25 Feb 2019

Croma Security Solutions Group Plc

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

Interim Results for the Six Months to 31 December 2018

Continued Demand led by UK wide Security Concerns

Croma Security Solutions Group plc the AIM listed total security services provider announces its unaudited interim results for the six months to 31 December 2018.

Trading maintained at record levels

£m	**2018**	**2017**	**2016**
Revenue	18.0	17.3	11.2
EBITDA	1.20	1.20	0.44
EPS	5.21p	4.92p	1.09p
Dividend	0.7p	0.6p	0.5p

- Reflecting ongoing UK wide security concerns, demand for Croma’s innovative security solutions remains strong
- H1 Revenues include a mix of longer term contracts and shorter term projects
- Group is ungeared with cash balances of £1.7m **(**2017: £1.4m)
- 17% increase in interim dividend

Innovative Solutions for the UK Homeland Security Market

- Strategic focus on becoming the British security brand
- UK Guarding market continuing to move toward premium services as offered by Croma
- Ex-military ethos remains core part of Group culture and key to new contract wins and retention
- Commenced the development of a national network of security centres

Sebastian Morley, Chairman of CSSG, said:

“Demand for our services in our last financial year was at a record high and it is pleasing that this demand has continued into the first six months of the current financial year. There is a mixture of contracted and project work, the latter making it harder to predict future revenue levels. However, what is clear is that there has been a step change in demand for CSSG’s premium services and as a business we are focused on taking advantage of this opportunity. Our aim is to become the British security brand and as part of that objective we are looking to establish a national network of security centres from which we will be able to sell all our services under one roof.”

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulations No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations

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

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Chairman's Statement

Introduction

I am pleased to report the financial results for the first six months of the current financial year which show the business continuing the momentum begun in the prior year. There has been a step change in demand for our premium services which has been driven by the requirements from both large commercial enterprises and government on both a local and a national level.

The profitability of the Group has increased more than threefold in the last two years and we are focused on ensuring the pre-eminence of its long-term position in the UK Security market.

Strategy for Growth within UK Security Market

Reflecting the real and perceived increases in risk across the UK, security has become a higher priority for both public and private institutions which has substantially increased demand for Croma's innovative client solutions. As a consequence, the Board has been working on the Group's strategy aimed at maximising this opportunity and further developing Croma's market position within the UK security market through:

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

The quality of the UK's guarding industry is variable. In the main, guarding is often performed by underpaid, poorly dressed individuals with limited training, a trend being exacerbated currently by sector consolidation. Whereas, Croma Vigilant with its ex-military ethos focuses on providing a premium guarding service performed by well trained, well-motivated individuals directed by ex-military management teams. As security concerns grow generally, demand for these premium services increases and the Group is developing its offering to combine the roles of guarding with front of house services creating a joined-up solution with the potential to transform the way manned security services are delivered in offices, hotels and public institutions.

The key strategic change is the development of a national network of Security Centres. The Board believes there is a market opportunity to establish a national chain of modern security centres offering a full range of security solutions from CCTV, intruder alarm and advanced security systems as well as high security locks. Last year the Group began the conversion of its eight retail outlets into modern Security Centres which has shown that the format works, enabling the stores to sell the full range of the Group's security capabilities to both domestic and commercial customers.

Croma Vigilant

Croma Vigilant is the largest part of our business providing manned guarding for assets and individuals. It has had another very successful period, maintaining sales at similar record levels to the prior year. Providing high-grade security personnel who are typically ex-military is a significant factor in helping to ensure that Vigilant is able to deliver a premium service. The division now employs over 1,200 security personnel throughout the UK. In London alone, Croma is responsible for guarding assets worth in excess of £3 billion.

During the period under review, the division won a mix of new long-term contracts and one-off project work. There is slightly more contracted work than the prior year which is aiding visibility on the Group's future financial performance.

Croma Systems

Croma Systems, provider of a range of innovative security technology services including CCTV, Intruder Alarms, FastVein (Biometrics) and high security locks, delivered a good performance matching last year's record performance. This division will be responsible for the development of the national network of security centres, thereby enabling the Group to sell all its security solutions under one roof throughout the UK.

FastVein, the Group's biometric high-speed human identifier, is part of the forefront of modern security technology. While still small in terms of contribution to the Group revenues, the potential for this technology is significant. There is a good pipeline of new contracts for this technology which underpin the Board's confidence in this product.

Financial Review

Revenue increased by 4% for the 6 months to 31 December 2018 to £18m (2017: £17.3m). This reflects good customer retention in Croma Vigilant and an improvement in our Locksmiths division which continues to see revenues supported by its contract with a major UK water utility provider and also reflects the full benefits of a restructuring in the period.

During this period the Group completed the purchase of the trade and assets of a locksmiths and security business in Ascot for £80k. This acquisition will help improve our geographical coverage and is part of our strategy for the development of national security centres.

The Group remains free from borrowings with cash balances at 31 December 2018 of £1.7m (2017: £1.4m). Towards the end of 2018 we have seen some delay in payment from one of our major customers due to a change in their IT systems. This has impacted our cashflow by approximately £700k, however the effects of this are expected to reverse in the second half of the year.

Dividend

The Board is pleased to declare a 16.7% increased interim dividend of 0.7p (2017: 0.6p) per share, to be paid on 8 April 2019 to shareholders with an ex-dividend date of 21 March 2019 and an associated record date of 22 March 2019.

Outlook

We have begun the second half of the financial year well, continuing the positive trading momentum. As a Group we are focused on implementing our strategic plan aimed at becoming the British security brand.

Sebastian Morley
Chairman
25 February 2019

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 6 MONTHS ENDED 31 DECEMBER 2018

	Notes	6 months ended 31-Dec-18 unaudited £000s	6 months ended 31-Dec-17 unaudited £000s	Year ended 30-Jun-18 audited £000s
Revenue		17,981	17,269	35,119
Cost of sales		(14,669)	(14,066)	(27,970)
Gross profit		3,312	3,203	7,149
Administrative expenses		(2,287)	(2,187)	(5,136)
Operating profit		**1,025**	**1,016**	**2,013**
Analysed as:				
Earnings before interest, tax, depreciation, and amortisation		1,223	1,197	2,500
Depreciation		(102)	(60)	(161)
Amortisation of intangible assets		(96)	(121)	(326)
Operating profit		1,025	1,016	2,013
Finance costs		(9)	(18)	(38)
Profit before tax		**1,016**	**998**	**1,975**
Tax		(188)	(181)	(359)
Profit for the year from continuing operations		828	817	1,616
Profit and total comprehensive income for the period attributable to owners of the parent		**828**	**817**	**1,616**
Earnings per share	**3**			
Basic and fully diluted earnings per share (pence)				
- From continuing operations		5.21	4.92	9.89

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	31-Dec-18 unaudited £000s	31-Dec-17 unaudited £000s	30-Jun-18 audited £000s
Assets			
Non-current assets			
Goodwill	7,233	7,213	7,213
Other Intangible assets	739	1,040	835
Property, plant and equipment	535	474	476
	8,507	8,727	8,524
Current assets			
Inventories	753	638	668
Trade and other receivables	7,276	6,277	6,077
Cash and cash equivalents	1,712	1,374	2,154
	9,741	8,289	8,899
Total assets	**18,248**	**17,016**	**17,423**
Liabilities			
Non-current liabilities			
Deferred tax	(182)	(220)	(197)
Trade and other payables over 1 year	-	(21)	(12)
	(182)	(241)	(209)
Current liabilities			
Trade and other payables	(6,194)	(6,006)	(6,071)
Borrowings	-	-	(66)
	(6,194)	(6,006)	(6,137)
Total liabilities	**(6,376)**	**(6,247)**	**(6,346)**
Net assets	**11,872**	**10,769**	**11,077**
Issued capital and reserves attributable to owners of the parent			
Share capital	794	794	794
Treasury shares	(399)	-	(399)
Share premium	6,133	6,133	6,133
Merger reserve	2,139	2,139	2,139
Capital redemption reserve	51	51	51
Retained earnings	3,142	1,640	2,347
Share options	12	12	12
Total equity	**11,872**	**10,769**	**11,077**

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR 6 MONTHS ENDED 31 DECEMBER 2018

	Notes	6 months ended 31-Dec-18 unaudited £000s	6 months ended 31-Dec-17 unaudited £000s	Year ended 30-Jun-18 audited £000s
Cash flows from operating activities				
Profit before taxation		1,016	998	1,975
Depreciation, and amortisation		198	181	487
Net changes in working capital	**4**	(1,262)	167	263
Financial expenses		9	18	38
Taxes paid		-	(48)	(74)
Net cash (used)/generated from operations		**(39)**	**1,316**	**2,689**
Cash flows from investing activities				
Purchase of business		(80)	-	-
Purchase of property, plant and equipment		(107)	(114)	(264)
Proceeds on disposal of property, plant and equipment		-	-	47
Net cash used in investing activities		**(187)**	**(114)**	**(217)**
Cash flows from financing activities				
Purchase of treasury shares		-	-	(406)
Buy back and cancellation of shares		-	(354)	(354)
Sale of treasury shares		-	-	5
Hire purchase repayments		(25)	(31)	(52)
Repayments on borrowings		(33)	(195)	(154)
Dividends paid		(149)	-	(89)
Interest paid		(9)	(18)	(38)
Net cash used in financing activities		**(216)**	**(598)**	**(1,088)**
Net (decrease)/increase in cash and cash equivalents		(442)	604	1,384
Cash and cash equivalents at beginning of period		2,154	770	770
Cash and cash equivalents at end of the period		**1,712**	**1,374**	**2,154**

CROMA SECURITY SOLUTIONS GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000s	Treasury Shares £000s	Share Premium £000s	Merger Reserve £000s	Capital Redemption Reserve £000s	Retained Earnings £000s	Share Options £000's	Total Equity £000s
Balance At 1 July 2018 (as previously reported)	**794**	**(399)**	**6,133**	**2,139**	**51**	**2,347**	**12**	**11,077**
Effect of new standards	-	-	-	-	-	116	-	116
Balance At 1 July 2018 (as restated)	**794**	**(399)**	**6,133**	**2,139**	**51**	**2,463**	**12**	**11,193**
Profit for the period	-	-	-	-	-	828	-	828
Dividends paid	-	-	-	-	-	(149)	-	(149)
At 31 December 2018	**794**	**(399)**	**6,133**	**2,139**	**51**	**3,142**	**12**	**11,872**
Balance at 1 July 2017	**845**	**-**	**6,133**	**2,139**	**-**	**1,176**	**12**	**10,305**
Shares redeemed	(51)	-	-	-	51	(353)	-	(353)
Profit for the period	-	-	-	-	-	817	-	817
Balance at 31 December 2017	**794**	**-**	**6,133**	**2,139**	**51**	**1,640**	**12**	**10,769**
Balance at 1 July 2017	**845**	**-**	**6,133**	**2,139**	**-**	**1,176**	**12**	**10,305**
Shares redeemed	(51)	-	-	-	51	(354)	-	(354)
Treasury shares acquired	-	(406)	-	-	-	-	-	(406)
Treasury shares issued	-	7	-	-	-	(2)	-	5
Profit for the year	-	-	-	-	-	1,616	-	1,616
Dividends paid	-	-	-	-	-	(89)	-	(89)
Balance at 30 June 2018	**794**	**(399)**	**6,133**	**2,139**	**51**	**2,347**	**12**	**11,077**

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR 6 MONTHS TO 31 DECEMBER 2018

1. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 30 June 2019. The Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim financial information.

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 30 June 2018 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 31 December 2018 and 31 December 2017 is unaudited.

2. Accounting policies

Except as described below, the accounting policies applied by the Group in this interim report are the same as those applied by the Group in the consolidated financial statements for the year ended 30 June 2018.

The following standards have become applicable for accounting periods commencing on or after 1 July 2018 and the appropriate adjustments have been considered:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019. A number of other new and amended standards and interpretations are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

(a) IFRS 9 – Financial Instruments

IFRS 9 requires the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model. Therefore, it is not necessary for a credit event to have occurred before credit losses are recognised. The new impairment model applies to the all the Group's financial assets.

No changes to the impairment provisions were made on transition to IFRS 9 as the effects were felt to be immaterial. In assessing impairment requirements on financial assets, the Group now considers the historic loss rates, which have been minimal, in conjunction with expected future losses and credit losses as a result of potential defaults. This will, as mandated by IFRS 9, continue to be reassessed as and when further information becomes available or when conditions change.

(b) IFRS 15 – Revenue from Contracts with Customers

The adoption of IFRS 15 has mainly affected the accounting for revenue relating to maintenance contracts. Under IFRS 15, revenue for the provision of an annual service of a security installation is recognised in the period that the service is completed. Previously under IAS 18, such revenue was recognised in equal monthly instalments over the period of the contract (typically 12 months) to match the benefits to the customer. Any income not recognised in the period of payment is held in deferred income (now known as contract income).

Under the transition method chosen, comparative information is not restated. The effect of adopting the standards in respect of prior years is recognised as an adjustment to opening equity as at 1 July 2018, which totals £116k, representing less income deferred (net of tax) than under the method previously adopted under IAS 18.

3. Earnings per share

Earnings per share is based upon the profit for the period and the weighted average number of shares in issue and ranking for dividend.

The following reflects the profit and share data used in the basic and diluted EPS computations:

	6 months ended 31-Dec-18	**6 months ended 31-Dec-17**	**Year ended 30-Jun-18**
Numerator			
Profit for the year on continuing operations and used in basic EPS (£000s)	828	817	1,616
Denominator			
Number of shares (thousands)			
Weighted average number of shares used in basic EPS	15,899	16,591	16,339
Weighted average number of shares used in diluted EPS	15,900	16,604	16,340

4. Note supporting the cash flow statement

	6 months ended 31-Dec-18 unaudited £000s	**6 months ended 31-Dec-17 unaudited £000s**	**Year ended 30-Jun-18 audited £000s**
Net changes in working capital			
(Increase)/Decrease in inventories	(45)	72	42
Increase in trade and other receivables	(1,279)	(2,473)	(2,273)
Increase in trade and other payables	62	2,568	2,494
	(1,262)	**167**	**263**

5. Dividends

The Board approved an interim dividend for the year of 0.7 pence per share (2017: 0.6p).

6. Financial Information

The Board of Directors approved this interim report on 25 February 2019.

A copy of this report can be obtained by writing to the Finance Director at our registered office; Unit 7 & 8, Fulcrum 4, Solent Way, Whiteley, Hampshire PO15 7FT or from our website at www.cssgroupplc.com