076
Trade and other receivables	1,298	6,047	6,778
Cash and cash equivalents	613	3,509	2,556
Assets classified as held for sale	8,922	-	-
	<u>12,065</u>	<u>10,356</u>	<u>10,410</u>
Total assets	19,752	19,393	19,041
Liabilities			
Non-current liabilities			
Deferred tax	(104)	(88)	(117)
Lease liabilities	(601)	(586)	(796)
	<u>(705)</u>	<u>(674)</u>	<u>(913)</u>
Current liabilities			
Trade and other payables	(2,098)	(5,844)	(5,609)
Borrowings and lease liabilities	(140)	(352)	(376)
Liabilities directly associated with assets classified as held for sale	(4,668)	-	-
	<u>(6,906)</u>	<u>(6,196)</u>	<u>(5,985)</u>
Total liabilities	(7,611)	(6,870)	(6,898)
Net assets	12,140	12,523	12,143
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	3,422	3,805	3,425
Total equity	12,140	12,523	12,143

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR 6 MONTHS ENDED 31 DECEMBER 2022

		6 months ended 31-Dec-22 unaudited	6 months ended 31-Dec-21 unaudited as restated	Year ended 30-Jun-22 audited as restated
	Notes	£000s	£000s	£000s
Cash generated from/(used in) operating activities	5	755	(282)	(860)
Cash flows from investing activities				
Purchase of subsidiaries net of cash acquired		(1,287)	(137)	(94)
Purchase of property, plant and equipment		(160)	(1,093)	(1,216)
Proceeds on disposal of property, plant and equipment		-	18	31
Net cash used in investing activities		(1,447)	(1,212)	(1,279)
Cash flows from financing activities				
Payments to reduce lease liabilities		(196)	(123)	(445)
Increase/(reduction) in borrowings		6	(1)	5
Dividends paid		(313)	(298)	(298)
Interest paid		(6)	(8)	-
Net cash used in financing activities		(509)	(430)	(738)
Net decrease in cash and cash equivalents		(1,201)	(1,924)	(2,877)
Cash and cash equivalents at beginning of period		2,556	5,433	5,433
Cash and cash equivalents at end of the period		1,355	3,509	2,556
Total cash and cash equivalents at the end of the period can be analysed as:				
Included as part of continuing operations		613	3,509	2,556
Included as part of assets held for sale		742	-	-
		1,355	3,509	2,556

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 2022	794	(399)	6,133	2,139	51	3,425	12,143
Profit for the period	-	-	-	-	-	310	310
Dividends paid	-	-	-	-	-	(313)	(313)
At 31 December 2022	794	(399)	6,133	2,139	51	3,422	12,140
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)
Balance at 31 December 2021	794	(399)	6,133	2,139	51	3,805	12,523
Balance at 1 July 2021	794	(399)	6,133	2,139	51	3,660	12,378
Profit for the year	-	-	-	-	-	63	63
Dividends paid	-	-	-	-	-	(298)	(298)
Balance at 30 June 2022	794	(399)	6,133	2,139	51	3,425	12,143

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR 6 MONTHS TO 31 DECEMBER 2022

1. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with UK-adopted international accounting standards (“IFRS”). 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 2023. 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 2022 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 2022 and 31 December 2021 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 2022, however IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” has been applied following the Boards’ decision in December 22 to divest itself of the operations of Croma Vigilant. Specifically the assets and liabilities of Croma Vigilant are classified as “held for sale” and shown separately in the statement of financial position from continuing operations. In the statement of comprehensive income the results of Croma Vigilant is presented separately from continuing operations as a single line “profit for the period from discontinued operations” with all comparatives restated accordingly.

A number of other new and amended standards and interpretations are effective from 1 January 2023 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	6 months ended	Year ended
		As restated	As restated
	31-Dec-22	31-Dec-21	30-Jun-22
<i>Earnings</i>			
Earnings/(loss) for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders			
- continuing operations	209	159	(409)
- discontinued operations	101	284	472
Number of shares (thousands)			
Weighted average number of shares used in basic and diluted EPS	14,902	14,902	14,902

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to the outstanding share options.

4. Acquisition of subsidiaries

As part of the continuing strategy to expand the network of security centres, on 6 July 2022 the company purchased a business comprising 100% of the share capital of Southern Stronghold Limited, a business trading out of Locksmiths branches in Coventry and Totton for £965,000 in cash.

The estimated fair value of net assets acquired is set out below:

	Book Value £000s	Fair value Adjustments £000s	Fair Value £000s
Freehold property	131	289	420
Plant and equipment	2	48	50
Inventories	338	(88)	250
Trade receivables	95		95
Cash and cash equivalents	116		116
Trade and other payables	(46)		(46)
Goodwill		80	80
Purchase consideration	<u>636</u>	<u>329</u>	<u>965</u>

On 20 December 2022 the company purchased Safecell Security Group Limited for an estimated consideration of £750,000 to be satisfied in cash. The Acquisition extends the geographic reach of the Group and through its Bury site provides a base from which the company can better service, support and expand existing relationships with clients that have operations in the area. The Bury systems business will operate alongside the successful acquisition last year of Safeguard (N/W) Ltd in Warrington.

The estimated fair value and book value of net assets acquired is set out below:

	Book & Fair Value £000s
Plant and equipment	67
Inventories	63
Trade receivables	95
Cash and cash equivalents	312
Trade and other payables	(120)
Goodwill	<u>334</u>
Estimated Purchase consideration	<u>750</u>

5. Cash generated from/(used in) operating activities:

	6 months ended 31-Dec-22 unaudited £000s	6 months ended 31-Dec-21 unaudited As restated £000s	Year ended 30-Jun-22 audited As restated £000s
Operating profit/(loss)	267	202	(289)
Depreciation and amortisation	188	192	1,006
Decrease/(Increase) in inventories	157	17	(258)
(Increase)/decrease in trade and other receivables	(265)	2,410	37
Increase in trade and other payables	390	78	78
Cash generated from continuing operations	<u>737</u>	<u>2,899</u>	<u>574</u>
Cash generated/ (used in) assets held for sale	95	(3,050)	(1,096)
Tax paid	<u>(77)</u>	<u>(131)</u>	<u>(338)</u>
	<u><u>755</u></u>	<u><u>(282)</u></u>	<u><u>(860)</u></u>

6. Discontinued operations

As announced in December 2022 the board has decided to divest itself of its manned guarding division, Croma Vigilant and accordingly the results of this division are set out separately as follows:

	6 months ended 31-Dec-22 unaudited £000s	6 months ended 31-Dec-21 unaudited £000s	Year ended 30-Jun-22 audited £000s
Revenue	15,925	14,864	29,334
Cost of sales	(13,908)	(12,640)	(25,496)
Gross profit	<u>2,017</u>	<u>2,224</u>	<u>3,838</u>
Operating profit	139	363	534
Finance costs	<u>(12)</u>	<u>(11)</u>	<u>(14)</u>
Profit before tax	127	352	520
Tax	<u>(26)</u>	<u>(68)</u>	<u>(48)</u>
Profit after tax	<u><u>101</u></u>	<u><u>284</u></u>	<u><u>472</u></u>

The results of the discontinued activities of the group for the year ended 30 June 2022 and the six months ended 31 December 2021 have been re-presented, as required by IFRS 5, so that the disclosures relate to all operations that have been discontinued by 31 December 22 for all periods presented.

6. Financial information

The Board of Directors approved this interim report on 14 March 2023.

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