COMPANY NUMBER: 03184978

CROMA GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 JUNE 2011

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COMPANY INFORMATION

Directors	A N Hewson MA FCA CF (Non – executive Chairman) S J F Morley (Group Chief Executive) J L Dunion ACMA (Finance Director)
Secretary	J L Dunion ACMA
Registered office	Emerald House East Street Epsom Surrey KT17 1HS
Registered number	03184978
Nominated advisers and brokers	Brewin Dolphin 7 Drumsheugh Gardens Edinburgh EH3 7QH
Registered auditors	Grant Thornton UK LLP 1-4 Atholl Crescent Edinburgh EH3 8LQ
Solicitors	Shepherd + Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Bankers	National Westminster Bank plc 250 Regent Street London W1B 3PB Lloyds Banking Group plc PO Box 1000 Threadneedle Street London BX1 1LT Barclays Bank PLC Ilford Station 93 High Road Ilford IG1 1DE
Website	www.cromagroup.co.uk

I have pleasure in announcing the results of the Group for the year ended 30 June 2011.

Financials

The results demonstrate the last element of the restructuring of the business, which was completed with the sale of the Group's subsidiary, RDDS Avionics Limited ("RDDS"). The Group now stands ready to continue to target the security services sector as the engine for its future growth, based on the continuing success of the Vigilant subsidiary.

Sales improved significantly during the year reaching £8.46 million against £5.05 million for 2010 (as re-stated for the sale of RDDS). Gross profit was £1.62 million (2010: £1.38 million) and operating profit was ahead at £322K (2010: £196K). The pre-tax profit from continuing operations for the year was £143K against a prior year loss of £6K.

The sale of RDDS realised £928K plus the possibility of a further £600K in earn-out which the Board has for the time being disregarded. This has required us to make a charge of £743K in the period for the write-off of goodwill. The net loss attributable to shareholders for the period of £626K (2010: profit £90K) assumes no potential earn-out from the RDDS sale and but for the goodwill write off the remaining businesses delivered a profit attributable to shareholders of £116K against the loss attributable to continuing operations for 2010 of £6K, a substantial increase.

Business Review and outlook

Following the disposal of RDDS in March 2011, the Group has two key business areas, access security and installation systems (Photobase), and asset protection including manned guarding and key holding (Vigilant), and the financial results of those businesses are set out in more detail in the Directors' Report.

Towards the end of the year, Vigilant won its largest ever contract, and since the year end further significant contracts have been added. The benefit of these recent wins will fully impact on current year results. The Directors are satisfied that improved gross margins can be achieved in the coming year. The new contracts continue the strategy of widening the national reach of the business as well as broadening the client base to focus on large private businesses rather than the Ministry of Defence and public sector, which the Board continues to believe may be under threat from central government cost-saving initiatives.

We said last year that the Board would continue to review opportunities to improve efficiencies within the two subsidiaries, as well as consider more strategic opportunities as and when they arise. During the period, the Group announced the strategic framework agreement with the CSS group of companies, which specialises in using technology to add to the mix of security solutions we can offer our clients. This arrangement has proved very fruitful for both Croma and CSS; Photobase in particular has made sales of £450K during the period due to the success of the framework agreement.

The disposal of RDDS in March 2011 has enabled the Group to repay £600K of the convertible loan notes issued in 2006 and it is the intention of the Board to repay the balance of the loan notes as and when the repayment dates fall due between December 2012 and February 2013. The loan note terms are explained more fully in the notes to the accounts.

The Group is now focused, profitable and cash generative and poised to take the opportunity to broaden its activity in the delivery of security solutions. As ever, I thank our management and staff for their efforts over the period in delivering another year of steady growth.

Nick Hewson
Non-executive Chairman
22 November 2011

Nick Hewson MA FCA CF – aged 53, Non-executive Chairman

Nick has been on the Board of a number of listed companies since 1986, more recently in a non-executive capacity. Nick has concentrated on grooming and growing smaller businesses in the public and private arenas, and has a particular interest in low carbon and carbon reduction initiatives in business. He has been an investor in Croma since the very early days of the Group's corporate life.

Sebastian Morley - aged 42, Group Chief Executive Officer

Sebastian Morley joined the Board of the Group on the acquisition of Vigilant Security (Scotland) Limited in February 2006. Subsequently he was appointed as group Managing Director to specifically assist in the day to day operations of subsidiary companies. Sebastian established Vigilant in 2001 and has been instrumental in the development of the company. Prior to this he worked with organisations relating to the surveillance and security sector. Sebastian was educated at Eton and attended the Royal Military Academy at Sandhurst and was subsequently commissioned in the Black Watch with the rank of Captain. He has also undertaken a period of duty with the United Kingdom Special Forces where he held the rank of Major.

James Dunion ACMA -aged 50, Finance Director

James is a member of the Chartered Institute of Management Accountants and was previously Finance Director at R H Miller (Group) Ltd. He has held roles at Kilco (International) Ltd, Hunter Boot Ltd, James Gordon (Engineers) Ltd and the Royal Bank of Scotland Group plc.

The Directors submit their report and the audited financial statements of Croma Group PLC and its subsidiary undertakings for the year ended 30 June 2011.

Principal activity

The Group's principal activities are access security and installation systems (Photobase) and asset protection solutions (Vigilant) to a wide range of UK government agencies (including police, military, local authorities and the prisons service) and a variety of customers including large private companies and facility management companies.

Review of the year and future developments

A review of the Group's activities, the development of its business, a business review and an indication of likely future developments may be found in the Chairman's statement on page 2-3. The Directors review the business continually, and in so doing review the activities of each business segment, as these fairly represent the performance of the underlying trading entities. Note 3 of the financial statements shows the performance of the group analysed between segments. The Directors review the gross profit margin achieved by each subsidiary as a key indicator of the performance of that company. Vigilant Security (Scotland) Ltd saw a reduction in overall gross margin to 14% (2010 24%) as a result of some new contracts being won at very keen rates.

Having made substantial changes to cut overheads within the Photobase subsidiary to reduce operating costs by moving it under the management of CSS Total Security Limited business last year, the company is currently marketing its existing products and developing new ones. This is being done with a strategic partnership with CSS Total Security Limited, a provider of security hardware. Photobase signed a ten year Software Licencing Agreement with CSS Total Security Ltd and this increased sales by £450,000 in the reporting period. This resulted in Photobase producing a gross profit of 74% and an increase in sales of 110%. The Software Licencing Agreement income has been recognised under IAS18 Revenue in the reporting period as the sum received related in full to the year 1st July 2010 to 30th June 2011. The Directors are satisfied with the gross profit margin of 19% (2010 – 27%) and the net profit in the year from continuing operations of £116 K (2010 loss: £6K). The Directors note the disposal of RDDS resulted in a reported loss of £743K but also note that this sale generated cash proceeds of £677K.

The Group still utilises overdraft and invoice discounting facilities, but remains well within the limits set by lenders and enjoys a good relationship with them.

Financial and non-financial Key Performance Indicators (KPIs)

The principal financial FPIs used by the Board in measuring the performance of the Group are: monthly sales, expenses and net profit against budgeted amounts, and debtor days for each business unit.

The financial KPIs by business unit for the year to 30th June 2011 were:

	Vigilant		Photobase	
£(000)	2011	2010	2011	2010
Sales	7,751	4,731	621	296
Expenses	7,757	927	276	164
Net Profit	-181	118	282	76
Debtor Days*	62	91	15	17

In calculating Photobase debtor days for 2011, the payment of £450K due from CSS Total Security Ltd that was outstanding at the year-end has been excluded as it distorts the result.

The non-financial KPIs monitored include:

- business wins / losses – significant contract wins were achieved in the year being reported, a number of smaller contracts were won and two contracts were lost. Three contracts finished due to the customer ceasing to trade. The customer involved in one contract changed due to a change of principal.
- customer satisfaction surveys – Directors regularly contact key customers to ensure satisfaction levels with service delivery are maintained.
- labour utilisation efficiency – timesheets are examined to monitor the level of labour not employed on direct contract work, including holidays, illness and training as well as lost time.

Results and dividends
The loss for the year incurred by the Group, after taxation, was £626,201 (2010: Profit £90,227). The Directors do not recommend the payment of a dividend.

Directors
The Directors who have held office since 1st July 2010 are as follows:

Executive:	**Non-executive**
S Morley	A N Hewson
G M McGill (resigned 19th April 2011)	
J W Sullivan (resigned 4th April 2011)	
J L Dunion (appointed 19th April 2011	

The Directors in office at 30 June 2011 had the following beneficial interest in the shares of the Company:

	Ordinary Shares of 0.1p each (formerly 5p each)		**Options to acquire shares**	
	30 June 2011	**30 June 2010**	**30 June 2011**	**30 June 2010**
Executive directors:				
S Morley	24,200,000	23,200,000	-	-
Non-executive director:				
A N Hewson	6,694,342	6,694,342	-	-

The additions to each shareholding above represent open market purchases by the Director. There have been no additions or disposals since 30 June 2011.

Details in respect of the experience of the executive and non-executive Directors are given on page 3.

Risks and uncertainties
The Group operates in a competitive environment affected by factors such as demand from customers for our goods and services and the activities of competitor companies offering similar goods and services. The management within the Group regularly identify and assess the impact of risks to their businesses. For each risk the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed and results reported.

The Board considers that some of the principle risks it faces in achieving its objectives are:

(a) The economic environment
(b) Loss of key personnel or failure to retain staff
(c) Business interruption

Risks and uncertainties (continued)

(a) The Board monitors the markets that the Group trades in to ensure that the goods and services that it provides remain competitive, while not compromising on quality. It continues to seek to add new business in a competitive environment, acknowledging that some existing customers may reduce what they spend and maintain close relationships with customers to minimise this risk. Where appropriate, the sector in which our customers operate is monitored to ensure that the Group does not become overly reliant on a small number of customers or a particular trade sector within the customer base. With a material proportion of sales arising from the public sector, the Group is aware of the potential risk involved as a result of spending reviews announced by HM Government from time to time. By having a spread of customers the Board considers that the Group is minimising the effects that this may have on the businesses. Financial risk is discussed further below.

(b) If the Group fails to attract and develop the personnel with the correct skills then this may result in failure to continue to grow the business. This risk is minimised by giving appropriate training and development plans to personnel.

(c) If the Group fails to respond to or recover from a major incident that disrupts the business the future of the business will be jeopardised. To minimise this, the Group has organised management so as to be able to work remotely and has off site back up of many key IT operations.

In addition, the Group must assess the financial risks associated with the business in terms of cash flow, credit risk and financial instruments. The Group has to have adequate plans in place to mitigate these risks, and in so doing has utilised invoice discounting arrangements for much of its sales ledger. As at the year-end, 50% of the debts were factored. Much of the Group's borrowing requirement is in the form of convertible debt, and the Board considers closely the cash flow of the Group at monthly board meetings to minimise the risks associated with this form of debt instrument. This is discussed in note 1 to the financial statements. The Group also operates in different areas within the sector across its subsidiaries and thus reduces the general financial and business risk around the Group. Liquidity risk is discussed further below.

Financial risks
The group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Other market price risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Financial Instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Further details are provided in notes 15, 16, 17 and 18.

Financial assets at cost	**2011**	**2010**
	£	**£**
Trade receivables	1,497,905	2,019,242
Other receivables	695,223	23,794
Cash at bank	597,119	187,248
Total	2,790,247	2,230,284

Financial liabilities at amortised cost	**2011**	**2010**
	£	**£**
Trade payables	183,211	189,403
Accruals and other payables	314,078	537,862
Bank overdrafts	85,775	61,931
Invoice discounting	797,998	570,411
Convertible loan notes	1,398,371	1,344,924
Total	2,779,433	2,704,531

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and pays close attention to its responsibilities in this regard. The Board meets regularly and discusses the effectiveness of the risk management processes and ways in which they can be improved upon. The Board also receives monthly reports from the Group finance director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce financial risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. Whilst the Group uses invoice discounting, this is with full recourse so the credit risk remains with the Group. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group has banking arrangements with three long established banks and financial institutions. The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

The maximum credit risk exposure at 30 June 2011 is represented by the balance of cash at bank and trade and other receivables at that date. The Group has a small percentage of bad debt overall, the bad debt charge within the Group for the year to 30June 2011 was £89,434 (2010 - £103,328). See note 15 for analysis.

Risks and uncertainties (continued)

Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash.

The liquidity risk of each Group entity is reviewed centrally by the Group Board. The budgets are set locally and agreed by the Board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of Group entities need to be increased, approval must be sought from the Group Finance Director. Where the amount of the facility is above a certain level agreement of the Board is needed.

Foreign exchange and market risk
The Group does not have any marketable instruments and therefore is not affected by market price risk. The Group neither sells nor purchases a significant value of items in foreign currencies, and takes appropriate measures to mitigate currency risk when it does.

Substantial shareholdings
Apart from the interests of the directors referred to above, the Company has received the following notifications of holdings of more than 3 percent of the ordinary share capital of the Company as at 30 June 2011.

Pershing Nominees Limited	7.3%
Chase Nominees Limited Designation CAZCAP	5.9%
TD Waterhouse Nominees (Europe) Limited	5.3%
Barclayshare Nominees Limited	4.4%
Paul Williamson	4.2%
Chase Nominees Limited	4.1%
LR Nominees Limited	3.4%

Payment policy
The Group applies a policy of agreeing payment terms with each of their main suppliers and the Group aims to abide by these terms, subject to satisfactory performance by suppliers.

Research and development
Research and development expenditure, including the element of wages relating to research and development, amounted to £180,242 (2010: £132,359).

Employment of disabled persons
The Group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement
The Group's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Political and charitable donations
The Group made no charitable or political donations during the year (2010: £nil).

Environmental policy
The Group recognises the importance of environmental responsibility. The nature of its activities has a minimal effect on the environment but where it does the Group aims to act responsibly and is aware of its obligations at all times

Dividends
No interim dividend payments have been made and the Directors do not recommend the payment of a final dividend.

Auditors
During the year BDO LLP resigned as auditors and Grant Thornton UK LLP were appointed to fill the casual vacancy. A resolution proposing the re-appointment of Grant Thornton UK LLP will be put to the shareholders at the forthcoming Annual General Meeting.

Statement of disclosure to auditor
Each of the Directors at the date of approval of this report confirms that:

(a) So far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

J L Dunion
Secretary
22 November 2011

Financial aspects of corporate governance
The Company has adopted a framework for corporate governance which it believes is suitable for a company of its size with reference to the key points within the Principles of Good Governance and the UK corporate Governance Code, ("the Combined Code") prepared by the Committee on Corporate Governance, published in June 2010, although the board consider the costs of full compliance with the code to outweigh the benefits it would provide to a business the size of Croma Group.

The Board
As at the date of approval of these financial statements, the Board consisted of three members, one of whom is a Non-Executive Director.

The Board meets throughout the year and all major decisions are taken by the full Board. The Group's day to day operations are managed by the executive Directors. All Directors have access to the Company Secretary and any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Company.

Directors' attendance at Board and committee meetings during the year to 30 June 2011 was as follows:

	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
AN Hewson	6	6	1	1	1	1
S Morley	6	6	0	0	0	0
J Dunion	0	1	0	0	0	0

Corporate governance committees
The Board meets regularly, normally monthly, and covers audit and remuneration committee matters as they arise from time to time.

Audit committee matters
The Board meets as an audit committee to review the published financial information, the effectiveness of external audit and internal financial controls.

The terms of reference of the Audit Committee are to assist themselves as Directors in discharging their individual and collective legal responsibilities for ensuring that:

- the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position;
- the Group's published financial statements represent a true and fair reflection of this position; and
- the external audit, which the law requires in order to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

The Audit Committee has agreed that non-audit work can be undertaken by the Group's external auditors. All such additional work to be approved in advance by the Chairman of the Audit Committee, with any perceived conflicts of interest being fully disclosed and documented before any non-audit work is undertaken by the external auditors.

The external auditors attend the audit committee meeting and as such it provides them with a direct line of communication to the Directors.

Remuneration Committee matters
The terms of reference of the Board meeting as the remuneration committee are:

- to recommend to the Board a framework for rewarding senior management, including executive Directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group; and

- to ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group.

Details of Directors' and key management personnel remuneration can be found in note 7 to the accounts.

Internal control
The Board is responsible for maintaining an appropriate system of internal controls to safeguard the shareholders' investment and Group assets.

The Directors are in the process of fully reviewing the financial reporting procedures and internal controls of the group companies to ensure they are robust enough to deliver timely, detailed reporting that will allow accurate monitoring of the Group's performance.

Internal financial control procedures undertaken by the Board include:

- review of monthly financial reports and monitoring performance;
- prior approval of all significant expenditure including all major investment decisions; and
- review and debate of treasury policy.

The Board in the context of the Group's overall strategy undertakes risk assessment and the review of internal controls. The review covers the key business, operational, compliance and financial risks facing the Group. In arriving at its judgement of what risks the Group faces, the Board has considered the Group's operations in the light of the following:

- the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective;
- the threat of such a risk becoming a reality;
- the Group's ability to reduce the incidence and impact of risk on its performance; and
- the cost and benefits to the Group of operating the relevant controls.

The Board has reviewed the operation and effectiveness of the Group's system of internal control for the financial year and the period up to the date of approval of these financial statements.

Relations with shareholders
Communication with shareholders is given a high priority by the Board and the Directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at the annual general meeting during which the board is available to discuss issues affecting the Company.

Going concern
The Directors have considered the adequacy of the Group's resources to meet its demands as they fall due, which is explained fully in note 1.

Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company, and Group, and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for the Group's system of internal financial control, safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

We have audited the financial statements of Croma Group plc for the year ended 30 June 2011 which comprise the group statement of comprehensive income, the group statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 30 June 2011 and of the group's loss for the year then ended
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern.
As discussed more fully in note 1, the Directors have considered the financing requirements of the business over the next 12 to 18 months. They have identified that the business may require additional finance facilities in that period and whilst the directors have had discussions with potential financiers and believe they will be able to secure the necessary funding for the group activities, these discussions have not yet been concluded. These conditions, along with the other matters explained in note 1to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Croma Group plc for the year ended 30 June 2011.

Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
EDINBURGH
22 November 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	30 June 2011 £	30 June 2010 £
Revenue	1,3	8,457,665	5,045,765
Cost of sales	4	(6,840,379)	(3,670,386)
Gross profit		1,617,286	1,375,379
Administrative expenses	4	(1,295,426)	(1,179,317)
Operating profit	2,3	321,860	196,062
Finance expense costs	5	(179,358)	(201,666)
Profit/(loss) before tax		142,502	(5,604)
Tax	8	(26,031)	-
Profit/(loss) for the year from continuing operations		116,471	(5,604)
(Loss)/profit from discontinued operations	9	(742,672)	95,831
(Loss)/profit and total comprehensive (loss)/profit for the year attributable to owners of the parent		(626,201)	90,227
Earnings per share	10		
Basic earnings per share (pence)			
- Earnings from continuing operations		0.06	0.00
- (Loss)/earnings from discontinued operations		(0.39)	0.05
- Total		(0.33)	0.05
Diluted earnings per share (pence)			
- Earnings from continuing operations		0.08	0.03
- (Loss)/earnings from discontinued operations		(0.39)	0.04
- Total		(0.31)	0.07

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

Attributable to Owners of the Parent

	Share Capital	Share Premium	Retained Earnings	Undistributable Reserves	Other Reserves	Total Equity
	£	£	£	£	£	£
At 1 July 2009	177,384	-	675,601	422,322	188,081	1,463,388
Issue of share capital	11,954	247,123	-	-	-	259,077
Profit and total comprehensive income for the year	-	-	90,227	-	-	90,227
Balance at 30 June 2010	189,338	247,123	765,828	422,322	188,081	1,812,692
Loss and total comprehensive income for the year	-	-	(626,201)	-	-	(626,201)
Balance at 30 June 2011	189,338	247,123	139,627	422,322	188,081	1,186,491

Refer to Note 22 for further analysis of movements in reserves in the current and previous years.

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011: COMPANY NUMBER 3184978

Assets	Notes	**£**	**£**	**£**	**£**
Non-current assets		**2011**	**2011**	**2010**	**2010**
Property, plant and equipment	**13**		182,945		233,863
Goodwill	**12**		1,396,390		2,148,650
			1,579,335		2,382,513
Current assets					
Inventories	**14**	-		189,385	
Trade and other receivables	**15**	2,231,912		2,271,121	
Cash and cash equivalents	**25**	597,119		187,248	
			2,829,031		2,647,754
Total assets			4,408,366		5,030,267
Liabilities					
Non-current liabilities					
Convertible loan notes	**17**	(398,371)		(379,856)	
Deferred tax	**20**	(7,223)		(1,373)	
Trade and other payables	**16**	(26,826)		(32,162)	
Provisions	**19**	(23,120)		(28,900)	
			(455,540)		(442,291)
Current liabilities					
Convertible loan notes	**17**	(1,000,000)		(965,068)	
Trade and other payables	**16**	(333,288)		(313,412)	
Current income tax liabilities	**16**	(385,273)		(450,609)	
Accruals and deferred income	**16**	(164,001)		(413,853)	
Bank overdrafts and loans	**16**	(883,773)		(632,342)	
			(2,766,335)		(2,775,284)
Total liabilities			(3,221,875)		(3,217,575)
Net assets			1,186,491		1,812,692
Issued capital and reserves attributable to owners of the parent					
Share capital	**21**		189,338		189,338
Share premium	**22**		247,123		247,123
Retained earnings	**22**		139,627		765,828
Undistributable Reserves	**22**		422,322		422,322
Other reserves	**22**		188,081		188,081
Total equity			1,186,491		1,812,692

These financial statements were approved and authorised for issue by the board of directors on 22 November 2011 and signed on their behalf by

S J F Morley,
Director

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Year to 30 June 2011	Restated Year to 30 June 2010
		£	£
Cashflows from operating activities			
Profit before taxation		142,502	90,227
Adjustments	**26**	294,835	297,788
Net changes in working capital	**26**	(620,731)	(240,050)
Taxes paid		(23,209)	-
Net cash (used)/from continuing operations		(206,603)	147,965
Net cash (used) in discontinued operations	**9**	(83,001)	-
Net cash (used)/generated in operating activities		(289,604)	147,965
Cash generated from operations			
Investing activities			
Purchase of property, plant and equipment		(115,284)	(139,432)
Proceeds on disposal of property, plant and equipment		15,953	4,000
Cash proceeds from disposal of subsidiary net of cash disposed		677,409	-
Net cash generated/(used) in investing activities		578,078	(135,432)
Cash flows from financing activities			
Hire purchase payments		(4,123)	-
Net advances on invoice discounting facility		227,587	233,777
Repayment of borrowings		-	(150,000)
Issue of share capital – cash issue		-	259,077
Interest paid		(125,911)	(158,995)
Net cash from financing activities		97,553	183,859
Net increase/(decrease) in cash and cash equivalents		386,027	196,392
Cash and cash equivalents at beginning of year		125,317	(71,075)
Cash and cash equivalents at end of year	**26**	511,344	125,317

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

1. Accounting Policies

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 IFRSs").

Going concern
The Group's activities are funded by a combination of long term equity capital, convertible loan notes, and short term invoice discounting and bank overdraft facilities. The day to day operations are funded by cash generated from trading and primarily invoice discounting facilities.

In considering the ability of the Group to meet its obligations as they fall due, the directors have considered the following matters: the expected trading and cash requirements of the group, the level of overheads likely to accrue, repayment of creditors and the potential cash outflows associated with the convertible loan notes which are repayable between December 2012, January 2013 and February 2013.

The Directors have considered a range of scenarios in respect of each of these variables. Most of these scenarios indicate that the Directors will have to raise some additional finance during the year, although the level of funding required is highly dependent on the assumptions within each scenario. At the date of signing these financial statements the additional finance has not been secured. The Directors have had discussions with potential funders and believe they will be able to secure the necessary finance.

From a trading perspective, whilst there are inevitable pressures from the current general economic climate, the Board remains positive about the retention and outlook of its main trading operations. The full year effect of recent contract wins have been factored into the Board's profit and cash flow projections. The invoice discounting and overdraft facilities fall due for review on 30th September 2012.

In consideration of the potential cash outflows associated with the convertible loan notes, the holders of the loan notes have the option to either convert their debt into equity in the Group or repayment in cash on the due dates. Given the current share price the Directors consider it is unlikely that the debt will be converted into shares. The redemption profile is as follows:

- £400,000 on 20 December 2012
- £120,000 on 20 December 2012
- £200,000 on 29 January 2013
- £100,000 on 28 February 2013

The Board maintain a close working relationship with the holders of these loans and expect to discuss maturity options with the loan note holders in the near future and have obtained indications of a willingness to enter into such negotiations from the note holders.

The Directors are confident that adequate funds will be raised to fund the creditors repayments, redemption or redemption dates deferred; however, there can be no guarantee that these funds will be raised or redemption dates deferred.

The financial statements do not reflect the adjustments that would be necessary were the trading performance of the Group to deteriorate and/or the funding available from invoice discounting and the overdraft was not available. Furthermore, the reliance by the Group to raise additional funding to finance

1. Accounting policies (continued)

the repayment of creditors or the loan note redemption or to successfully negotiate the redemption date of its loan notes indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Basis of consolidation
Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

Cash and Cash Equivalents
The consolidated statement of cash flows reports cash resources repayable on demand. The consolidated statement of cash flows for 2010 has been restated to exclude the invoice discounting facility which is not repayable on demand. However, this has had no impact on the balance sheet and therefore a third period balance sheet has not been presented.

Segment reporting
At 1 July 2010, the Group had three trading subsidiaries, which it considered to be its operating segments, namely, Vigilant Security (Scotland) Limited, ('Vigilant'), Photobase Limited ('Photobase') and RDDS Avionics Ltd. (RDDS). As each subsidiary is engaged in a different marketplace and each has its own profile of risk and reward, the Directors consider that these three companies best represent the material business segments of the Group. These segments also reflect the internal reporting structure within the Group, which also uses the same measurement policies as those used in its financial statements. Vigilant provides security services to customers. Photobase revenue consists of the provision of software. RDDS was disposed of during the year.

Revenue and profit recognition
The income of the Group is derived from a number of sources. These sources are service based as well as for the sale of goods. Following the principles of IAS 18 'Revenue', the policies for income recognition in respect of each of the different sources of income are such that income is recognised to the extent that the group has obtained the right to consideration through its performance or delivery of a service as well as the sale of a product. Certain forms of income require a contractual obligation to be entered into between the Group and the customers.

- Security personnel services are recognised in the month in which the work is carried out for the client.
- Keyholding income is recognised in equal instalments over the period of the contract.
- Sales of goods are recognised at the point that they are delivered to client's premises on signature of a goods received note.
- Maintenance fees are recognised over the term of the contract. Where a maintenance fee is not itemised in the contract but is still provided as part of the contractual arrangement, an apportionment is taken as the maintenance amount, based upon its fair value. The value of this amount is held as deferred income under 'Accruals and deferred income' in the balance sheet.
- Revenues associated with the sale of software licences are recognised over the period it relates to on a straight line basis.

1. Accounting policies (continued)

Cost of sales
Cost of sales are the direct costs relating to customer generated revenue and comprise direct labour payroll costs, other costs associated with direct labour and purchases sold on to customers.

Goodwill
Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the consolidated statement of comprehensive income, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

Business combinations
The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Internally-generated intangible assets - research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development activity is recognised only if all of the conditions of IAS38 are met. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at costs less depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset less its estimated residual value evenly over its estimated useful life, as follows:

Freehold property	-	4%	on cost
Plant and equipment	-	25%	on cost
Computer equipment	-	33%	on cost
Office equipment	-	15%	on cost
Motor vehicles	-	25%	on cost
Uniforms and workwear	-	amortised in full over 12 months	

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis together with costs in bringing it to its present condition and location. Work in progress and finished goods include attributable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when interim dividends are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current taxis payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

1. Accounting policies (continued)

Income taxes (continued)
Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Leased assets
Finance leases
The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially. See property, plant and equipment accounting policy for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases
All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Financial Instruments
Financial assets and financial liabilities are initially recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument at their fair value and thereafter at amortised cost.

Share capital
Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Finance cost
Finance costs of debt are recognised in the statement of comprehensive income over the term of such instruments at a constant periodic rate on the carrying amount.

Profit or loss from discontinued operations
A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

1. Accounting policies (continued)

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the income statement. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale is further analysed in note 9. Disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date of the latestperiod presented.

Financial assets
Trade receivables are recorded at their amortised cost less any provision for doubtful receivables. Trade receivables due in more than one year are discounted to their present value. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables which are reported net, such provisions are reported in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Loans and receivables assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The provision at 30th June 2011 across the Group was £89,434 (2010- £14,783). The effect of discounting on these financial instruments is not considered to be material. Trade receivables are analysed at Note 15.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate. The Group’s loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. We deem cash equivalents to be deposits that we hold with a maturity of under 3 months. Cash and cash equivalents include cash in hand, deposits held at call with banks with an original maturity of less than 3 months, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial Liabilities

(a) Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

(b) Trade payables and other short-term monetary liabilities, are initially recognised at their fair value and subsequently at their amortised cost.

1. Accounting policies (continued)

(c) The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost. The difference between the fair value of the convertible debt instrument as a whole and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

The interest expense of the liability component is calculated by applying the effective interest rate to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note. Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The proportion relating to the equity component is charged directly to equity.

(d) All other financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. The Group considers its capital to comprise its ordinary share capital, deferred share capital, share premium, share option (IFRS2 reserve) and accumulated retained earnings.

Share based payments
Where shares are awarded to employees, the fair value of the shares, as measured at the date of award, is charged to the consolidated statement of comprehensive income.

Where share options are awarded to employees, the fair value of the options as measured at the date of grant is charged to the income statement over the vesting period. Non market vesting conditions are taken into account by adjusting the number of options of equity instruments that are expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification is also charged to the income statement over the remaining vesting period.

Provisions
Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with

1. Accounting policies (continued)

respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Capital management
The group manages capital so as to safeguard its ability to continue as a going concern with the aim of strengthening its capital base so as in due course to provide returns to shareholders. The board are aware of the increase of the debt to equity percentage this year, and the long term aim remains to reduce debt to a level below 50% of equity. The proportions are;

	2011	**2010**
	£	**£**
Net debt		
Bank, Bank overdrafts, invoice discounting and loans	286,654	632,342
Convertible loans	1,398,371	1,344,924
Total	**1,685,025**	**1,977,266**
Equity	**1,186,491**	**1,812,692**
Debt to equity percentage	142%	109%

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the Group
The following standards and interpretations have been issued by the IASB. They become effective after the current year and have not been early adopted by the group:

New standards and interpretations not yet applied
The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS)		Effective for accounting periods commencing on or after
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19	Employee Benefits (revised June 2011)	1 January 2013
IAS 27	Separate Financial Statements (revised)	1 January 2013
IAS 28	Investments in Associates and Joint Ventures (revised)	1 January 2013
Disclosures	Transfers of Financial Assets - Amendments to IFRS 7	1 July 2011
Deferred Tax	Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes	1 January 2012
Amend IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
Amend IAS 1	Presentation of Items of Other Comprehensive	1 July 2012

1. Accounting policies (continued)

IFRS 9 will eventually replace IAS 39 in its entirety and is intended to simplify the classification and measurement requirements for financial instruments. The process has been divided into three main phases, classification and measurement; impairment; and hedge accounting. The standard's eventual adoption may result in changes to the classification and measurement of financial instruments.

IFRS 13 establishes a single framework for all fair value measurements when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value, but rather, describes how to measure fair value under IFRS when it is required or permitted by IFRS.

The Directors do not anticipate that adoption of IFRS 13 or of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions:

(a) Impairment of goodwill. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was £1,396,390. Details relating to the allocation of goodwill to cash generating are given in note 12.

(b) Contingent consideration for disposal of subsidiary. As detailed in note 9, the Group disposed of its subsidiary, RDDS Avionics Ltd on 31 March 2011. The disposal agreement provides for a contingent consideration to a maximum of £600,000. The Directors have considered the likelihood of receiving a contingent consideration. Based on the past trading performance and losses incurred within RDDS, they do not believe that it is appropriate to bring any amount of the contingent consideration into the profit and loss for the year.

3. Segmental Reporting

All activities originate in the UK. The group has two operating subsidiaries, Vigilant Security (Scotland) Limited, ('Vigilant')and Photobase Limited ('Photobase'). As each subsidiary is engaged in a different marketplace and have their own profiles of risk and rewards the Directors consider that these two companies best represent the material business segments of the Group. These segments also reflect the internal reporting structure within the group. Vigilant provides security services to customers. Photobase revenue consists of the provision of maintenance and licenced software.

2011 Business segments	Vigilant	RDDS	Photobase	Group Operations	Group elimination	Total
	£	£	£	£	£	£
Income Statement;						
Turnover – Provision of services	7,751,330	-	620,855	295,480	(210,000)	8,457,665
Gross profit/(loss)	1,073,532	-	461,498	292,256	(210,000)	1,617,286
Operating profit/(loss)	(90,579)	-	281,745	67,224	63,470	321,860
Finance expense	(66,519)	-	-	(112,839)	-	(179,358)
Profit/(loss) before tax	(157,098)	-	281,745	(45,615)	63,470	142,502
Income tax credit/(expense)	(24,336)	-	-	(1,695)	-	(26,031)
Profit/(loss) for the year after tax	(181,434)	-	281,745	(47,310)	63,470	116,471
Balance sheet;						
Assets	1,890,655	-	503,521	2,763,799	(749,609)	4,408,366
Liabilities	(1,535,015)	-	(876,723)	(1,559,746)	749,609	(3,221,875)
Net assets/(liabilities)	355,640	-	(373,202)	1,204,053	-	1,186,491
Net debt;						
Cash and cash equivalents	(83,824)	-	33,824	561,344	-	511,344
Invoice discounting	(797,998)	-	-	-	-	(797,998)
Convertible loan notes	-	-	-	(1,398,371)	-	(1,398,371)
Total Net (Debt)/Cash	(881,822)	-	33,824	(837,027)	-	(1,685,025)
Fixed asset movements;						
Capital additions	87,602	5,720	21,962	-	-	115,284
Depreciation	109,001	13,832	9,617	173	-	132,623

3. Segmental Reporting (continued)

2010 Business segments	Vigilant	RDDS	Photobase	Group Operations	Group elimination	Total
	£	£	£	£	£	£
Income Statement;						
Turnover – Provision of services	4,730,581	-	295,702	259,482	(240,000)	5,045,765
Turnover – Sale of goods	-		-	-	-	-
Gross profit/(loss)	1,114,940		240,582	259,857	(240,000)	1,375,379
Operating profit/(loss)	188,334	-	76,173	(68,445)	-	196,062
Finance expense	(48,510)	-	-	(153,156)	-	(201,666)
Profit/(loss) before tax	139,824	-	76,173	(221,601)	-	(5,604)
Income tax credit/(expense)	-	-	-	-	-	-
Profit/(loss) for the year after tax	139,824	-	76,173	(221,601)	-	(5,604)
Balance sheet;						
Assets	1,640,018	992,172	92,126	2,639,729	(333,778)	5,030,267
Liabilities	1,082,946	223,666	747,072	1,497,669	(333,778)	3,217,575
Net assets/(liabilities)	557,072	768,506	(654,946)	1,142,060	-	1,812,692
Net debt;						
Cash and cash equivalents	(61,931)	88,720	51,046	47,482	-	125,317
Invoice discounting	(570,411)	-	-	-	-	(570,411)
Loan notes	-	-	-	(1,344,924)	-	(1,344,924)
Total Net Debt	(632,342)	88,720	51,046	(1,297,442)	-	(1,790,018)
Fixed asset movements;						
Capital additions	119,484	12,924	6,100	924	-	139,432
Depreciation	50,273	19,785	5,354	104	-	75,516

Information relating to goodwill, growth rates, discount factors and headroom is provided in Note 12.

4. Expenses by nature

	2011	2010
	£	£
Auditors' remuneration:		
Audit of parent company and consolidated financial statements	46,055	15,500
Audit of company's subsidiaries pursuant to legislation	32,767	14,500
Review of interim statements	10,000	5,000
Tax compliance	12,500	6,400
Other assurance services	5,000	-
Other services	4,500	150
Research and development	180,242	132,359
Amount of inventory expensed as cost of sales	240,423	68,079
Operating lease expense	68,612	19,710
Depreciation	132,623	55,034
Loss on disposal of property, plant and equipment	2,466	6,706

5. Finance Income and Expense

	2011	2010
	£	£
Finance Expense		
Interest paid on bank overdraft	5,227	3,415
Interest paid on factoring arrangements	58,933	42,883
Loan note interest on convertible loans	112,032	155,368
Interest on hire purchase agreements	3,166	-
	179,358	201,666

As explained in note 17, the convertible loan notes issued in 2006, 2007 and 2008 have been calculated as a compound financial instrument under IAS32.

6. Staff costs

	2011	**2010**
The average monthly number of persons (including directors) employed by the Group during the period was:		
Management and administration	13	14
Service and product provision	271	237
	284	251

	2011	**2010**
Staff costs (for the above persons):	**£**	**£**
Wages and salaries	6,649,652	4,070,985
Share based payment	-	54,061
Social security costs	627,767	381,589
	7,277,419	4,506,635

	2011	**2010**
The average monthly number of persons (including directors) employed by the Parent Company during the period was:		
Management and administration	-	-
Service and product provision	-	-
	-	-

There were no pension costs paid in either the current or previous periods.

7. Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the financial and operating activities of Croma Group, including the directors of the group and of the subsidiary companies. All the remuneration is either paid by the Company or has been paid by a subsidiary company.

	Salary	Estimated value of benefits	Fees	Total
	£	£	£	£
2011				
Executive directors:				
S J F Morley	127,773	-	-	127,773
G M McGill	-	-	42,987	42,987
J W Sullivan	-	-	-	-
J Dunion	12,690	-	-	12,690
Non-executive directors:				-
A N Hewson	-	-	36,000	36,000
Croma Group Total	140,463	-	78,987	219,450
Subsidiary company directors				
P Williamson	81,891	-	-	81,891
Lord James Percy	31,001	-	-	31,001
	253,355	-	78,987	332,342
2010				
Executive directors:				
S J F Morley	110,951	-	-	110,951
G M McGill	-	-	50,000	50,000
J W Sullivan	118,285	-	-	118,285
Non-executive directors:				-
A N Hewson	-	-	36,000	36,000
Croma Group Total	229,236	-	86,000	315,236
Subsidiary company directors				
P Williamson	46,827	-	-	46,827
Lord James Percy	1,555	-	12,400	13,955
	277,618	-	98,400	376,018

No share based payments were made to any of the directors in the year to 30 June 2011 (2010: none).

SJF Morley has a service agreement with a notice period of one year. P Williamson, Lord James Percy and J Dunion have service agreements with notice periods of six months.

The Company and its subsidiaries do not operate a company pension scheme and the directors are responsible for their own pension arrangements. A stakeholder pension scheme is available to all employees. The fee shown as paid to G McGill was paid to Farries, Kirk &McVean, Chartered Accountants, a firm in which he is a partner, who provided the group with a finance function including his services as a director and company secretary. The fee shown as paid to A N Hewson was paid to Grosvenor Equity Managers Limited, a company in which he is a Director, which provided the Group with his services as a Director. There is no provision for compensation on the termination of his appointment.

8. Taxation

	2011	2010
	£	£
Taxation	26,031	-

At 30 June 2011 the Group had corporation tax losses of approximately £1,350,000 (2010: £1,600,000) to set against profits of the same trade, subject to agreement by HM Revenue & Customs.

The Group has an un-provided deferred tax asset of approximately £351,000 (2010: £448,000)

	2011	2010
	£	£
Domestic current year tax		
UK corporation tax	-	(1,455)
Adjustments for prior periods	18,808	-
	18,808	(1,455)
Deferred tax		
Deferred tax adjustments	7,223	1,455
	26,031	-

	2011	2010
Factors affecting the tax charge for the year	£	£
Profit/(loss) before taxation	142,502	(5,604)
Profit multiplied by the standard rate of taxation of 26.5% (2010: 28%)	39,188	(1,569)
Effects of:		
Disallowed expenditure	18,309	25,033
Utilisation of losses brought forward	(70,316)	(19,391)
Depreciation in excess of capital allowances	7,056	2,057
Losses Carried Back	5,763	-
Adjustment to tax charge for previous periods	18,808	281
Other short term timing differences	-	(7,866)
Total tax charge/(credit)	18,808	(1,455)

9. Disposal of RDDS Avionics Ltd and discontinued operations

On 31 March 2011, the Group disposed of its 100% equity interest in its subsidiary, RDDS Avionics Ltd (RDDS). The subsidiary was not classified as held for sale in the 2010 financial statements.

On completion of the disposal of RDDS, £720,000 was received in cash and, subsequent to 30 June 2011, a further £207,903 was received, making a total of £927,903. The terms of the disposal agreement also provide for a contingent consideration, which is dependent on the profitability of RDDS in the year ending 31 March 2012. The maximum value of this consideration is £600,000. The directors have no information concerning the performance of RDDS after 31 March 2011 and, because of the inherent uncertainty as to the quantum of any contingent consideration, have decided not to recognise any contingent consideration in the profit and loss in the year to 30 June 2011.

Analysis of the result of discontinued operations

	2011	2010
	£	£
Revenue	1,777,512	1,991,095
Expenses	(1,830,735)	(1,895,264)
(Loss)/profit before tax on discontinued operations	(53,223)	95,831
Tax	-	-
(Loss)/profit after tax on discontinued operations	(53,223)	95,831
(Loss) on disposal of discontinued operations	(689,449)	-
Tax	-	-
(Loss)/Profit for the year from discontinued operations	(742,672)	95,831

Cash flows generated by RDDS for the reporting period under review are as follows:

	2011	2010
	£	£
Operating activities	(83,001)	167,714
Investing activities	677,409	(6,829)
Cash flows from discontinued operations	594,408	160,885

9. Disposal of RDDS Avionics Ltd and discontinued operations (continued)

At the date of disposal the carrying amounts of RDDS's net assets disposed of and the cash flows effect of the sale were as follows:

	2011
	£
Property, plant and equipment	15,160
Inventory	155,283
Receivables	1,149,172
Cash and cash equivalents	121,845
Inter company balances written off	107,279
Payables	(724,865)
Provisions	(1,373)
Total net assets disposed of	822,501
Unimpaired goodwill on consolidation	752,260
Transaction costs	42,591
Loss on disposal of the subsidiary	(689,449)
Total disposal proceeds receivable	927,903
Transaction costs	(42,591)
Receivable at 30 June 2011	(207,903)
Net cashflow into the Group on disposal	677,409

10. Earnings per share

The calculation of the basic profit per share is based on the profit attributable to ordinary shareholders, from continuing operations, divided by the average number of shares in issue during the year. The calculation of diluted profit per share is based on the basic profit per share adjusted to allow for the issue of shares and the post-tax effect of dividends and interest on the assumed conversion of all other dilutive options and other potential ordinary shares.

Numerator		
Profit/(loss) for the year on continuing operations and used in basic EPS	116,471	(5,604)
Liability interest on convertible loan notes net of tax	41,829	77,121
Profit used in diluted EPS on continuing operations	158,300	71,517
(Loss)/Profit for the year on discontinuing operations and used in basic and diluted EPS	(742,672)	95,831
Denominator		
Weighted average number of shares used in basic EPS	189,337,815	189,337,815
Effects of:		
- convertible debt	16,400,000	25,233,333
Weighted average number of shares used in diluted EPS	205,737,815	214,571,148

Basic earnings per share (pence)		
- Earnings from continuing operations	0.06	0.00
- (Loss)/earnings from discontinued operations	(0.39)	0.05
- Total	(0.33)	0.05
Diluted earnings per share (pence)		
- Earnings from continuing operations	0.08	0.03
- (Loss)/earnings from discontinued operations	(0.39)	0.04
- Total	(0.31)	0.07

11. Dividends

The directors do not recommend payment of a dividend (2010: £nil).

12. Goodwill – Group

	Goodwill
	£
Cost	
At 1 July 2009	5,386,829
At 30 June 2010	5,386,829
Disposal	(752,260)
At 30 June 2011	4,634,569
Impairment	
At 1 July 2009	3,238,179
At 30 June 2010	3,238,179
At 30 June 2011	3,238,179
Net book value	
At 1 July 2009	2,148,650
At 30 June 2010	2,148,650
At 30 June 2011	1,396,390

Impairment testing	Carrying value 2011	Carrying value 2010	Carrying value 2009
	£	£	£
Vigilant Security (Scotland) Limited	1,396,390	1,396,390	1,396,390
RDDS Avionics Limited	-	752,260	752,260
Total	1,396,390	2,148,650	2,148,650

	Growth rate			Discount factor		
	2011	2010	2009	2011	2010	2009
Vigilant Security (Scotland) Limited	0%	0%	0%	15%	15%	15%
RDDS Avionics Limited	n/a	0%	0%	n/a	15%	15%

RDDS was disposed of during the year and so the remaining goodwill attaches to Vigilant. For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises; the business of Vigilant is considered to be such a segment. The details of the impairment testing are as follows:

Forecasts, growth and discount rates
The recoverable amount relating to Vigilant was determined based on value-in-use calculations, covering a detailed forecast for the period 1 July 2011 to 31 December 2014, followed by an extrapolation of expected cash flows for the remaining useful lives using a nil growth rate. The present value of the expected cash flows is determined by applying a discount rate of 15% to each year, which reflects appropriate adjustments relating to market risk, specific risk factors and weighted average cost of capital.

12. Goodwill – Group (continued)

Cash flow assumptions
The Directors' key assumptions include stable profit margins, based on past experience in this market, and the impact of recent, significant contract gains. Beyond actual gains, no further growth has been forecast. The assumption being future contract attrition and gains have a neutral impact. The Directors believe that this is the best available input for forecasting this mature market. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

Sensitivity
Increasing the discount factor from 15% to 20% and applying a negative factor of 20% to the forecast and extrapolated cash flows demonstrated significant headroom such that the estimated carrying value is not sensitive to these changes in assumptions. Having reviewed the key assumptions used, the Directors do not believe that there is a reasonably possible change in any of the key assumptions that require further disclosure.

13. Property, plant and equipment

	Freehold property	Plant and equipment	Fixtures, fittings and equipment	Motor vehicles	Uniforms	Total
	£	£	£	£	£	£
Cost						
At 1 July 2009	56,035	105,596	119,158	90,412	-	371,201
Additions	-	12,201	7,562	53,819	65,850	139,432
Disposals	-	-	-	(25,719)	-	(25,719)
At 30 June 2010	56,035	117,797	126,720	118,512	65,850	484,914
Additions	-	25,216	20,764	26,243	43,061	115,284
Disposals	-	(41,505)	(66,875)	(40,044)	-	(148,424)
At 30 June 2011	56,035	101,508	80,609	104,711	108,911	451,774
Depreciation						
At 1 July 2009	5,203	40,671	106,376	38,298	-	190,548
Charge for the year	434	14,140	16,468	16,658	27,816	75,516
On disposals	-	-	-	(15,013)	-	(15,013)
At 30 June 2010	5,637	54,811	122,844	39,943	27,816	251,051
Charge for the year	19,014	26,812	17,039	19,161	50,597	132,623
On disposals	-	(29,640)	(66,876)	(18,329)	-	(114,845)
At 30 June 2011	24,651	51,983	73,007	40,775	78,413	268,829
Carrying value at 1 July 2009	50,832	64,925	12,782	52,114	-	180,653
Carrying value at 30 June 2010	50,398	62,986	3,876	78,569	38,034	233,863
Carrying value at 30 June 2011	31,384	49,525	7,602	63,936	30,498	182,945

13. Property, plant and equipment (continued)

Motor vehicles includes the following amounts where the asset is held under a hire purchase agreement:

	2011	2010
	£	£
At 30 June - Cost	86,543	70,980
Accumulated depreciation	31,159	13,414
Net book value	55,384	57,566

The Group leases various vehicles and machinery under non-cancellable hire purchase agreements. Their lease terms are up to four years, and ownership of the assets lie with the Group.

14. Inventories

	2011	2010
	£	£
Raw materials and consumables	-	189,385
	-	189,385

15. Trade and other receivables

	2011	2010
	£	£
Trade receivables	1,587,339	2,034,025
Allowance for doubtful debts	(89,434)	(14,783)
Net trade receivables	1,497,905	2,019,242
Amounts recoverable on contracts	-	200,776
Other receivables	695,223	23,794
Corporation Tax	4,401	-
Prepayments	34,383	27,309
Total financial assets other than cash and cash equivalents classified as loans and loan receivables	2,231,912	2,271,121

Owing to the short term nature of the trade receivables, their fair value is the same as the book value. An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount. Receivables past due dates (other than those thought not to be recoverable) are immaterial within the group due to the varied nature of credit terms and the close monitoring of these terms by the Board. The Group provides in full for any debts it believes have become non recoverable. The figures shown below show the specific provision for doubtful receivables.

15. Trade and other receivables (continued)

	2011	2010
	£	£
Bad debts written off during year	64,427	103,328

The level of credit risk is, in the view of the board, generally low, due to a wide mix of clients in different trade sectors. However, Vigilant suffered bad debts of £64,427 (2010: £103,000) in the year, so further steps are being taken to reduce exposure to credit risk by constantly reviewing credit offered to customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above. No interest is charged on receivables within agreed credit terms. Thereafter, interest may be charged. There are only immaterial debts due in excess of credit terms. The Directors of the Group and the subsidiaries review debt collection rates at each board meeting and close attention is paid to collection of debt.

Sensitivity analysis

	2011	2010
Current average debtor days	57	65
	£	£
Effect on working capital if debtor days increased by 10%	149,791	201,924
Effect on working capital if debtor days increased by 25%	374,476	504,810

There has been a decrease in debtor days during this year. The Company continues to monitor its customers carefully, both new and existing. The Company does have a large number of customers in different trade sectors, so risk of bad debt is minimised, in the opinion of the Directors.

With the availability of invoice discounting facilities it is anticipated that the Group could continue to trade with the impact on cash flow of an increase of 10% of debtor days. However, an increase of 25% would affect this ability. In the opinion of the Board, such a large increase is unlikely.

Debtors due but not provided for	2011	2011
	£	£
Under 60 days	1,377,986	1,607,625
60- 90 days	105,797	250,404
Over 90 days	14,122	161,213
	1,497,905	2,019,242

16. Trade and other payables

	2011	2010
	£	£
Trade payables	183,211	189,403
Other payables	150,077	124,009
	333,288	313,412
Other taxes and social security	385,273	450,609
Accruals and deferred income	164,001	413,853
Total financial liabilities, excluding loans and borrowing classified as financial liability measured at amortised cost	882,562	1,177,874

Interest bearing loans and borrowings due within 1 year	2011 £	2010 £
Bank overdrafts	85,775	61,931
Invoice discounting facilities	797,998	570,411
	883,773	632,342

Trade and other payables due outwith 1 year	2011	2010
	£	£
Finance lease liabilities (due in 1 to 5 years)	26,826	32,162

The Group's overdraft facilities are unsecured. Amounts advanced through the invoice discounting facilities are secured on the related trade receivables.

17. Convertible loan notes

	2011	2010
	£	£
Convertible loan notes – non current liability	398,371	379,856
Convertible loan notes – current liability	1,000,000	965,068
	1,398,371	1,344,924

The Company has in issue;

- An instrument creating £1,000,000, 8% Convertible Unsecured Loan Notes, of which £1,000,000 have been drawn down at 30 June 2011. (2010 - £1,000,000).
- An instrument creating £1,000,000 7% Convertible Unsecured Loan Notes, of which £120,000 has been drawn down at 30 June 2011. (2010 - £120,000).
- An instrument creating £1,000,000 10% Convertible Unsecured Loan notes, of which £300,000 has been drawn down at 30 June 2011. (2010 - £300,000).

17. Convertible loan notes (continued)

The Notes are convertible at any time, up to 5 years from date of issue into Ordinary Shares at the option of the Noteholder. The number of Ordinary Shares to which the Noteholder is entitled is determined by the principal value of the Notes so converted (expressed in pence) divided by the conversion price.

The Notes are convertible at the option of the Company in the event that the average mid-market price of the Ordinary Shares, at the close of trading on the six business days preceding the Company giving notice to the Noteholder, reaches 150% of the conversion price in respect of the 8% and 7% coupon instruments, and 100% in respect of the 10% coupon instruments.

On the 5 year anniversary any of the Notes not previously repaid or converted or repurchased by the Company shall be repaid at par, together with accrued interest (less any applicable taxes). The Directors have obtained certain undertakings in respect of this requirement as outlined in Note 1.

The equity element of the convertible loan note is £188,081(2010 - £188,081) which has been classified as equity.

	2011	2010
	£	£
Nominal value of the convertible loan note	1,420,000	1,420,000
Less: Equity component (note 21)	(188,081)	(188,081)
Interest accrual	166,452	113,005
Liability Component	1,398,371	1,344,924

Loan notes at 30 June 2011 amounted to £1,398,371 which was not significantly different to the fair value.

18. Interest rate and liquidity risk

Interest rate sensitivity
All financing is via fixed rate loan notes bank overdraft and invoice discounting. Typically, the invoice discounting facilities across the Group allow a drawdown of 80% of the value of an invoice on issue to a customer. A discount charge applies to the value of transactions processed through the facility as well as an interest rate charge on advances until invoices are settled by customers.

The sensitivity analysis has been based on the year-end exposure to floating rate debt during the year.

Liquidity and interest rate risk tables
The following table details the Group's remaining contracted maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities.

A 1% increase in interest rates would result in an increase of approximately £8K in charges. This is not deemed to be material.

2011	Weighted average effective	Less than 1 month or on demand	1 –12 months	1 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	%	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Fixed rate								
Trade and other payables	0	333,288	-	26,826	-	-	-	360,114
Accruals	0	-	164,001	-	-	-	-	164,001
Convertible loan notes	8.4	-	-	1,420,000	-	-	-	1,420,000
Floating rate								
Invoice discounting facility	7	-	797,998	-	-	-	-	797,998
Overdraft	7	85,775	-	-	-	-	-	85,775
Total		419,063	961,999	1,446,826	-	-	-	2,827,888

2010	Weighted average effective	Less than 1 month or on demand	1 –12 months	1 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	%	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Fixed rate								
Trade and other payables	0	313,412	-	32,162	-	-	-	345,574
Accruals	0	-	413,853	-	-	-	-	413,853
Convertible loan notes	8.4	-	1,000,000	420,000	-	-	-	1,420,000
Floating rate								-
Invoice discounting facility	7	-	570,411	-	-	-	-	570,411
Overdraft	7	61,931	-	-	-	-	-	61,931
Total		375,343	1,984,264	452,162	-	-	-	2,811,769

18. Interest rate and liquidity risk (continued)

Following the year ended 30 June 2011, convertible loans notes amounting to £600,000 were repaid. The Group has renegotiated the maturity date with the holders of balance of £400,000, which were due for repayment, and their repayment date is now 20th December 2012.

Book and fair value of debt maturity	Book Value 2011 £	Fair Value 2011 £	Book Value 2010 £	Fair Value 2010 £
Non-Current				
Convertible Loan Notes	398,371	398,371	1,344,924	1,344,924
Current				
Convertible Loan Notes	1,000,000	1,000,000	-	-
Invoice discounting	797,998	797,998	570,411	570,411
Bank overdraft	85,775	85,775	61,931	61,931
	1,883,773	1,883,773	632,342	632,342

19. Provisions

Onerous lease provision	2011 £	2010 £
Due in less than one year	5,780	5,780
Due between one and five years	17,340	23,120
	23,120	28,900

The premises formerly occupied by Photobase Limited have been sub-let at a rent lower than the rent being paid to the landlord. As such the lease on these premises has been classed as onerous, to the extent of the difference between the rent received from the sub-tenant and the amount paid to the landlord for the remainder of the lease being a period of 4 years. The provision has not been discounted due to immateriality.

Contingent Liability
There are no contingent liabilities either at the year-end or up to the date of signing the financial statements.

20. Deferred tax

	2011 £	2010 £
At 1 July 2010	1,373	2,828
Accelerated capital allowances	7,223	(1,455)
Eliminated on disposal of subsidiary	(1,373)	-
At 30 June 2011	7,223	1,373

21. Share capital

	2011	2010
	£	£
Authorised, allotted, called up and fully paid:		
189,337,815 (2010: 189,337,815) ordinary shares of 0.1 pence (2010 – 0.1 pence) each	189,338	189,338
	189,338	189,338

Ordinary shares of 0.1 pence (2010 – 0.1 pence) each	2011	2011	2010	2010
Issued and fully paid	Number	£	Number	£
At beginning of year	189,337,815	189,338	177,383,974	177,384
Cash share issue	-	-	11,953,841	11,954
At 30 June 2011	189,337,815	189,338	189,337,815	189,338

The value of the nominal share capital of the company was reduced to 0.1pence on 24th June 2009. This was after a special resolution was passed at an Extraordinary General Meeting of the company and with High Court approval. In addition the deferred share capital and share premium were cancelled. The amount of the reduction was credited to the profit and loss reserve and is now classed as distributable.

Rights attaching to shares

The holders of the ordinary shares of 0.1 pence (2010: 0.1 pence) each are entitled to receive dividends and a return of capital on liquidation as well as attend and vote at a general meeting of the company.

Share options

There are no share options in place.

Issue of shares

There were no shares issued in the period (2010: 7,953,841 ordinary shares of 0.1 pence each were issued for cash proceeds of 2 pence per share and 4,000,000 ordinary shares of 0.1 pence each were issued for cash proceeds of 2.5 pence per share to Directors of the group and subsidiary undertakings in an arm's length transaction, resulting in total cash proceeds of £259,077). All shares issued are fully called up and paid.

22. Reserves

GROUP	Ordinary shares	Deferred shares	Share premium	Retained earnings	Undistributable reserves	Other reserves	Shareholders' funds
	£	£	£	£		£	£
At 1 July 2009	**177,384**	**-**	**-**	**675,601**	**422,322**	**188,081**	**1,463,388**
Profit for the year	-	-	-	90,227	-	-	90,227
Shares issued	11,954	-	247,123	-	-	-	259,077
At 30 June 2010	**189,338**	**-**	**247,123**	**765,828**	**422,322**	**188,081**	**1,812,692**
(Loss) for the year	-	-	-	(626,201)	-	-	(626,201)
At 30 June 2011	**189,338**	**-**	**247,123**	**139,627**	**422,322**	**188,081**	**1,186,491**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Ordinary Shares	Amount subscribed for share capital at nominal value.
Deferred Shares	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained Earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Undistributable Reserves	The surplus recognised on 26 June 2008 following conversion of the ordinary share capital from 5p shares to 0.1p shares.
Other	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).

In 2009, the financial statements presented an element of the profit and loss reserve as an 'Other reserve', to highlight the element of profit and loss reserve attributable to the equity element in share options granted. As all remaining share options were waived last year and no further share options exist to date, the directors consider it appropriate to present this 'Other reserve' as part of profit and loss reserves this year and in the comparative period.

23. Related party transactions

Identity of related parties
The parent company has a controlling related party relationship with its subsidiary companies. The Group has a related party relationship with its directors and executive officers.

Directors of the Group and their immediate relatives control approximately 12.5% of the voting shares.

	2011	2010
	£	£
The Group has been charged fees by the following related parties:		
In relation to subsidiary companies		
Professional services provided by Farries, Kirk & McVean, (in which G M McGill is a partner) to Vigilant Security (Scotland) Limited for management accounts and payroll bureau services.	11,700	13,200
Balance outstanding at year end	420	1,100
In relation to the parent company		
Professional services provided by Farries, Kirk & McVean, (in which G M McGill is a partner) and which has been accounted for as Director's remuneration. This is also disclosed as Director's remuneration in note 7	42,987	50,000
Balance outstanding at year end	-	16,667

The Group holds convertible loan finance in the year from Westminster Gardens Holdings Limited totalling £300,000.A N Hewson is a director of Westminster Gardens Holdings Limited, but holds no beneficial interest therein.

The transactions between the Group, its subsidiary companies and related parties are on normal commercial terms. No guarantees exist between any of these parties.

During the year, Photobase Limited contracted to provide licenced software to CSS Total Security Limited, a company which provides the Group with management services. The value of the licenced software included in the revenue of the Group in the year is £450,000 (2010: £nil).

No loans to directors subsisted during the year.

The following open market share purchases by directors occurred during the year ended 30 June 2011:

	Shares
S Morley	1,000,000

24. Events after the reporting period

Following the year ended 30 June 2011, convertible loans notes amounting to £600,000 were repaid. The Group has renegotiated terms with the holders of balance of £400,000, which were due for payment, and their repayment date is now 20th December 2012.

25. Operating lease commitments

The Group had annual commitments under non-cancellable operating leases. Photobase Limited has an annual lease rental commitment on the premises it leases at £23,750 per annum, having concluded a rent review due in April 2009 and the expiry of the lease in April 2014. There are no formal renewal clauses within the lease.

Other operating lease commitments relate to lease of office equipment at Vigilant Security (Scotland) Limited.

	Land & buildings		Other	
	2011	**2010**	**2011**	**2010**
	£	**£**	**£**	**£**
Operating Leases which expire				
- within one year	-	48,750	-	660
- in one to five years	67,292	170,000	1,320	2,640
- in more than five years	-	-	-	660
	67,292	218,750	1,320	3,960

26. Notes supporting the cash flow statement

Adjustments	2011	Restated 2010
	£	£
Depreciation	118,791	75,516
Loss on sale of property, plant and equipment	2,466	6,706
Onerous lease provision	(5,780)	13,900
Financial expenses	179,358	201,666
	294,835	297,788

Net changes in working capital	2011	2010
	£	£
Decrease in inventories	60	92,650
Decrease/(increase) in trade and other receivables	(631,920)	(550,503)
Increase/(decrease) in trade and other payables	11,129	217,803
	(620,731)	(240,050)

Cash and cash equivalents	2011	2010
	£	£
Cash at bank and in hand	597,119	187,248
Bank overdraft	(85,775)	(61,931)
	511,344	125,317

There were no significant non cash transactions in the current or preceding year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROMA GROUP PLC FOR THE YEAR ENDED 30 JUNE 2011

We have audited the parent company financial statements of Croma Group PLC for the year ended 30 June 2011 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note A to the financial statements concerning the company's ability to continue as a going concern.

As discussed more fully in note A, the Directors have considered the financing requirements of the business over the next 12 to 18 months. They have identified that the business may require additional finance facilities in that period and whilst the Directors have had discussions with potential financiers and believe they will be able to secure the necessary funding for the group activities, these discussions have not yet been concluded. These conditions, along with the other matters explained in note A to the financial statements; indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Croma Group PLC for the year ended 30 June 2011.

Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Edinburgh
22 November 2011

COMPANY STATEMENT OF FINANCIAL POSITION: COMPANY NUMBER 3184978
AS AT 30 JUNE 2011

	Notes	2011	2011	2010	2010
		£	£	£	£
Fixed assets					
Computer equipment	C	647		820	
Investments	D	1,396,390		2,148,650	
			1,397,037		2,149,470
Current assets					
Debtors	E	827,187		567,918	
Cash at bank and in hand		563,295		46,497	
		1,390,482		614,415	
Creditors: Amounts falling due within one year	F	(1,185,095)		(1,241,969)	
Net current assets			205,387		(627,554)
Total assets less current liabilities			1,602,424		1,521,916
Creditors: Amounts falling due after more than 1 year	G		(398,371)		(379,856)
			1,204,053		1,142,060
Share capital and reserves					
Share capital	H		189,338		189,338
Share premium account	J		247,123		247,123
Other reserves	J		188,081		188,081
Retained Earnings	J		157,189		95,196
Undistributable Profits	J		422,322		422,322
Shareholders' funds	J		1,204,053		1,142,060

The financial statements were approved by the Board of Directors and authorised for issue on 22 November2011. They were signed on its behalf by

S J F Morley
Director

The accompanying accounting policies and notes form an integral part of this balance sheet.

A. Significant accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis. The Company and Group's activities are funded by a combination of long term equity capital, convertible loan notes, and short term invoice discounting and bank overdraft facilities. The day to day operations are funded by cash generated from trading and primarily invoice discounting facilities.

In considering the ability of the Company and Group to meet its obligations as they fall due, the directors have considered the following matters: the expected trading and cash requirements of the group, the level of overheads likely to accrue, the repayment of creditors and the potential cash outflows associated with the Group's convertible loan notes which are repayable between December 2012, January 2013 and February 2013.

The Directors have considered a range of scenarios in respect of each of these variables. Most of these scenarios indicate that the Directors will have to raise some additional finance during the year, although the level of funding required is highly dependent on the assumptions within each scenario. At the date of signing these financial statements the additional finance has not been secured. The Directors have had discussions with potential funders and believe they will be able to secure the necessary finance.

From a trading perspective, whilst there are inevitable pressures from the current general economic climate, the Board remains positive about the retention and outlook of the Group's main trading operations. The full year effect of recent contract wins across the Group has been factored into the Board's profit and cash flow projections. The invoice discounting and overdraft facilities fall due for review on 30 September 2012.

In consideration of the potential cash outflows associated with the convertible loan notes, the holders of the loan notes have the option to either convert their debt into equity in the Group or repayment in cash on the due dates. Given the current share price the Directors consider it is unlikely that the debt will be converted into shares. The redemption profile is as follows:

£400,000 on 20 December 2012

£120,000 on 20 December 2012

£200,000 on 29 January 2013

£100,000 on 28 February 2013

The Board maintain a close working relationship with the holders of these loans and expect to discuss maturity options with the loan note holders in the near future and have obtained indications of a willingness to enter into such negotiations from the note holders.

The Directors are confident that adequate funds will be raised to fund the creditors repayment, redemption itself or redemption dates deferred. However, there can be no guarantee that these funds will be raised or redemption dates deferred.

The financial statements do not reflect the adjustments that would be necessary were the trading performance of the Group to deteriorate and/or the funding available from invoice discounting and the overdraft was not available. Furthermore, the reliance by the Group to raise additional funding to finance the repayment of creditors or the loan note redemption or to successfully negotiate the redemption date of

its loan notes indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Fixed assets
Depreciation is provided at a rate of 33% on cost relating to computer equipment.

Investments
Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provision of the instrument.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

A. Significant accounting policies (continued)

Share based payment
Where shares are awarded to employees, the fair value of the shares, as measured at the date of award, is charged to the consolidated statement of comprehensive income.

Where share options are awarded to employees, the fair value of the options as measured at the date of grant is charged to the income statement over the vesting period. Non market vesting conditions are taken into account by adjusting the number of options of equity instruments that are expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification is also charged to the income statement over the remaining vesting period.

Deferred taxation
UK corporation tax is provided at amounts expected to be paid or recovered using the applicable tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

B. Profit attributable to ordinary shareholders

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The profit dealt within the financial statements of the Company was £61,993 (2010: loss £155,454).

C. Fixed assets

	Computer equipment
	£
Cost	
At 1 July 2010	924
Additions	-
At 30 June 2011	924
Depreciation	
At 1 July 2010	104
Charge for year	173
At 30 June 2011	277
Net book value	
At 30 June 2011	647
At 30 June 2010	820

D. Fixed assets investments

	Shares in subsidiary undertakings
	£
Cost	
At 1 July 2010	5,813,613
Disposal	(752,260)
At 30 June 2011	5,061,353
Provision for impairment	
At 1 July 2010	3,664,963
At 30 June 20111	3,664,963
Net book value	
At 30 June 2011	1,396,390
At 30 June 2010	2,148,650

At 30 June 2011 the Company held the entire issued share capital of the following principal subsidiary undertakings, which are incorporated in Great Britain.

Company	**Nature of business**
Vigilant Security (Scotland) Limited	Asset protection and security training
Photobase Limited	Biometric entry systems

On 31 March 2011, the Company disposed of its 100% interest in the equity of its subsidiary RDDS Avionics Ltd.

E. Debtors

	2011	2010
	£	£
Amounts due from subsidiary undertakings	586,968	458,918
Other debtors	207,903	100,750
Other tax and social security	23,720	-
Prepayments	8,596	8,250
	827,187	567,918

F. Creditors: Amounts falling due within 1 year

	2011	2010
	£	£
Amounts due to subsidiary undertakings	-	124,156
Trade creditors	118,556	56,025
Other creditors	-	193
Other taxes and social security	-	6,968
Accruals and deferred income	66,539	89,559
Convertible loan notes	1,000,000	965,068
	1,185,095	1,241,969

G. Creditors: Amounts falling due after more than 1 year

	2011	2010
	£	£
Convertible loan notes	398,371	379,856

The Company has in issue;

- An instrument creating £1,000,000, 8% Convertible Unsecured Loan Notes, of which £1,000,000 has been drawn down at 30 June 2011 (2010 - £1,000,000).
- An instrument creating £1,000,000 7% Convertible Unsecured Loan Notes, of which £120,000 has been drawn down at 30 June 2011 (2010 - £120,000).
- An instrument creating £1,000,000 10% Convertible Unsecured Loan notes, of which £300,000 has been drawn down at 30 June 2011 (2010 - £300,000).

G. Creditors: Amounts falling due after more than 1 year (continued)

The Notes are convertible at any time, up to 5 years from date of issue into Ordinary Shares at the option of the Noteholder. The number of Ordinary Shares to which the Noteholder is entitled is determined by the principal value of the Notes so converted (expressed in pence) divided by the conversion price.

The Notes are convertible at the option of the Company in the event that the average mid-market price of the Ordinary Shares, at the close of trading on the six business days preceding the Company giving notice to the Noteholder, reaches 150% of the conversion price in respect of the 8% and 7% coupon instruments, and 100% in respect of the 10% coupon instruments.

On the 5 year anniversary any of the Notes not previously repaid or converted or repurchased by the Company shall be repaid at par, together with accrued interest (less any applicable taxes).

The equity element of the convertible loan note is £188,081 (2010: £188,081), which has been classified as equity.

H. Share capital

	2011	2010
	£	£
Authorised,allotted, called up and fully paid:		
189,337,815 (2010: 189,337,815) ordinary shares of 0.1 pence (2010 – 0.1 pence) each	189,338	189,338
	189,338	189,338

Ordinary shares of 0.1 pence each	**Number**	**Number**
At 1 July 2010	189,337,815	177,383,974
Shares issued	-	11,953,841
At 30 June 2011	189,337,815	189,337,815

The value of the nominal share capital of the company was reduced to 0.1pence on 24th June 2009. This was after a special resolution was passed at an Extraordinary General Meeting of the Company and with High Court approval. In addition the deferred share capital and share premium were cancelled. The amount of the reduction was credited to the profit and loss reserve and is now classed as undistributable.

Rights attaching to shares
The holders of the ordinary shares of 0.1 pence (2010: 0.1 pence) each are entitled to receive dividends and a return of capital on liquidation as well as attend and vote at a general meeting of the Company.

Share options
There are no share options in place.

Issue of shares
There were no shares issued in the period (2010: 7,953,841 ordinary shares of 0.1 pence each were issued for cash proceeds of 2 pence per share and 4,000,000 ordinary shares of 0.1 pence each were issued for cash proceeds of 2.5 pence per share to Directors of the Group and subsidiary undertakings in an arm's length transaction, resulting in total cash proceeds of £259,077). All shares issued are fully called up and paid.

I. Related party transactions

Identity of related parties
The parent company has a controlling related party relationship with its subsidiary companies. The Group has a related party relationship with its directors and executive officers.

Directors of the Company and their immediate relatives control approximately 12.5% of the voting shares.

	2011 £	2010 £
Professional services provided by Farries, Kirk & McVean, (in which G M McGill) is a partner and which has been accounted for as Directors' remuneration. This is also disclosed as part of Directors remuneration in note 7.	42,987	50,000
Balance outstanding at year end	-	16,667

The Group holds convertible loan finance in the year from Westminster Gardens Holdings Limited totalling £300,000.A N Hewson is a director of Westminster Gardens Holdings Limited, but holds no beneficial interest therein.

The transactions between the Company, its subsidiary companies and related parties are on normal commercial terms. No guarantees exist between any of these parties.

During the year the company provided administrative services to subsidiary undertakings totalling£210,000 (2010: £240,000). The directors have decided not to provide against non-recoverability of the balance owed by Photobase Limited which stood at £617,733 at the year-end (2010: £397,657). They are confident that this subsidiary will continue its recovery in the coming year and the balance will begin to be repaid. The company owed Vigilant Security (Scotland) Limited £162,640 (2010: £124,155).

The following open market share purchases by directors occurred during the year ended 30 June 2011:

	Shares
S Morley	1,000,000

J. Reserves

	Ordinary shares	Deferred shares	Share premium	Retained earnings	Undistributable Reserves	Other reserve	Shareholders' funds
At 1 July 2009	**177,384**	**-**	**-**	**250,650**	**422,322**	**188,081**	**1,038,437**
Loss for the year	-	-	-	(155,454)	-	-	(155,454)
Shares issued	11,954	-	247,123	-	-	-	259,077
At 30 June 2010	**189,338**	**-**	**247,123**	**95,196**	**422,322**	**188,081**	**1,142,060**
Profit for the year	-	-	-	61,993	-	-	61,993
At 30 June 2011	**189,338**	**-**	**247,123**	**157,189**	**422,322**	**188,081**	**1,204,053**

Other reserve - (FRS25) is the amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).