

Croma Security Solutions Group Plc

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

Interim Results

A Stable Performance with Strong Cash Generation

Croma Security Solutions Group plc the AIM listed total security services provider announces its unaudited interim results for the six months to 31 December 2020.

Sebastian Morley, Chairman of CSSG, said:

“Having established new work practices for our security teams to operate safely during the first lockdown, we were confident, entering the new financial year in July 2020, of our ability to continue to operate safely, successfully and profitably. Naturally, the retail side of our business was the area most impacted by the ongoing pandemic which masked an increase in demand for our services to guard physical assets. This translated into a stable H1 trading performance with revenues slightly lower by just 6% to £16.36 million. Overall, the business is well placed being profitable, and having a high cash balance of £3.9 million which could support opportunistic acquisitions arising in the future out of the current crisis.”

A solid, profitable performance

- Demand for Croma’s innovative security solutions remains strong
- Revenues stable at £16.36m (H1 2019: £17.36m)
- Generating EBITDA of £0.86m (H1 2019: £1.1m)
- Other than lease liabilities, the Group remains ungeared with cash balances up significantly to £3.9m (31 December 2019: £2.3m)
- No interim dividend proposed, as a prudent measure, and instead waiting to complete the financial year

Increased demand for guarding of physical assets and recovery post lockdown 1

- When measured against the six months ended 30 June 2020, revenues from manned guarding increased by 6%, with increased demand for temporarily closed premises
- Our Systems and Locksmiths businesses, which were impacted more heavily by the first lockdown, also posted impressive sales revenue gains, up by 31% vs six months ended 30 June 2020
- Croma PROception the ground-breaking front of house business, continues to win new mandates
- Strategy to establish a national chain of security stores remains unchanged

Outlook

- Positive trading patterns have continued into the second half of the year
- Well placed for a satisfactory result for the year

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

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Chairman's Statement

Introduction

I am pleased to report Croma's interim results for the six months to 31 December 2020 which saw the Group generate revenues of £16.36 million and EBITDA of £0.86 million. Given the backdrop of disrupted trading conditions this was another good performance in a challenging period for all operating divisions. Our 10 retail stores were either closed or operating under restricted hours during lockdown periods, which together with lower consumer mobility meant retail sales were reduced. Conversely, demand for our security services particularly for the safeguarding of physical assets such as temporarily closed premises, has increased. The events of the past 12 months have not changed the positive fundamentals of our businesses and we remain focused on establishing Croma as the British security brand.

Group strategy

It may be that some of the consequences of the pandemic will support the Group in its strategic objectives aimed at:

- setting new standards in providing premium guarding services, community awareness schemes and innovative front of house solutions under the Croma Vigilant and PROception brands;
- building a national network of Croma Security Centres, through which all the Group's services are sold; and
- becoming the British security brand.

The UK security market is made up of a large number of smaller enterprises which may have come under financial pressure due to the pandemic. This could accelerate the Group's ability to act as a consolidator in the sector. There has already been a substantial increase in the number of companies approaching the Group seeking to open discussions and this has added to an existing pipeline of opportunities under consideration. That said, the Board will always take a prudent approach to expansion, carefully balancing all future investment against possible risks.

Underlying market trends continue to be supportive of the Group's strategy. There remains a high focus amongst private and publicly funded enterprises to ensure the safety of buildings and people against real and perceived increases in security risk across the UK. This is translating into higher demand for the Group's premium services.

Croma has always operated with a strong military ethos and a focus on security personnel being a part of a premium service in which individuals are well trained, well-motivated and well paid. This combined with the innovations in security Croma is introducing such as PROception is positioning the Group well to increase its share of the growing premium security market.

Croma Vigilant

Croma Vigilant is the largest part of our business providing manned guarding for assets and individuals. Employing over 950 high-grade security personnel throughout the UK who have collectively performed extremely well continuing to guard people and assets as well as incorporating a wide range of new safety measures to defend against the transmission of Covid-19. We believe by continuing to maintain our levels of premium services while adapting to significantly increased personnel absences due again to the pandemic, reflects very positively on the people and the organisation of this division.

Alongside, adapting to operating under the restrictions imposed by the pandemic, Croma Vigilant has continued to successfully pursue new business opportunities. New contracts have been secured to protect temporarily vacant premises and a significant new contract has been secured by PROception, the Group's innovative front of house security service which is generating significant commercial interest.

Reflecting the prevailing trends in the market, an increasing proportion of this division's income is now contracted which increases visibility over future earnings and enhances our ability to invest for the future.

Croma Systems & Locksmiths

Croma Systems & Locksmiths, the provider of a range of innovative security technology services including CCTV, Intruder Alarms, FastVein (Biometrics) and high security locks, delivered a resilient performance, given the restricted circumstances. Currently, this division is operating through 10 security centres some of which were closed or operating reduced hours during lockdown periods. The security centres are all operating under the Croma brand and are marketing, under one roof, the entire range of the Group's services.

Financial Review

Revenue decreased by 5.8% for the six months to 31 December 2020 to £16.36m (H1 2019: £17.36m).

Cash balances at 31 December 2020 are £3.9m (30 December 2019: £2.3m).

Other than lease and short-term trading liabilities, the Group remains free from borrowings.

Dividend

Reflecting the current environment and the continued uncertainties in connection to the global pandemic, the Board has decided not to pay an interim dividend and will instead decide on the level of the final dividend payment for this financial year on completion of the 12-month period. The Board views this as a prudent approach to managing against any further delay to the expected recovery from the epidemic.

Outlook

Our belief is that the Group is well placed and will emerge from the current pandemic in a good position. The fundamentals of our businesses have been unaffected by Covid-19 and only sales from the retail side have naturally reduced given temporary store closures and reduced consumer mobility. Other than lease liabilities, the Group remains ungeared with significant cash assets. These factors, together with some interesting opportunities which have emerged because of the pandemic, combine to give the Board confidence in the outlook for the Group.

Sebastian Morley

Chairman

1 March 2021

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED 31 DECEMBER 2020

	Notes	6 months ended 31-Dec-20 unaudited £000s	6 months ended 31-Dec-19 unaudited £000s	Year ended 30-Jun-20 audited £000s
Revenue		16,362	17,357	32,321
Cost of sales		(13,560)	(14,087)	(26,805)
Gross profit		<u>2,802</u>	<u>3,270</u>	<u>5,516</u>
Administrative expenses		(2,676)	(2,551)	(5,995)
Other operating income		377	-	615
Operating profit		<u>503</u>	<u>719</u>	<u>136</u>
Analysed as:				
Earnings before interest, tax, depreciation, impairment, and amortisation of intangible assets		863	1,105	1,754
Impairment		-	-	(857)
Amortisation		(83)	(100)	(191)
Depreciation		(277)	(286)	(570)
Operating profit		503	719	136
Finance costs		(24)	(29)	(49)
Profit before tax		<u>479</u>	<u>690</u>	<u>87</u>
Tax		(91)	(123)	(221)
Profit/(loss) for the year from continuing operations		<u>388</u>	<u>567</u>	<u>(134)</u>
Profit and total comprehensive income for the period attributable to owners of the parent		<u>388</u>	<u>567</u>	<u>(134)</u>
Earnings per share	3			
Basic and diluted earnings/(loss) per share (pence) from continuing operations		2.61	3.80	-0.9

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	31-Dec-20 unaudited £000s	31-Dec-19 unaudited £000s	30-Jun-20 audited £000s
Assets			
Non-current assets			
Goodwill	6,454	7,311	6,454
Other Intangible assets	373	546	456
Property, plant and equipment	535	621	574
Right-of-use assets	943	1,290	1,120
	<u>8,305</u>	<u>9,767</u>	<u>8,604</u>
Current assets			
Inventories	620	865	764
Trade and other receivables	5,440	7,782	4,535
Cash and cash equivalents	3,879	2,308	4,076
	<u>9,939</u>	<u>10,956</u>	<u>9,375</u>
Total assets	18,244	20,723	17,979
Liabilities			
Non-current liabilities			
Deferred tax	(116)	(143)	(128)
Lease liabilities	(685)	(930)	(837)
	<u>(801)</u>	<u>(1,073)</u>	<u>(965)</u>
Current liabilities			
Trade and other payables	(5,353)	(6,853)	(4,982)
Borrowings and Lease liabilities	(301)	(404)	(340)
	<u>(5,654)</u>	<u>(7,257)</u>	<u>(5,322)</u>
Total liabilities	(6,455)	(8,330)	(6,287)
Net assets	<u>11,789</u>	<u>12,393</u>	<u>11,692</u>
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	3,071	3,675	2,974
Total equity	<u>11,789</u>	<u>12,393</u>	<u>11,692</u>

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR 6 MONTHS ENDED 31 DECEMBER 2020

	6 months ended 31-Dec-20 unaudited	6 months ended 31-Dec-19 unaudited	Year ended 30-Jun-20 audited
Notes	£000s	£000s	£000s
Cash flows from operating activities			
Profit before taxation	479	690	87
Depreciation, amortisation and impairment	360	386	1,618
(Profit) on sale of property, plant and equipment	(4)	-	(2)
Net changes in working capital	4 (420)	(69)	1,698
Financial expenses	24	29	49
Corporation tax paid	(72)	(17)	(406)
Net cash (used)/generated from operations	367	1,019	3,044
Cash flows from investing activities			
Purchase of property, plant and equipment	(65)	(56)	(121)
Proceeds on disposal of property, plant and equipment	8	-	11
Net cash used in investing activities	(57)	(56)	(110)
Cash flows from financing activities			
Payments to reduce lease liabilities	(213)	(207)	(408)
Increase/(reduction) in borrowings	3	(8)	(15)
Dividends paid	(291)	(164)	(164)
Interest paid	(6)	(5)	-
Net cash used in financing activities	(507)	(384)	(587)
Net (decrease)/increase in cash and cash equivalents	(197)	579	2,347
Cash and cash equivalents at beginning of period	4,076	1,729	1,729
Cash and cash equivalents at end of the period	3,879	2,308	4,076

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 2020	794	(399)	6,133	2,139	51	2,974	11,692
Profit for the period	-	-	-	-	-	388	388
Dividends paid	-	-	-	-	-	(291)	(291)
At 31 December 2020	794	(399)	6,133	2,139	51	3,071	11,789
Balance at 1 July 2019	794	(399)	6,133	2,139	51	3,272	11,990
Profit for the period	-	-	-	-	-	567	567
Dividends paid	-	-	-	-	-	(164)	(164)
Balance at 31 December 2019	794	(399)	6,133	2,139	51	3,675	12,393
Balance at 1 July 2019	794	(399)	6,133	2,139	51	3,272	11,990
Loss for the year	-	-	-	-	-	(134)	(134)
Dividends paid	-	-	-	-	-	(164)	(164)
Balance at 30 June 2020	794	(399)	6,133	2,139	51	2,974	11,692

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR 6 MONTHS TO 31 DECEMBER 2020

1. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. 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 European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 30 June 2021. 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 2020 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 2020 and 31 December 2019 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 2020.

A number of other new and amended standards and interpretations are effective from 1 January 2021 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 31-Dec-20	6 months ended 31-Dec-19	Year ended 30-Jun-20
<i>Numerator</i>			
Profit/(loss) for the year on continuing operations and used in EPS (£000s)	389	567	(134)
<i>Denominator</i>			
Number of shares (thousands)			
Weighted average number of shares used in basic and diluted EPS	14,902	14,902	14,902

4. Note supporting the cash flow statement

	6 months ended 31-Dec-20 unaudited £000s	6 months ended 31-Dec-19 unaudited £000s	Year ended 30-Jun-20 audited £000s
Net changes in working capital			
(Increase)/decrease in inventories	144	(41)	61
(Increase)/decrease in trade and other receivables	(905)	(1,613)	1,628
Increase in trade and other payables	341	1,585	9
	(420)	(69)	1,698

5. Financial Information

The Board of Directors approved this interim report 1 March 2021.

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