

CROMA GROUP PLC

Unaudited interim results for the six months ended 31 December 2009

22 March, 2010

Croma Group PLC (“Croma”, the “Group”, or “the Company”) the AIM listed asset protection, avionics and biometrics specialist, announces its interim results for the six months to 31 December 2009.

Highlights

- A further strong performance underlining the Group’s continuing progress
- Revenues resilient at £3.35m (2008 - £3.25m)
- Significant margin improvement. Gross profit rises to £1.33m (2008 - £1.00m)
- Strong cash conversion. Net cash inflow from operating activities £491,000 (2008 – net cash outflow £218,000)
- Profit before tax increased to £209,000 (2008 - £17,000)
- Significant new contract wins before and after the period end, worth in total approximately £4.5m in annual revenues

Croma Group chief executive Sebastian Morley said: “We are very pleased with these promising results which demonstrate that Croma is on the move, aggressively winning business amid strong competition.”

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Chairman's statement

I am pleased to be able to report that the financial results for the six months to 31 December 2009 demonstrate further profitable trading by the Group, despite the continuing effect of the global economic crisis.

During the six months Group turnover grew to £3.35m (2008: £3.25m), without any sacrifice of margin, with the result that the gross profit for the period grew significantly from £1.00m to £1.33m. The Group maintained tight control of costs, resulting in an uplift in profit before tax to £208,793, against £16,876 in the same period a year earlier. Cash conversion was also strong with a positive swing in operating cashflow in excess of £700,000 compared with the same period last year (net cash inflow £492,000; 2008, net cash outflow £218,000).

The Group's avionics and asset protection subsidiaries have performed particularly well, with new contract awards announced during the period and since the period end worth approximately £4.5m in annual sales revenue in aggregate. One of these contracts, announced only last week, is the largest the Group has won to date at £3.4m annually and, because of the timing of this contract award, its impact will be more fully reflected in next year's financial results. Importantly, the new contracts include the provision of manned guarding services for high profile buildings in both London and Edinburgh, which raises the profile of the Group within its industry, and which we expect will lead to further success at tender. Biometrics has also continued to be profitable and has a good pipeline of current bidding opportunities.

The prospects for the Group are therefore very encouraging and I hope to be able to report further significant progress in the second half of the year to 30th June 2010. I would like to thank the Directors and staff of the Group for their continued efforts to deliver such impressive results in a tough economic climate, and to congratulate them on their success in securing the recent contract wins in the teeth of strong competition.

Nicholas Hewson

Non-executive Chairman

19 March 2010

CROMA GROUP PLC **CONSOLIDATED STATEMENT OF** **COMPREHENSIVE INCOME** **FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	6 Months ended 31 December 2009 Unaudited	6 Months ended 31 December 2008 Unaudited	Year ended 30 June 2009 Note 1
	£	£	£
Revenue	3,347,422	3,253,174	6,519,436
Cost of Sales	(2,021,447)	(2,248,521)	(4,566,041)

	1,325,975	1,004,653	1,953,395
Gross profit			
Administrative expenses	(990,052)	(920,328)	(1,706,498)
	<hr/>	<hr/>	<hr/>
	335,923	84,325	246,897
Profit from operations			
Financial income	-	1,044	2,231
Financial expense	(127,130)	(68,493)	(237,417)
	<hr/>	<hr/>	<hr/>
Profit before tax	208,793	16,876	11,711
Tax credit	-	-	41,191
	208,793	16,876	52,902
Profit from continuing operations			
	<hr/>	<hr/>	<hr/>
Profit and total comprehensive income for the six month period	208,793	16,876	52,902
	=====	=====	=====
<hr/>			
Profit per share - undiluted	0.11p	0.01p	0.03p
Profit per share - diluted	0.11p	0.01p	0.03p

CROMA GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	31 December 2009 Unaudited £	31 December 2008 Unaudited £	30 June 2009 Note 1 £
Assets			
Non-current assets			
Goodwill	2,148,650	2,148,650	2,148,650
Property, plant and equipment	162,919	239,940	180,653
	<u>2,311,569</u>	<u>2,388,590</u>	<u>2,329,303</u>
Current assets			
Inventories	244,408	347,114	282,035
Trade and other receivables	1,527,357	1,354,276	1,720,618
Cash	114,743	3,606	3,674
	<u>1,886,508</u>	<u>1,704,996</u>	<u>2,006,327</u>
Total current assets	<u>1,886,508</u>	<u>1,704,996</u>	<u>2,006,327</u>
Total assets	<u>4,198,077</u>	<u>4,093,586</u>	<u>4,335,630</u>
Liabilities			
Non-current liabilities			
Long term borrowings	(1,346,802)	(1,301,246)	(1,339,120)
Provisions	(15,000)	-	(15,000)
Deferred tax	(2,828)	(2,828)	(2,828)
	<u>(1,364,630)</u>	<u>(1,304,074)</u>	<u>(1,356,948)</u>
Total non current liabilities	<u>(1,364,630)</u>	<u>(1,304,074)</u>	<u>(1,356,948)</u>
Current liabilities			
Trade and other payables	(262,396)	(291,318)	(353,926)
Tax	(343,727)	(261,271)	(241,325)
Accruals and deferred income	(222,342)	(221,660)	(358,660)
Bank overdrafts and loans	(173,724)	(512,979)	(561,383)
	<u>(1,002,189)</u>	<u>(1,287,228)</u>	<u>(1,515,294)</u>
Total current liabilities	<u>(1,002,189)</u>	<u>(1,287,228)</u>	<u>(1,515,294)</u>
Total liabilities	<u>(2,366,819)</u>	<u>(2,591,302)</u>	<u>(2,872,242)</u>
Total net assets	<u>1,831,258</u>	<u>1,502,284</u>	<u>1,463,388</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	185,338	9,161,453	177,384
Share premium reserve	151,123	1,388,522	-
Other reserves	438,730	513,653	438,730
Retained earnings	1,056,067	(9,561,344)	847,274
	<u>1,831,258</u>	<u>1,502,284</u>	<u>1,463,388</u>

This interim financial information was approved by the Board of Directors on 19th March 2010

G M McGill
Director

CROMA GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	6 Months ended 31 December 2009 Unaudited £	6 Months ended 31 December 2008 Unaudited £	Year ended 30 June 2009 Note 1 £
Cash flows from operating activities			
Profit for the six month period	208,793	16,876	11,711
Adjustments for:			
Depreciation of property, plant and equipment	21,028	18,119	44,499
Onerous lease provision	-	-	15,000
Loss on sale of property, plant and equipment	-	-	8,077
Share based payment expense/(credit)	29,077	21,381	(53,452)
Financial income	-	(1,044)	(2,231)
Financial expense	127,130	68,493	237,417
	<hr/> 386,028	<hr/> 123,825	<hr/> 261,021
(Increase)/Decrease in inventories	37,627	(47,795)	17,284
(Increase)/Decrease in trade and other receivables	193,261	130,128	(236,215)
(Decrease)/Increase in trade and other payables	(125,446)	(424,378)	(191,187)
	<hr/> 491,470	<hr/> (218,220)	<hr/> (149,097)
Cash generated from operations	491,470	(218,220)	(149,097)
Income taxes paid	-	-	28,603
	<hr/> 491,470	<hr/> (218,220)	<hr/> (120,494)
Investing activities			
Purchases of property, plant and equipment	(3,294)	(23,192)	(52,817)
Proceeds on disposal of property, plant and equipment	-	-	54,148
Interest received	-	1,044	2,231
	<hr/> (3,294)	<hr/> (22,148)	<hr/> 3,562
Net cash used in investing activities	(3,294)	(22,148)	3,562
Financing activities			
Issue of non convertible loan notes	-	-	150,000
Repayment of borrowings	(150,000)	-	(40,722)
Issue of ordinary shares	130,000	-	-
Interest paid on convertible loan notes	(80,870)	(41,950)	(161,305)
Interest paid on non convertible loan notes	(38,578)	(21,145)	(32,840)
	<hr/> (139,448)	<hr/> (63,095)	<hr/> (84,867)
Net cash from financing activities	(139,448)	(63,095)	(84,867)
	<hr/> 348,728	<hr/> (303,463)	<hr/> (201,799)
Net (decrease)/increase in cash and cash equivalents	348,728	(303,463)	(201,799)

Cash and cash equivalents at beginning of period	(407,709)	(205,910)	(205,910)
Cash and cash equivalents at end of period	<u>(58,981)</u> =====	<u>(509,373)</u> =====	<u>(407,709)</u> =====

**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

1. Accounting policies

The financial information in the half yearly report has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principle accounting policies used in preparing the half yearly report are those the group expects to apply in its financial statements for the year ended 30 June 2010. The principal accounting policies in this half yearly report are unchanged from those applied in the 2009 financial statements apart from the adoption of IAS 1 (Revised). The financial information for the six months ended 31 December 2009 and the six months ended 31 December 2008 is unaudited and does not constitute the group's statutory financial statements for those periods. The comparative financial information for the full year ended 30 June 2009 was derived from audited statutory financial statements and was originally published in compliance with IAS 1. It has been restated here to be in compliance with IAS 1 (Revised). This effects presentation only. A copy of these statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

While the financial information included in this half yearly report is consistent with the recognition and measurement principles of adopted IFRS, it does not comply with the requirements of IAS34 Interim Financial Reporting.

2. Taxation

Taxation has been provided for at 28% (2008: 28%) although no taxation has been charged due to the availability of tax losses brought forward.

3. Earnings per share

The earnings per share is based on the profit/(loss) for the period and the weighted average number of ordinary shares in issue and ranking for dividend.

6 Months ended 31 December 2009	6 Months ended 31 December 2008	Year ended 30 June 2009
£	£	£

Profit for the period	208,793	16,876	52,902
	=====	=====	=====
Weighted average number of shares	185,338,000	177,383,964	177,383,964
	=====	=====	=====
Profit per share	0.11p	0.01p	0.03p
	=====	=====	=====
Fully diluted profit per share	0.11p	0.01p	0.03p
	=====	=====	=====

4. Cash and cash equivalents

	6 Months ended 31 December 2009	6 Months ended 31 December 2008	Year ended 30 June 2009
	£	£	£
Cash at bank and in hand	114,743	3,606	3,674
	=====	=====	=====
Invoice discounting	(173,724)	(477,033)	(336,634)
	=====	=====	=====
Bank overdraft	-	(35,946)	(74,749)
	=====	=====	=====

5. Financial information

The Board of Directors approved the interim report on 19th March 2010. The financial information in respect of the six months to 31 December 2009 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. A copy of this report can be obtained from our registered office at Emerald House, East Street, Epsom, Surrey, KT17 1HS or is available on our website at www.cromagroup.co.uk.