

21 October 2021

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

**Final Results**

**Positive Trading Performance despite Pandemic**

Croma Security Solutions Group plc, the AIM listed total security services provider, announces its final results for the year ended 30 June 2021.

**Financial Highlights**

- 13% uplift in EBITDA to £1.98m (2020: £1.75m)
- Generated revenue of £32.5m (2020: £32.3m) slightly above the prior year
- Furlough and grant income of £0.76m (2020: £0.62m)
- Increase in profit before tax to £1.21 m (2020: £0.09m)
- Strong cash position of £5.4m as at 30 June 2021 (2020: £4.1m)
- 2.6% increase in total dividend for the year to 2.0p (2020: 1.95p) reflecting confidence in the outlook for all Group businesses

**Trading Highlights**

- Successfully navigated the challenges arising from the pandemic balancing fulfilling contractual obligations whilst also protecting staff and the general public
- Consistent demand for the Group's security services from existing customer base augmented by new client wins
- PROception has developed into a natural extension of man guarding services
- Signed UK partnership with iLOQ, leading Finnish security firm
- All retail stores now fully open with trading improving month on month

**Trading Outlook**

- Strategy remains focused on creating a national network of Croma Security Centres alongside setting new standards in providing premium guarding services.
- Recorded positive trading period since year end, positioning the business for a good first half performance in the Group's next financial year.

**Sebastian Morley, Chairman of CSSG, said,**

"These results were ahead of internal expectations and reflect, in our view, the Group's operational resilience to the challenges generated by the pandemic. The business is well placed to deliver an increasing dividend income to shareholders whilst retaining a sufficiently strong balance sheet to support further investment. The combination is intended to offer our shareholders a combination of future income and capital growth."

**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**

I am very happy to present the trading results for this financial year.

The Group adapted quickly to the unique set of market conditions created by the global pandemic and delivered a resilient trading performance including an 13% increase in EBITDA to £1.98m (2020:£1.75m), and operating profits up to £1.3m (2020: £0.1m). While revenues increased slightly, the step up in profitability came from a higher margin business mix and operational efficiencies secured in response at the outset of the pandemic which have since been maintained. The Group also benefited from the UK Government's Job Support Scheme with income of £0.76m (2020: £0.62m).

From a management perspective, we believe the business is well placed with no long-term borrowings and £5.4m of cash to support future investment. All business units are performing well and we are seeing opportunities to expand organically and via acquisition.

Focused on servicing the premium end of the security market, Croma has a strong brand in a fragmented market with the objective of becoming the British security brand in Britain. Demand for the Group's premium security services remains high as individuals and businesses seek to protect themselves and their assets from a range of potential risks. To service this demand, we are creating 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. Currently there are 10 security centres and while the pandemic has slowed the acquisition of new stores there is a good pipeline of potential new sites to be pursued in the coming months.

Innovation and in particular, innovation through technology is 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. To this end, we recently signed an agreement to become the UK partner for iLOQ. iLOQ is a leading Finnish security business with sales in excess of £66 million and within its portfolio of products is a potentially market changing lock which is opened and powered by a mobile phone. An interesting opportunity for the Group.

Reflecting strong cashflow over the year, the Board is pleased to recommend a final dividend to shareholders of 2p per share and subject to approval at the Annual General Meeting to be held on 24 November 2021, the final dividend will be paid on 26 November 2021 to all shareholders on the register at the close of business on 12 November 2021. The shares will be marked ex-dividend on 11 November 2021.

Like so many businesses we were tested in new ways by the pandemic, and it is very pleasing to be able to say that the business weathered it well. Our teams adapted quickly to the new environment, we not only continued to service our client base but were able to win and service new clients.

The next 12 months will bring new opportunities, as there are many companies in our sector who have not fared so well and need to find partners or acquirers to be able to continue to pursue their commercial goals. We are in dialogue with a range of potential partners and acquisition targets, but we are, as ever, cautious in our approach and any decision will be preceded by detailed due diligence.

Looking ahead, the Board is confident in the prospects of business. This confidence is reflected in the Board's decision to approve a 2.6% increase in the total dividend for the year.

**Sebastian Morley - Chairman**  
**20 October 2021**

## **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 2021

The Group's strategic objectives are:

- 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 £27.4m (2020: £27.0m) and operating profit of £1.1m (2020: £1.1m). This is a good result given the backdrop of the ongoing pandemic reflecting consistent demand from existing customers and new clients won over the year.

Croma Vigilant provides manned guarding for assets and individuals and now employs 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. In 2019, the Company launched PROception, a new front of house of concept, making the modern reception part of a building's security strategy. An innovative proposition, PROception was successful very quickly and is now a central component of nearly all our new building security contracts where there is a need for front of house services.

Following on from the previous year, our security teams continued to work well together to adapt to the new environment whilst implementing all safety precautions set out by the UK government and operating with the necessary PPE workwear, at all times.

Contracted revenues over a period exceeding one month represented approximately 82% (2020: 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, of approximately two thirds/one third respectively.

Since the year-end, Croma Vigilant has continued to perform well with demand consistent with internal forecasts.

### **Croma Security Systems**

Croma Security Systems including Croma Biometrics recorded sales of £2.45m (2020: £2.46m) and an operating profit before impairment of £0.54m (2020: £0.28m).

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.

Due to the pandemic, the restrictions and closure of entertainment venues impacted sales and orders from our cinema customers, however maintenance and monitoring income from annual contracts, mainly from Croma installed systems, improved to £0.45m (2020: £0.33m).

Last year, the Company gained a licence from the Financial Conduct Authority ("FCA") to enable the sale of product and services on a deferred payment or credit basis. This has yet to be fully exploited.

### **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 £2.64m (2020: £2.89m) and operating profit before impairment of £0.34m (2020: £0.36m).

Due to the pandemic some centres were closed or operating at reduced opening hours. Following the ending of government restrictions on the retail sector in 2021, trading has been moving back to normalised levels with pleasing levels of orders from our cruise ship customers.

This year the Company agreed to become the UK partner for iLOQ. Specialising in locks, iLOQ has developed a new battery less door lock which can be opened by a smartphone. The lock is powered by the mobile phone opening it, a feature clearly differentiating it from many competing products. The potential applications for the mobile iLOQ are significant across multiple industries given its' advantages relating to security, data collection and central control. Under the partnership, Croma will sell, install, integrate, and maintain iLOQ products in the UK.

We remain focused on creating a national chain of modern security centres. The pandemic has limited the ability of the Group to add new stores, however, there is a good pipeline of potential acquisitions which are typically independent security stores often family run. Target stores are all located in affluent areas and are large enough to be converted into security centres. To date, the conversions have all successfully increased revenues and profitability by offering a full range of products and services to both private individuals and commercial customers.

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.

## Group Financials

	2021	2020
	£000's	£000's
The Group financials can be summarised as follows:		
Revenue	32,539	32,321
Gross profit	5,385	5,516
Gross margin %	16.5%	17.1%
Other operating income	764	615
EBITDA	1,982	1,754
Impairment of goodwill	-	857
Operating profit	1,251	136
Earnings/(loss) per share	6.56p	(0.90p)
Net assets	12,378	11,692
Cash generated from operations	2,155	3,044
Cash and cash equivalents	5,433	4,076
Dividend per share in relation to the year	2p	1.95p

The Group achieved 13% growth in EBITDA by a combination of a savings in overheads and an increase in other operating income. Operating profit was not impacted by an impairment charge enabling us to deliver positive earnings per share of 6.56p.

Other operating income comprised mainly income from the UK Government's Job Support Scheme. The scheme has served its purpose and we do not anticipate any redundancies after the scheme closed on 30 September 2021.

Cash generated from operations remained positive at £2.2m (2020: £3.0m). The prior year benefited from an influx of cash from the collection of overdue debts and deferment of HMRC liabilities as we entered the first lockdown.

## Outlook and future developments

With all operating divisions profitable, and central overheads holding steady, the increase in cash reserves to £5.4m, and with a £1m bank facility secured on the debtor book, the Board believes the Group is in a good position to pursue acquisition opportunities, win new contracts and develop its iLOQ partnership, whilst expanding and improving existing refurbishing infrastructure as demand continues to return to pre-pandemic levels.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

**Continuing operations:**

	<b>2021</b>		<b>2020</b>	
	£000's	£000's	£000's	£000's
<b>Revenue</b>		32,539		32,321
Cost of sales		<u>(27,154)</u>		<u>(26,805)</u>
<b>Gross profit</b>		5,385		5,516
Administrative expenses		(4,898)		(5,995)
Other operating income		<u>764</u>		<u>615</u>
<b>Operating profit</b>		1,251		136
 <b>Analysed as:</b>				
Earnings before interest, tax, depreciation amortisation		1,982		1,754
Impairment		-		(857)
Depreciation		(565)		(570)
Amortisation of intangible assets		<u>(166)</u>		<u>(191)</u>
Operating profit		1,251		136
 Finance expenses		<u>(40)</u>		<u>(49)</u>
Profit before tax		1,211		87
Tax		<u>(234)</u>		<u>(221)</u>
Profit/(loss) for the year from continuing operations		977		(134)
 <b>Total comprehensive (loss)/ income for the year attributable to owners of the parent</b>		<u><u>977</u></u>		<u><u>(134)</u></u>
 <b>Earnings per share</b>				
Basic and diluted earnings/(loss) per share (pence)		6.6		(0.90)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2021**

	<b>2021</b>	<b>2020</b>
	<b>£000's</b>	<b>£000's</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	6,454	6,454
Other intangible assets	290	456
Property, plant and equipment	488	574
Right-of-use assets	997	1,120
	<u>8,229</u>	<u>8,604</u>
<b>Current assets</b>		
Inventories	681	764
Trade and other receivables	5,097	4,535
Cash and cash equivalents	5,433	4,076
	<u>11,211</u>	<u>9,375</u>
<b>Total assets</b>	<b>19,440</b>	<b>17,979</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred Tax	(91)	(128)
Lease liabilities	(764)	(837)
	<u>(855)</u>	<u>(965)</u>
<b>Current liabilities</b>		
Trade and other payables	(5,924)	(4,982)
Borrowings and lease liabilities	(283)	(340)
	<u>(6,207)</u>	<u>(5,322)</u>
<b>Total liabilities</b>	<u>(7,062)</u>	<u>(6,287)</u>
<b>Net assets</b>	<b><u>12,378</u></b>	<b><u>11,692</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	3,660	2,974
<b>Total equity</b>	<b><u>12,378</u></b>	<b><u>11,692</u></b>



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2021**

	<b>2021</b>	<b>2020</b>
	<b>£000's</b>	<b>£000's</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	1,211	87
Depreciation amortisation and impairment	731	1,618
(Profit) on sale of property, plant and equipment	(19)	(2)
Net changes in working capital	374	1,698
Financial expenses	40	49
Corporation tax paid	<u>(182)</u>	<u>(406)</u>
<b>Net cash generated from operations</b>	<b>2,155</b>	<b>3,044</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(138)	(121)
Proceeds on disposal of property, plant and equipment	<u>28</u>	<u>11</u>
<b>Net cash used in investing activities</b>	<b>(110)</b>	<b>(110)</b>
<b>Cash flows from financing activities</b>		
Payments to reduce lease liabilities	(408)	(408)
Increase/(reduction) of borrowings	11	(15)
Dividends paid	(291)	(164)
Interest paid	<u>-</u>	<u>-</u>
<b>Net cash used in financing activities</b>	<b>(688)</b>	<b>(587)</b>
<b>Net increase/(decrease) in cash</b>	<b>1,357</b>	<b>2,347</b>
Cash and cash equivalents at beginning of period	4,076	1,729
<b>Cash and cash equivalents at end of period</b>	<b>5,433</b>	<b>4,076</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2021**

	<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 2019</b>	794	51	(399)	6,133	2,139	3,272	11,990
Loss for the year	-	-	-	-	-	(134)	(134)
Dividends paid	-	-	-	-	-	(164)	(164)
<b>At 30 June 2020</b>	<b>794</b>	<b>51</b>	<b>(399)</b>	<b>6,133</b>	<b>2,139</b>	<b>2,974</b>	<b>11,692</b>
Profit 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>

## **NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2021**

### **1. Basis of preparation**

The Group financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (“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 2020 or 30 June 2021.

The financial information has been extracted from the statutory accounts of the Company for the year ended 30 June 2021. 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 2020 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2021 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 20 October 2021 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 interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 30 June 2021 and the year ended 30 June 2020. The directors expect similar accounting policies for the year ended 30 June 2022.

### 3. Segmental reporting

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Locksmiths (Locks)	Central	Total
<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)	<u>1,092</u>	<u>542</u>	<u>345</u>	<u>(728)</u>	<u>1,251</u>
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	<u>3,546</u>	<u>3,717</u>	<u>3,633</u>	<u>1,482</u>	<u>12,378</u>
Additions to non-current assets	<u>235</u>	<u>35</u>	<u>28</u>	<u>-</u>	<u>298</u>
<b>2020 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	26,968	2,459	2,894	-	32,321
Gross profit	3,335	996	1,184	-	5,516
Administrative expenses	(2,204)	(688)	(770)	(716)	(4,378)
Amortisation	-	(62)	(129)	-	(191)
Depreciation	(231)	(88)	(251)	-	(570)
(Loss)/profit on disposal	3	-	(1)	-	2
Other operating income	165	126	324	-	615
Operating profit/(loss) before impairment	<u>1,068</u>	<u>284</u>	<u>357</u>	<u>(716)</u>	<u>993</u>
Impairment of goodwill	<u>-</u>	<u>(433)</u>	<u>(424)</u>	<u>-</u>	<u>(857)</u>
Operating profit/(loss) after impairment	<u>1,068</u>	<u>(149)</u>	<u>(67)</u>	<u>(716)</u>	<u>136</u>
Segment assets	7,201	4,892	5,374	512	17,979
Segment (liabilities)	(3,919)	(856)	(1,357)	(155)	(6,287)
Segment net assets	<u>3,282</u>	<u>4,036</u>	<u>4,017</u>	<u>357</u>	<u>11,692</u>
Additions to non-current assets	<u>82</u>	<u>30</u>	<u>11</u>	<u>-</u>	<u>123</u>