

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

If you have sold or transferred, or sell or transfer before 10 a.m. on 24 March 2012, your entire holding of Ordinary Shares, please send this document (including the enclosed form of proxy) as soon as possible to the purchaser or transferee of those shares or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction.

Croma Group plc (the “Company”) and its directors and proposed directors, whose names appear on page 5 of this document (the “Directors”), accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure this is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for all of the issued and to be issued ordinary shares of the Company (the “Ordinary Shares”) to be admitted to trading on AIM, a market operated by the London Stock Exchange. Application will be made for all of the issued and to be issued ordinary shares of the Company (the “Ordinary Shares”) to be admitted to trading on AIM, a market operated by the London Stock Exchange (“Admission”). It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on or around 27 March 2012. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt on any recognised investment exchange and no such applications have been made.

This document comprises an admission document relating to Croma Group plc (the “Company”) and has been prepared in accordance with the AIM Rules. This document does not constitute a prospectus in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000 (“FSMA”) and has not and will not be approved by or filed with the Financial Services Authority (“FSA”). A copy of this document has been delivered to London Stock Exchange as required by the AIM Rules.



Croma Group plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 03184978)

**Proposed acquisition of the CSS Companies
Placing of 6,666,666 Ordinary Shares of 5 pence each at a price of 75 pence
per Ordinary Share
Re-admission of Enlarged Share Capital to trading on AIM
Change of Name to Croma Security Solutions Group plc
Conversion of loan notes
Share Consolidation
and
Notice of General Meeting**

**Nominated Adviser and Broker
Nplus1 Brewin LLP**

Prospective investors should read this document in its entirety and, in particular, the risks and other factors that should be considered in connection with an investment in Ordinary Shares set out in the section entitled “RISK FACTORS” on pages 19 to 23 of this document.

Notice of a General Meeting of the Company, to be held at 10 a.m. at the offices of Shepherd and Wedderburn LLP at Condor House, 10 St. Paul's Churchyard, London EC4M 8AL on 26 March 2012, is set out at the end of this document. Enclosed with this document is a form of proxy for use in respect of that General Meeting. Whether or not you intend to be present at the General Meeting you are requested to complete, sign and return the form of proxy as soon as possible, and in any event, so as to arrive at the offices of the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA not later than 10 a.m. on 24 March 2012. If you hold your Ordinary Shares in CREST, you may appoint a proxy by transmitting a CREST Proxy message so as to be received by the Company's registrars by no later than 10 a.m. on 24 March 2012. Completion and return of a form of proxy or a CREST Proxy message will not prevent Shareholders from attending and voting in person at the General Meeting should they so wish.

No actions have been taken to allow a public offering of Ordinary Shares under the applicable securities laws of any jurisdiction and no public offering of Ordinary Shares is being made in connection with the Placing. In addition, this document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares in any jurisdiction in which such offer of sale would be unlawful. In particular, this document does not constitute an offer or, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares in Australia, Canada, Japan, the Republic of South Africa or the United States. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended.

The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken or will be taken to permit the possession or distribution of this document in any jurisdiction (other than the UK) where action for that purpose may be required. Accordingly, this document should not be distributed or published in or from any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Nplus1 Brewin LLP, which is authorised and regulated in the UK by the FSA, is the Company's nominated adviser and broker. Nplus1 Brewin LLP's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any director or to any other person. Nplus1 Brewin LLP is acting exclusively for the Company and no one else in connection with the Placing and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing or any matters referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Nplus1 Brewin LLP by FSMA, Nplus1 Brewin LLP does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Placing. Nplus1 Brewin LLP accordingly disclaims all and any liability (whether arising in tort, delict, under contract or otherwise) (save as referred to above), which it might otherwise have in respect of this document or such statement.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised by the Company or Nplus1 Brewin LLP. Neither the delivery of this document nor any issue or sale of Ordinary Shares made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

The date of this document is 1 March 2012.

IMPORTANT INFORMATION

Forward-looking statements

This document contains forward-looking statements. These relate to the Company's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "anticipate", "seek", "target", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. The forward looking statements in this document are based on current expectations and involve risks and uncertainties that may cause actual results, achievements or performances of the Group to differ materially from those expressed or implied by such forward looking statements. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements are correct, to the best of the knowledge and belief of the Directors, only as at the date of this document. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this document except as required by applicable law, the AIM Rules or by any applicable regulatory authority.

Presentation of financial information

Unless otherwise indicated, financial information set out in this document has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Commission for use in the European Union. Any unaudited financial information set out in this document has been extracted without material adjustment from the Group's or the CSS Companies' accounting records.

Presentation of currencies

Unless otherwise indicated, all references in this document to "sterling", "pounds sterling", "GBP", "£", "penny", "pence" or "p" are to the lawful currency of the United Kingdom.

Rounding

Percentages in tables have been rounded and accordingly may not add up to 100%. Certain financial data in this document, including financial, statistical and operating information has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Market, economic and industry data

This document includes market share and industry data and forecasts that were obtained by the Group from industry publications and surveys and from the Group's knowledge of its industry. Publicly available third party industry data, market and statistical and other information was also sourced by the Company. References in this document that have been based on third party information have been marked as such.

Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document, the source of such information has been identified in the immediately preceding paragraph.

Certain market share information and other statements in this document regarding the industry in which the Group operates and the Group's position relative to its competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect the Directors' best estimates based upon information obtained from trade and business organisations and associations and other contacts within the industry in which it competes, as well as information published by its competitors.

CONTENTS

	Page
Directors, Secretary and Advisers	5
Definitions	6
Placing Statistics	7
Expected Timetable of Principal Events	8
Part 1 Letter from the Chairman	9
Part 2 Risk Factors	20
Part 3 Accountant's Report and Financial Information relating to CSS Group for the three years ended 30 June 2011	25
Part 4 Unaudited Pro Forma Statement of Net Assets of the Enlarged Group	55
Part 5 The Acquisition and Related Matters	57
Part 6 Taxation	59
Part 7 Additional Information	61
Notice of General Meeting	81

DIRECTORS, SECRETARY AND ADVISERS

Directors	Sebastian Jake Finch Morley (<i>Chief Executive Officer, Executive Chairman from Admission</i>) James Leslie Dunion (<i>Finance Director</i>) Andrew Nicholas Hewson (<i>Non-Executive Chairman, Non-Executive Director from Admission</i>)
Proposed Directors	Roberto Michele Fiorentino (<i>Proposed Chief Executive Officer</i>) Lord James William Eustace Percy (<i>Proposed Non-Executive Director</i>) Charles Neil McMicking (<i>Proposed Non-Executive Director</i>)
Registered Office	Emerald House East Street Epsom Surrey KT17 1HS
Head Office	Security House 23 Loganbarns Road Dumfries DG1 4BZ
Company Secretary	James Leslie Dunion
Nominated Adviser and Broker	Nplus1 Brewin LLP 7 Drumsheugh Gardens Edinburgh EH3 7QH
Solicitors to the Company and to the Admission	Shepherd and Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
Auditors and Reporting Accountants	Grant Thornton UK LLP 1-4 Atholl Crescent Edinburgh EH3 8LQ
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Website	www.cromagroup.co.uk

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of each of CSS Total Security and CSS Locksmiths pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement entered into among the Company and the Sellers, details of which are set out in Part 5 of this document
“Admission”	admission of all of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange plc
“AIM Rules”	the rules published by London Stock Exchange entitled “AIM Rules for Companies” and “AIM Rules for Nominated Advisers”
“Alarm Bell Company”	Alarm Bell Company Limited, a company incorporated in England & Wales with registered number 03944563 and a wholly-owned subsidiary of CSS Total Security
“Articles”	the articles of association of the Company, details of which are set out in paragraph 7.3 of Part 7 (“Additional information”) of this document
“Board” or “Directors”	the directors and proposed directors of the Company, whose names appear on page 5 of this document
“City Code”	the City Code on Takeovers and Mergers
“Companies Act” or “Act”	the Companies Act 2006, as amended
“Company” or “Croma”	Croma Group plc, a company incorporated in England & Wales with registered number 03184978
“Consideration Shares”	3,282,447 new Ordinary Shares of 5 pence each to be issued pursuant to the Acquisition Agreement
“CREST”	the relevant system, as defined in the CREST Regulations, in respect of which Euroclear UK & Ireland Limited is the operator
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“CSS” or “CSS Companies”	CSS Total Security, CSS Locksmiths and Alarm Bell Company
“CSS Group”	CSS Total Security, CSS Locksmiths, Alarm Bell Company and Da Vinci Technologies
“CSS Total Security”	CSS Total Security Limited, a company incorporated in England & Wales with registered number 02432869
“CSS Locksmiths”	CSS Locksmiths Limited, a company incorporated in England & Wales with registered number 00972779
“Da Vinci Technologies”	Da Vinci Technologies Limited, a company incorporated in England & Wales with a registered number 04565279
“Disclosure and Transparency Rules”	the rules relating to the disclosure of information made by the FSA under section 73A of FSMA
“EEA”	the European Union, Iceland, Norway and Liechtenstein
“Enlarged Group”	the Group and, with effect from completion of the Acquisition, the CSS Companies
“Enlarged Share Capital”	the issued share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares (as consolidated pursuant to the Share Consolidation), the Consideration Shares and the Placing Shares

“Existing Ordinary Shares”	the 189,337,815 Ordinary Shares of 0.1 pence each in issue at the date of this document
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company to be held at 10 a.m. on 26 March 2012 at the offices of Shepherd and Wedderburn LLP at Condor House, 10 St. Paul’s Churchyard, London EC4M 8AL, notice of which is set out at the end of this document, and any adjournment thereof
“Group”	the Company and its subsidiaries
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards, as adopted by the European Union
“Listing Rules”	the listing rules made by the FSA under Part VI of FSMA
“London Stock Exchange”	the London Stock Exchange plc
“N+1 Brewin LLP”	Nplus1 Brewin LLP, a limited liability partnership, registered in England and Wales, with registered number OC364131
“Official List”	the official list maintained by the FSA pursuant to Part VI of FSMA
“Ordinary Shares”	ordinary shares of 0.1 pence each in the capital of the Company or, following the Share Consolidation, ordinary shares of 5 pence each in the capital of the Company
“Photobase”	Photobase Limited, a company incorporated in England & Wales with registered number 02185695
“Placing”	the placing by N+1 Brewin of the Placing Shares at the Placing Price
“Placing Agreement”	the placing agreement entered into among the Company, the Directors and N+1 Brewin, details of which are set out in paragraph 13 of Part 7 of this document
“Placing Price”	75 pence per share
“Placing Shares”	6,666,666 Ordinary Shares of 5 pence each which N+1 Brewin has placed, conditionally, pursuant to the Placing
“Proposals”	the Acquisition, the Placing, the Share Consolidation and the proposed change of the Company’s name
“Prospectus Rules”	the prospectus rules made by the FSA under section 73A of FSMA
“Resolution”	the resolution to be proposed at the General Meeting
“Sellers”	Roberto Michele Fiorentino; Natalie Sarah Fiorentino; Roberto Michele Fiorentino and Elizabeth Alexandra Clare Marlow being the Trustees of the Fiorentino Children’s Trust; and M W Trustees Limited, Roberto Michele Fiorentino and Natalie Sarah Fiorentino being the Trustees of the County Access Systems Limited Retirement Benefits Scheme
“Share Consolidation”	the consolidation of every 50 ordinary shares of 0.1 pence each in the capital of the Company into one ordinary share of 5 pence pursuant to the Resolution
“Share Consolidation Record Date”	6 p.m. on 26 March 2012
“Shareholder”	a holder of Ordinary Shares
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“Vigilant”	Vigilant Security (Scotland) Limited, a company incorporated in Scotland with registered number SC212151

PLACING STATISTICS

Placing Price (per Ordinary Share)	75 pence
Number of Ordinary Shares of 0.1 pence in issue prior to the Share Consolidation ⁽¹⁾	189,337,850
Number of Ordinary Shares of 5 pence in issue post the Share Consolidation ⁽²⁾	3,786,753
Number of Ordinary Shares being issued pursuant to the Placing	6,666,666
Number of Ordinary Shares to be issued pursuant to the conversion of loan notes	766,666
Number of Consideration Shares to be issued pursuant to the Acquisition	3,282,447
Number of Ordinary Shares in issue immediately following Admission	14,502,532
Percentage of Enlarged Share Capital being issued pursuant to the Placing	46.0%
Expected market capitalisation of the Company upon Admission based on the Placing Price	£10.9 million
Estimated net proceeds of the Placing receivable by the Company	£4.1 million

ISIN number for Ordinary Shares following the Share Consolidation	GB00B5MJV178
TIDM of Company following the Change of Name	CSSG

Notes:

- (1) Assuming that no further Ordinary Shares of 0.1 pence each are issued prior to the Share Consolidation.
- (2) Excluding any Ordinary Shares of 5 pence issued pursuant to the Acquisition Agreement or the Placing.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS ⁽¹⁾

Publication of this document	1 March 2012
Latest time and date for receipt of forms of proxy for the General Meeting	10 a.m. on 24 March 2012
Share Consolidation Record Date	6 p.m. on 26 March 2012
General Meeting	10 a.m. on 26 March 2012
Admission and commencement of dealings in the Enlarged Share Capital on AIM	8.00am on 27 March 2012
Ordinary Shares credited to CREST accounts	8.00am on 27 March 2012
Despatch of definitive share certificates (where applicable) ⁽²⁾	30 March 2012

Notes:

- (1) Each of the times and dates set out in the above timetable (and referred to elsewhere in this document) is subject to change without further notice. All references to time in this document are to London time.
- (2) No temporary documents of title will be issued.

PART 1 LETTER FROM THE CHAIRMAN

Croma Group plc

Directors:

Andrew Nicholas Hewson (Non-Executive Chairman)
Sebastian Jake Finch Morley (Chief Executive Officer)
James Leslie Dunion (Finance Director)

Registered Office:

Emerald House
East Street
Epsom
Surrey
KT17 1HS

1 March 2012

Dear Shareholder

**Proposed acquisition of the CSS Companies
Placing of 6,666,666 Ordinary Shares of 5 pence each at a price of 75 pence per Ordinary Share
Re-admission of Enlarged Share Capital to trading on AIM
Change of Name to Croma Security Solutions Group plc
Conversion of loan notes
Share Consolidation
and
Notice of General Meeting**

Introduction

The Company has today announced that it has conditionally agreed, subject, *inter alia*, to shareholder approval at the General Meeting, to acquire the entire issued share capital of the CSS Companies from the Sellers. The total consideration payable by the Company to the Sellers comprises: (i) an initial cash payment of £2,000,000; (ii) the issue of the Consideration Shares; (iii) the issue of up to a further 717,553 Ordinary Shares, dependent upon the post-completion trading performance of the CSS Companies; (iv) a further cash payment equal to the value of the net assets of the CSS Companies at completion; and (v) three further earn-out consideration cash payments capped at £1,200,000 in aggregate.

The Company also announced today that it has raised £5 million (before expenses) by means of a placing of 6,666,666 new Ordinary Shares at 75 pence per Ordinary Share, conditional on shareholder approval at the General Meeting. The proceeds of the Placing will be used to fund the initial cash consideration for the Acquisition, to repay certain existing indebtedness of the Company as it falls due, to meet the professional costs and related expenses of the Acquisition and Placing and for working capital purposes. The Company also proposes to change its name to Croma Security Solutions Group plc to appropriately portray the activities of the Enlarged Group as a total security solutions provider.

The Directors are also proposing to consolidate the Company's existing share capital to seek to ensure that, following Admission, the number of Ordinary Shares in issue and the likely share price is more appropriate for a company with Croma's anticipated market capitalisation and in order to seek to decrease the volatility in the market price of the Company's shares. The proposed Share Consolidation is on the basis of:

1 new Ordinary Share of 5 pence for every 50 existing Ordinary Shares of 0.1 pence

held by Shareholders on the Company's register of members at the Share Consolidation Record Date.

It is expected that immediately prior to the Share Consolidation, an additional 35 existing Ordinary Shares of 0.1 pence each shall be issued so that the number of existing Ordinary Shares is exactly divisible by 50. One effect of the Share Consolidation will be that any Shareholder holding fewer than 50 existing Ordinary Shares at the close of business on 26 March 2012 will not hold any Ordinary Shares in the Company following the Share Consolidation becoming effective.

By reason of the size and relative value of the CSS Companies in relation to Croma, the Acquisition will constitute a reverse takeover of the Company under the AIM Rules and, therefore, will require the approval of Shareholders at the General Meeting. The Acquisition is conditional, *inter alia*, on this approval being obtained. To complete the Acquisition and implement the Placing it will also be necessary to give the Directors the required powers and authorities to allot the Consideration Shares to the Sellers and the Placing Shares to investors. If the Acquisition

is approved by the Company's Shareholders, the admission of the Existing Ordinary Shares will be cancelled and the Company will apply for admission of the Enlarged Share Capital to trading on AIM. The Consideration Shares and the Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares following the Share Consolidation.

In addition, the Company has agreed with certain loan noteholders that £575,000 of loan notes issued by the Company will convert into Ordinary Shares at the Placing Price upon Admission.

The purpose of this document is to provide you with details of the Proposals, to explain why your Board considers the Proposals to be in the best interests of the Company and its Shareholders, to seek your approval for the Proposals at the General Meeting and to recommend that the Company's Shareholders vote in favour of the Resolution which is necessary to approve and implement the Proposals.

Background to the Proposals

Croma Group plc was incorporated and registered in England in 1996. In December 2003, it was admitted to AIM, and despite numerous company purchases and secondary share issues, continued to report losses. In February 2006, the Company bought Vigilant from Sebastian Morley who joined the Board at that time. Sebastian Morley was appointed CEO in June 2007.

Subsequently, the Group has undergone substantial restructuring, with unprofitable and non-core businesses being closed down or sold, and consequential costs removed. The result has been to return the continuing operations of the Group to profit with a business focusing on the security industry and more specifically in asset protection, manned guarding, and access control.

Over the past three years, the Group has reported strong sales growth and improving operating margins despite the challenging economic climate. The Group has also been repositioned to serve the needs of the private sector which has reduced the Group's reliance on the Ministry of Defence and quasi-government clients for revenue generation. This, in turn, has reduced the Company's exposure to recent UK central government cost saving initiatives.

The most recent step in the implementation of the Group's strategy is the proposed acquisition of the CSS Companies which will allow the Enlarged Group to combine manned guarding services together with electronic security solutions so as to provide its customers with a more complete security service.

The Group

Today, Croma is a security solutions provider with clients which include GVA, the Ministry of Defence, Halliburton and Balfour Beatty. The Company has two operating subsidiaries, Vigilant Security (Scotland) Limited and Photobase Limited.

Vigilant

Vigilant is a security organisation focused on providing asset protection services to large companies and governmental agencies, with a quality of service built upon a staff of former military personnel. Its services include manned guarding, personnel training, key-holding and other specialist services, including covert surveillance and close protection.

Photobase

Photobase specialises in providing biometric identity security software and hardware systems, providing solutions for access control, time and attendance, ID cards and identification of individuals for ID management programs. Photobase's business is currently managed by CSS Total Security pursuant to an agency and management services agreement, further details of which are set out in paragraph 13.1.7 of Part 7 of this document.

The CSS Companies

CSS Total Security was incorporated and registered in England in 1989, while CSS Locksmiths was incorporated in 1970 and Alarm Bell Company in 2000. The principal activities of the CSS Companies are the provision of electronic security solutions, fire alarm systems and lock-smithing, to homes and businesses and revenue parking systems to businesses in the UK.

CSS Total Security Limited

CSS Total Security specialises in providing high quality electronic security solutions to its clients. It supplies and installs bespoke security systems to the retail, commercial and residential sectors as well as local and regional authorities, Government and Council buildings, property management companies, and shops and offices. Its product offering includes CCTV, intruder and access control systems of all types, both monitored and otherwise, which meet the necessary industry and regulatory requirements. All products can be centrally monitored and CSS Total Security is accredited to the highest level within the National Security Inspectorate.

In the opinion of the Directors, CSS Total Security has an extensive knowledge of the security industry and the technologies associated with security products. It was this knowledge that prompted Croma to approach CSS Total Security as a potential commercial partner, and is the key element which the Directors believe allows CSS Total Security to deliver tailored security solutions for high net worth and corporate clients in asset protection. As well as products, CSS Total Security also provides complementary consultancy and survey services to define and address the security objectives of its clients.

CSS Total Security is an approved Bosch dealer and an intelligent video analysis system specialist, both of which improve the efficiency and effectiveness of security solutions by automating the process of detecting potential security breaches.

As an accredited National Security Inspectorate company, CSS Total Security is subject to ongoing review and regular audits to ensure continued compliance with NSI and ISO9001. This allows CSS Total Security to address its offering to clients who demand an appropriate industry accreditation, including the Police, Fire & Rescue Services and the insurance industry. The company's clients include Hilton Hotels, Southampton City Council, National Air Traffic Services and Schenker Heathrow.

CSS Locksmiths Limited

CSS Locksmiths specialises in locksmith services including the supply, installation and maintenance of locks, safes, padlocks, other mechanical ironmongery and door furniture equipment. The company is a member of the Master Locksmiths Association and provides services to local police forces, local and regional authorities, Government and Council buildings, insurance groups, property management companies, shops, offices, banks, building societies and residential properties. The company's clients include Arqiva, Wolsley, Carnival and a number of housing associations.

Alarm Bell Company Limited

Alarm Bell Company supplies, installs and maintains a range of security systems to homes and businesses in Hampshire, Sussex, Kent, London, Surrey, Berkshire and Dorset. Its products include, for the home, passive infra-red movement detectors, door contacts, external security lighting, wire free intruder alarm systems, pet sensitive alarms and glass break detectors; and for businesses, technology in a modular format, from small stand alone intruder systems to fully integrated computer controlled intruder, fire and surveillance systems. Alarm Bell Company also undertakes the service and maintenance of intruder alarm systems installed by third party suppliers.

Presently, Alarm Bell Company provides its fire alarm services at four Ministry of Defence sites on the South Coast of England.

Principal terms of the Acquisition

The Company has today entered into the Acquisition Agreement with the Sellers, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of each of CSS Total Security and CSS Locksmiths. Alarm Bell Company is a wholly owned subsidiary of CSS Total Security and consequently, by acquiring the entire issued share capital of CSS Total Security, Croma will also acquire Alarm Bell Company. Pursuant to the Acquisition Agreement, the total consideration payable by the Company to the Sellers is (i) an initial cash payment of £2,000,000, (ii) the issue of the Consideration Shares, (iii) the issue of up to a further 717,553 Ordinary Shares, dependent upon the post-completion trading performance of the CSS Companies, (iv) a further cash payment equal to the value of the net assets of the CSS Companies at completion and (v) three further earn-out consideration cash payments capped at £1,200,000 in aggregate. The Consideration Shares will rank *pari passu* in all respects with other Ordinary Shares following Admission. Further details of the consideration payable and other terms of the Acquisition Agreement are set out in Part 5 of this document.

The Acquisition is conditional *inter alia* upon the following being satisfied or (where permitted) waived:

- (i) the passing of the Resolution at the General Meeting;
- (ii) the Placing Agreement becoming unconditional (except in respect of Admission);
- (iii) there being no material adverse change in the financial position of the CSS Companies; and
- (iv) Admission of the Enlarged Share Capital to trading on AIM becoming effective.

The Acquisition Agreement contains customary warranties and indemnities given by the Sellers for a transaction of this kind.

Reasons for the Acquisition and Placing

The Board's strategy is to continue to seek to grow Croma in a focused manner, both organically and through acquisition, and to create a total security solutions provider encompassing asset protection through manned guarding, surveillance equipment, biometric identity management and other security services and products. This strategy is primarily intended to target the facilities services sector which represents the principal expected area for the Enlarged Group's future growth.

The Board considers that a number of benefits (such as improved operational efficiency and cost and time savings) can accrue to clients who have their guarding, CCTV, access control and alarm systems provided by one supplier. Consequently, in early 2009 the Board made the decision to seek out a partner in the integrated security systems business – one with a similar ethos of high quality service and management sentiment. CSS was identified for its technical ability and product offering. Since then, the companies have operated an informal commercial association of client sharing and sales cooperation, subsequently formalising their relationship in a framework arrangement in April 2011.

This commercial association has proven to be a success and key management on both sides have formed a close relationship based upon mutual trust and a shared working ethos. In the opinion of the Directors, the Acquisition is a natural evolution of this close and successful working relationship and also represents an opportunity for the Enlarged Group to expand its foothold within the facilities services sector, whilst exploiting a strengthened market position and enlarged client base.

The Board considers that the combination of CSS and Croma will create potential cost efficiencies to enhance margins and will generate further synergies in operating and administrative costs.

The Directors also believe that the CSS product range and client list, together with its geographical bias towards the South of England, will be complementary to that of Croma and will increase the scope for an exchange of knowledge and for cross-selling of the Enlarged Group's products and services. Many CSS products and services can be incorporated within a total security solutions package for existing Croma clients, just as manned guarding can be offered to the existing CSS client list. This cross-selling has already been taking place and the businesses have been successful on a number of contract tenders through the framework arrangement. Following the Acquisition, the Enlarged Group will be able to offer all of these services to both client lists, while bidding for new business with a significantly enhanced combined security offering.

Market Opportunity

The security market in the UK has seen considerable change in the last decade. Manned guarding has developed from the traditional night watchman approach to licensed officers with expertise in security technology and health and safety. The industry has seen consolidation and merger activity involving the largest businesses in the sector, including G4S, Reliance and Chubb.

The Directors believe that Vigilant's reputation and recent growth can, in part, be attributed to the fact that it employs a significant number of ex-service personnel. The Board considers that this capitalises upon the professionalism and reputation of the UK armed forces.

A total security solution encompasses technology capable of protecting and assisting with the identification and prevention of property intrusion, coupled with manned guarding services offering human intelligence to combat, and a physical presence to deter, intruders. The two services are highly complementary – technology assists guards by alerting them to unusual activity with highly developed sensors and software. As a result of this it is expected that there will be significant cross-selling opportunities between CSS and Croma.

Previously, the CSS Companies had designed and installed security technology solutions which had been operated by third party manned security contractors. As a result of the Acquisition, the Enlarged Group will be able to fill that gap in the CSS security offering, providing clients with the opportunity to deal with one company able to handle all of their security requirements.

The Directors believe that the Enlarged Group will be well positioned to service this market by combining the technological capabilities of CSS and Photobase with the manned guarding service of Vigilant, offering clients a more complete security solution.

Use of proceeds

The proposed Placing is conditional upon, *inter alia*, the approval of the Acquisition by the Company's Shareholders. The proceeds of the Placing will be used as follows:

- a payment of approximately £2.93 million (comprising £2 million and the expected amount of the net asset payment due under the Acquisition Agreement) will be paid to the Sellers;
- approximately £1.19 million will be used to provide additional working capital; and
- approximately £0.88 million will be used to pay the costs of Admission.

Current trading and future prospects

The substantial restructuring of the Group since Sebastian Morley's appointment as CEO has enabled it to perform robustly despite recent market conditions. Following the disposal of RDDS in March 2011, the Group has focused on its two key business areas in Photobase and Vigilant. Recent substantial contract wins, including a contract to secure remote property located in the Highlands of Scotland on behalf of Balfour Beatty, and a contract worth over £1 million per annum to secure property in the West End of London, have further improved the Group's performance and demonstrate Croma's evolution from a regional to a national provider of security services.

During the six months to 31 December 2011 Group turnover was £4.32M (2010: £4.28M), and we continue to win attractive and prestigious contracts in the face of stiff competition. We decided to end a contract at the end of 2011 as the terms no longer met our strict margin criteria, but I can report that we have won business valued in excess of this contract, including a larger contract at an improved margin, commencing in April 2012. During the first half of 2012, gross margin was maintained at 19% (2010: 19%) and the management team is focused on increasing profitability by capitalising on our respected, premium security offering and actively pursuing higher margin business.

The Group has repaid £600K of its existing loan notes during the period, with further loans due to be repaid before the end of 2012. The Group continues to enjoy the full support of the loan note holders.

CSS has managed its business over the last three financial years with a view to improving margins, which it has achieved despite the current prevailing market conditions. Whilst the company's public sector clients have reduced spending, there has been significant growth in the high net worth individual segment. CSS has established working relationships with a number of consultants in this sector in order to take further advantage of this market opportunity.

In the last year, a joint venture agreement was put in place between the Company and CSS, widening the scope of the services that each company was able to offer their clients. The arrangement has proved beneficial for both Croma and CSS to date.

It is the Board's intention to target and accept new business where the Group can see a clear opportunity to make, by its own efficiencies, margins which the Board considers to be acceptable. The key initial driver in expanding the business will be the ability to utilise the skills and offering of each company across the client base of the Enlarged Group.

Details of the Placing

Under the Placing, the Company is issuing 6,666,666 new Ordinary Shares representing 46.0 per cent. of the Enlarged Share Capital of the Company following the Placing. At the Placing Price, the Placing will raise approximately £4.1 million (net of expenses) for the Company.

N+1 Brewin has agreed, pursuant to the Placing Agreement conditional, *inter alia*, on Admission, to use its reasonable endeavours to place the Placing Shares, with institutional and other investors. The Placing, which is not being underwritten, is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission;
- the Acquisition Agreement becoming unconditional (save for any condition relating to Admission); and
- Admission becoming effective by 8.00 a.m. on 27 March 2012, or such later date as N+1 Brewin and the Company may agree, being no later than 27 April 2012.

The Placing Shares shall rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after Admission.

The market capitalisation of the Company immediately following the Placing, at the Placing Price, will be approximately £10.9 million. Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. None of the Placing Shares has been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. It is expected that Admission will become effective and dealings commence in the Enlarged Share Capital at 8.00 a.m. on or around 27 March 2012.

Further details of the Placing Agreement are set out in paragraph 13.1.3 of Part 7 (“Additional Information”) of this document.

Lock-in and orderly market arrangements

Lock-in deeds provide for the Sellers each to individually undertake to the Company and N+1 Brewin not to dispose of any interest which they have in the share capital of the Company for a period of 18 months following Admission.

In addition, the Sellers have undertaken to the Company and N+1 Brewin that, during the period of 24 months following the expiry of the 18 month period mentioned above, that they will only dispose of shares through N+1 Brewin (or the Company’s then current broker).

The lock-in arrangements outlined above will apply in respect of, in aggregate, 3,322,447 Ordinary Shares representing approximately 22.9 per cent. of the Enlarged Share Capital.

Further details of the lock-in arrangements are set out in paragraph 2 of Part 5 of this document.

Conversion of loan notes

As noted above, in order to seek to strengthen further the Company’s balance sheet and working capital positions, the Board entered into negotiations with the holders of certain convertible loan notes (further details of which are set out in paragraph 13.1.8 of Part 7) which were due for redemption during December 2012 and February 2013. The result of those negotiations was that the holders of those convertible loan notes agreed to convert £575,000 of principal into Ordinary Shares at the Placing Price on Admission. Whilst these new conversion terms are more favourable than those which originally applied to the notes in question, the Board considers (having regard in particular to the Company’s expected requirements for working capital during the 12 months from Admission) that the proposed conversion of these notes on Admission is in the best interests of the Company.

Summary of financial information

During the 12 month period ended on 30 June 2010, the Group delivered year-on-year revenue growth of approximately 8% and operating profit growth of 18% (including contributions from RDDS). During the 12 month period ended on 30 June 2011, the Group delivered year-on-year revenue growth of approximately 67% and gross profit growth of 18% from continuing operations.

During the six months to 31 December 2011 Group turnover was £4.32 million, compared with £4.28 million in 2010 and the Group continues to win attractive and prestigious contracts in the face of stiff competition. The Directors decided to end a contract in the first half as the terms no longer met the Group’s strict margin criteria, but I can report that since the period end we have won business valued in excess of this contract, including a larger contract at an improved margin, commencing in April 2012. During the first half, gross margin was maintained at 19% (2010: 19%) and the management team is focused on increasing profitability by capitalising on our respected, premium security offering and actively pursuing higher margin business.

The Group has repaid £600K of its existing loan notes during the period, with further loans due to be repaid before the end of 2012. The Group continues to enjoy the full support of the loan note holders.

Audited annual accounts for the Company for the three years ended 30 June 2009, 2010 and 2011 are available on the Company's website www.cromagroup.com. Recipients of this document may request a hard copy of the financial information of Croma by writing to Croma Group plc, Security House, Loganbarns, Dumfries, DG1 4BZ or by telephoning 01387 247 8427.

The statutory accounts of the Company for each of the three financial years ended 30 June 2011 have been audited and delivered to the Registrar of Companies. The audit report for the year ended 30 June 2009 was unqualified and did not contain a statement under section 498 of the Act. The audit report for each of the two years ended 30 June 2011 was unqualified, however included reference to matters to which the auditors drew attention by way of an 'Emphasis of Matter' paragraph dealing with the ability of the Company to continue as a going concern without qualifying their report and did not contain a statement under section 498 of the Act.

The following table presents selected financial information which has been extracted without material adjustment from the annual reports and financial statements for the Group for the periods ended 30 June 2009, 2010 and 2011 and the unaudited results for the Group for the 6 months ended 31 December 2011, which are incorporated by reference into this document. This selected financial information should be read in conjunction with those annual reports and financial statements. Shareholders should read this document (including the information incorporated into by reference) as a whole and should not rely solely on this selected or any other summarised information.

	2009	Year ended 30 June 2010*	2011	6 months ended 31 December 2011
	(in thousands of pounds sterling)			
Turnover	6,519	7,037	8,458	4,322
Operating profit	247	292	322	82
Interest receivable	2	-	-	-
Interest payable	(237)	(202)	(179)	(53)
Profit on ordinary activities before taxation	12	90	143	29
Profit from continuing operations	53	90	117	29
(Loss) from discontinued operations	-	-	(743)	-
Profit/(loss) and total comprehensive profit/(loss) for the year attributable to owners of the parent	53	90	(626)	29

* The 2010 figures have been extracted from the 2010 financial statements although these were subsequently restated when included as comparatives in the 2011 financial statements due to the requirement to treat the profits, cashflows and net assets of RDDS as attributable to a discontinued operation in the 2011 financial statements.

The reports of the independent auditors for the periods to 30 June 2010 and 30 June 2011 include an 'Emphasis of Matter' paragraph dealing with the ability of the Company to continue as a going concern. In particular it draws attention to the uncertainty as to the generation of cash flows from revenue operations and the Company's ability to raise further additional funding. These paragraphs are reproduced below and have been extracted from the report of the independent auditors in the relevant financial years which are available on the Company's website www.cromagroup.co.uk.

Emphasis of matter - Going concern (year ended 30 June 2011)

"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 1 to 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."

The uncertainty concerning the potential requirement for additional finance arises if sales projections are not met and potential financiers do not continue to support the Company. The Directors consider that the Acquisition and Placing addresses both of these uncertainties in that in acquiring the CSS Group the Company acquires mature revenue operations with the opportunity to cross sell and to generate and sustain future cash flows.

Emphasis of matter – Going concern (year ended 30 June 2010)

“In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures 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 Group has convertible loan notes falling due for redemption in June 2011. The Group needs to either renegotiate the redemption dates or raise additional funding to finance this redemption. The Directors have obtained indications of intent from various parties who may be willing to provide such funding, but these indications have not been formalised as contractual offers to provide such funds. The Directors are confident that either the redemption dates of these notes will be renegotiated or that adequate funds will be raised to fund the redemption; however, these conditions 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.”

The following table presents selected financial information which has been extracted without material adjustment from the CSS Group historical financial information set out in Section B of Part 3 of this document. This selected financial information should be read in conjunction with the other financial information set out in Part 3 of this document. Shareholders should read this document (including the information incorporated into by reference) as a whole and should not rely solely on this selected or any other summarised information.

	Year ended 30 June		
	2009	2010	2011
	(in thousands of pounds sterling)		
Turnover	3,459	3,300	3,048
Operating profit	3	165	407
Interest receivable	5	-	2
Interest payable	(19)	(6)	(3)
(Loss)/profit on ordinary activities before taxation	(11)	159	406
(Loss)/profit from continuing operations	(26)	149	303
Profit from discontinued operations	85	155	2
Profit and total comprehensive profit for the year attributable to owners of the parent	59	304	305

Taxation

Information regarding taxation in the UK with regard to holdings of Ordinary Shares is set out in Part 6 of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

Corporate governance and share dealing code

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. In this connection, the Board intends to have regard to the Quoted Companies Alliance corporate governance guidance. The Company has already established audit, remuneration and nomination committees, with formally delegated duties and responsibilities. Set out below is a description of the Company’s proposed corporate governance practices.

With effect from Admission, the Board will comprise an executive chairman (Sebastian Morley), 3 non-executive directors (Andrew Nicholas Hewson, Charles McMicking and James Percy) and 2 other executive directors (Roberto Fiorentino and James Dunion). Notwithstanding any interests that he may have in the share capital of

the Company, the Board considers each of the non-executive directors to be independent on the basis that such interests are unlikely to affect, or to appear to affect, his judgement.

The audit committee's role is to assist the Board with the discharge of its responsibilities in relation to internal controls and external audits, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The audit committee will normally meet not less than three times a year. Andrew Nicholas Hewson will chair the committee and Charles McMicking and James Percy will be its other initial members. Andrew Nicholas Hewson, as chairman of the committee, has recent relevant financial experience.

The nomination committee's role is to assist the Board in determining the composition and make-up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as directors, as the need may arise. The nomination committee also determines succession plans for the chairman and chief executive officer. The nomination committee will meet not less than twice a year. James Percy will chair the committee and Andrew Nicholas Hewson and Charles McMicking will be its other initial members.

The remuneration committee's role is to recommend what policy the Board should adopt on executive remuneration. The remuneration committee determines the levels of remuneration for each of the executive directors and recommends and monitors the remuneration of members of senior management. The remuneration committee will also generate an annual remuneration report to be approved by the members of the Company at the annual general meeting. The remuneration committee will meet not less than twice a year. Charles McMicking will chair the committee and Andrew Nicholas Hewson and James Percy will be its other initial members.

The Company has adopted a code of securities dealings in relation to the securities of the Company which is based on, and is at least as rigorous as, rule 21 of the AIM Rules. The code adopted will continue to apply to the Directors and other relevant employees of the Enlarged Group following Admission.

Board of Directors of the Enlarged Group

On Admission, the Board will consist of three executive directors and three non-executive directors. Brief biographical details of all members of the Board immediately following Admission and their proposed roles are set out below.

Sebastian Jake Finch Morley, *Executive Chairman, Aged 42*

Mr. Morley was originally appointed to the Board in February 2006 as an executive director. In July 2007 he assumed the role of Group CEO. He was educated at Eton and attended the Royal Military Academy at Sandhurst. He was subsequently commissioned in The Black Watch with the rank of Captain, and undertook a period with the United Kingdom Special Forces where he held the rank of Major. He founded and sold two UK security companies, Mison Security and Profile Security, before founding Vigilant Security (Scotland) Limited in 2001. Mr. Morley is also a director of The Camp Limited and The Camp Scotland Limited.

Roberto Michele Fiorentino, *Chief Executive Officer, Aged 48*

Mr. Fiorentino is currently Managing Director of CSS Total Security Ltd, CSS Locksmiths Ltd and Alarm Bell Company Ltd and will take the position of Chief Executive Officer of the Enlarged Group with effect from Admission. Mr. Fiorentino has been involved in the security industry for 30 years and has been responsible for a number of ground breaking technological advances within the electronic security sector, including the installation of High Security Master Key Locking systems, Vehicle Alarm Systems, Access Control, CCTV with transmission systems, CCTV over IP and, most recently, Video Analytics.

James Leslie Dunion, *Finance Director, Aged 50*

Mr. Dunion was previously Finance Director at R H Miller (Group) Limited and has held roles at Kilco (International) Limited, The Dumfries Rubber Company Ltd, Hunter Boot Limited, James Gordon (Engineers) Limited and the Royal Bank of Scotland Group plc. Mr. Dunion is a member of the Chartered Institute of Management Accountants and oversees the financial affairs of the Group and its operating subsidiaries.

Charles Neil McMicking, *Non-Executive Director, Aged 46*

Mr. McMicking is currently Chairman of RailSimulator.com and director of Coburg Capital and F4G Software. Mr. McMicking has specialised in financing and developing dynamic fast-growth companies for the last 16 years, and was previously Head of Private Equity at Noble Group. Mr. McMicking will join the Board of the Enlarged Group with effect from Admission.

Lord James William Eustace Percy, *Non-Executive Director, Aged 46*

Lord James Percy is a published author with previous experience in the shipping industry and the manufacture and sale of super yachts. Lord James Percy now works with J Barbour and Sons and sits on the board of Vigilant Security (Scotland) Ltd.

Lord James Percy is Colonel of the 5th Battalion Royal Regiment of Fusiliers and a member of the Moorland Association, as well as former Chairman of the Countryside Foundation for Education. Lord James Percy will join the Board of the Enlarged Group with effect from Admission.

Andrew Nicholas Hewson, *Non-Executive Director, Aged 53*

Mr. Hewson is a graduate of Cambridge University and has spent over twenty-five years as a director of various public companies, having qualified as a Chartered Accountant in 1984. He was Finance Director of property developer and investor, Citygrove PLC, on its flotation on the then Unlisted Securities Market in 1986, and its full listing on the London Stock Exchange in 1988 before resigning in 1989 to co-found the specialist retail warehouse property developer, Grantchester Holdings PLC, in 1990. Grantchester was listed on the London Stock Exchange in 1996 and was a very active public listed company, raising equity capital and issuing a novel debenture in 1997, buying two other listed businesses in 1998, and engaging in substantial capital repayment programmes before the company was acquired by Hammerson PLC in 2002 following a hostile takeover. Since then Mr. Hewson has concentrated on growing other, often smaller businesses, both in property and non-property sectors, including a particular interest in low carbon and carbon reduction business initiatives. He has been an investor in Cromax since 1998, joining the Board in 2005 as a non-executive director, taking over as non-executive Chairman in 2008, encouraging the Group to sell loss-making businesses and make its maiden profits and in 2009 reorganising its capital base so as to be in a position to pay a dividend. Mr. Hewson will stand down as non-executive Chairman upon Admission of the Enlarged Group to make way for Sebastian Morley.

Dividend policy

If and when sufficient distributable reserves are available and commercial considerations allow, the Directors intend to pursue a progressive dividend policy.

Admission, dealings, settlement and CREST

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM, conditional, *inter alia*, upon the approval of the Proposals at the General Meeting. It is expected that Admission will become effective and dealings commence in the Enlarged Share Capital at 8.00 a.m. on or around 27 March 2012. No application has been or will be made for the Enlarged Share Capital to be admitted to trading or to be listed on any other stock exchange.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations.

Settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so. For more information concerning CREST, Shareholders should contact their brokers. Trading in Ordinary Shares on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange.

Further information

Your attention is drawn in particular to the further information set out in Parts 2 to 7 (inclusive) of this document. Shareholders should read the whole of this document which provides additional information on the Company, the CSS Companies and the Proposals and should not rely solely on the information set out in this letter. In addition, you should carefully consider the risk factors associated with the Acquisition, the Enlarged Group's business and an investment in Ordinary Shares as set out in Part 2 (Risk Factors) of this document.

General meeting

Set out at the end of this document is a notice convening a general meeting to be held at the offices of Shepherd and Wedderburn LLP at Condor House, 10 St. Paul's Churchyard, London EC4M 8AL, at 10 a.m. on 26 March 2012. The General Meeting is being held for the purpose of considering and, if thought fit, passing the Resolution. The Resolution is a special resolution which comprises six parts. For the Resolution to be passed, not less than 75 per cent. of the votes cast must be in favour. Part 1 of the Resolution deals with the Share Consolidation in terms of which every 50 ordinary shares of 0.1 pence in the capital of the Company will be consolidated into one ordinary share of 5 pence. Fractional entitlements arising as a result of this consolidation will be aggregated and sold in the market, with the proceeds being retained by the Company for its benefit. Part 2 of the Resolution increases the limit imposed by the Articles on the aggregate amount of fees that the Company may pay to its non-executive directors to £100,000 per annum and ratifies any previous payments made in excess of the then applicable limit. Part 3 of the Resolution approves the Acquisition. Part 4 of the Resolution confers upon the Directors authority under section 551 of the Companies Act 2006 to allot and issue the Consideration Shares (and up to 717,553 further Ordinary Shares which may require to be issued to the Sellers pursuant to the Acquisition Agreement, dependent upon the post-completion trading performance of the CSS Companies), the Placing Shares and the Ordinary Shares to be issued pursuant to the conversion of certain loan notes. Part 5 of the Resolution empowers the Directors to allot and issue those shares on a non pre-emptive basis. Part 6 of the Resolution changes the name of the Company to Croma Security Solutions Group plc.

Action to be taken

You will find enclosed with this document a form of proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the form of proxy as soon as possible, and in any event, so as to arrive at the Company's registrars, Neville Registrars Limited, at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, not later than 10 a.m. on 24 March 2012. Alternatively, CREST members may register their proxy appointment or voting directions electronically in CREST (for further details regarding this facility please see the notes to the notice of General Meeting set out at the end of this document). Completion and return of a proxy form or submission of an electronic voting direction will not prevent Shareholders from attending and voting in person at the General Meeting should they so wish.

Recommendations

The Board considers the Proposals to be in the best interests of Shareholders as a whole.

Accordingly, the Board recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as they intend to do so in respect of their own beneficial holdings of Ordinary Shares amounting in aggregate to 30,894,342 Ordinary Shares, representing approximately 16.32 per cent. of the current issued share capital of the Company.

Yours sincerely

Andrew Nicholas Hewson
Chairman

PART 2 RISK FACTORS

Prior to investing in Ordinary Shares, prospective investors should carefully consider all the information in this document, including the following risk factors relating to the Enlarged Group's business and industry, the Acquisition, the general economic and political situation and an investment in Ordinary Shares. Additional risks not presently known to the Company or that the Company currently considers to be immaterial may also have an adverse effect on the Enlarged Group's business, financial condition, operating results and prospects. If any, or a combination, of these risks actually occurs, the Enlarged Group's business, financial condition and operating results could be adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline and investors could lose part or all of their investment. Investors should consider carefully whether an investment in Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

RISK FACTORS ASSOCIATED WITH THE ENLARGED GROUP'S BUSINESS AND INDUSTRY

The Enlarged Group's future success is substantially dependent on its ability to attract, train, motivate and retain key management personnel

Any failure of the Directors to manage effectively the Enlarged Group's growth and development could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations. The Enlarged Group's business is dependent on recruiting and retaining the services of a small number of key personnel including, in particular, Roberto Fiorentino. The success of the Enlarged Group is, and will continue to be to a significant extent, dependent on the expertise and experience of the Directors and senior management. Whilst the Enlarged Group has entered into contractual arrangements with the aim of securing the services of the existing management team, the retention of their services cannot be guaranteed. Accordingly, the loss of one or more of the existing management could have a material adverse effect on the Enlarged Group.

A number of the markets in which the Enlarged Group operates are mature and highly competitive

A number of the markets in which the Enlarged Group operates are mature and highly competitive. In particular, the manned guarding market is very fragmented with relatively low economic barriers to entry. As a result, the Enlarged Group competes with a wide variety of operators of varying sizes. Actions taken by the Enlarged Group's competitors may place pressure on its pricing, margins and profitability and as a result may have an adverse effect on the Enlarged Group's business, financial condition, operating results and prospects.

Until relatively recently, the Enlarged Group had a history of operating losses and may not sustain or increase profitability

The Group experienced operating losses during the financial years ended June 2001 until 2008 before reporting a profit before interest and tax of £246,897 for the financial year ended June 2009 and a further profit before interest and tax of £291,893 in 2010. The CSS Companies reported profits before interest and tax during the financial years ended 30 June 2009, 2010 and 2011. There can be no assurance that the Enlarged Group will sustain or increase its recent level of profitability and a failure to do so would impair the Enlarged Group's ability to sustain operations and could result in investors losing all or a part of their investment in the Ordinary Shares.

The Enlarged Group may be unable to protect its intellectual property rights and may be subject to claims that it infringes third party intellectual property rights

The Enlarged Group's ability to compete effectively with other companies in relation to its biometric identification systems business will depend, in part, on its ability to maintain intellectual property right protection for its biometric identification products, preserve its trade secrets, defend and enforce its rights against infringement and operate without infringing the proprietary or intellectual property rights of third parties. The validity and enforceability of intellectual property rights may involve complex legal and factual issues resulting in a high degree of uncertainty as to the extent of the protection provided.

If the Enlarged Group's biometric identification products are claimed to be protected by third party proprietary rights, the Enlarged Group may be subject to infringement actions. If the Enlarged Group is required to defend

itself against charges of infringement or to protect its own proprietary rights against third parties, substantial costs and significant management time and effort could be incurred regardless of whether the Enlarged Group is successful. Such proceedings are typically protracted with no certainty of success. An adverse outcome could subject the Enlarged Group to significant liabilities to third parties, and force it to curtail or cease the development of products and the sale of products.

The Enlarged Group cannot be certain that it will be able to enforce its intellectual property rights in respect of its biometric identification products and any failure in this respect could have a material adverse effect on the Enlarged Group's financial condition and prospects. In addition any dispute over any intellectual property rights may result in the Enlarged Group being prevented from using certain intellectual property, which may restrict the business of the Enlarged Group, and the Enlarged Group may in addition be required to pay substantial damages and costs.

Dependence on key contracts

A large portion of the Enlarged Group's revenue will be derived from a small number of key contracts. Failure or material delay by the counterparty to perform or a breach of its obligations under the agreement or failure by the Enlarged Group to renew such arrangements could have a material adverse effect on the Enlarged Group's business, operating results and financial position.

Several of the Enlarged Group's major customer contracts are in the form of single purchase order arrangements and the majority of the engagements that are more formally documented are terminable on relatively short notice. In addition, the Enlarged Group has several large contracts that represent a significant proportion of its total revenue. In the twelve months to June 2011, the Enlarged Group's top ten customers represented approximately sixty six per cent. of its total revenues.

There can be no guarantee that the Enlarged Group's major customers on a pro-forma combined basis will continue to engage its services on expiry of the term of appointment or that they will not serve notice to terminate earlier if its services become uncompetitive.

Management of future growth

The Directors' plans to continue growth of the Enlarged Group will place additional demand on its management, customer support, marketing, administrative and technological resources. If the Enlarged Group is unable to manage its growth effectively its business, operations or financial condition may deteriorate.

The Enlarged Group will consider future acquisition opportunities. If the Enlarged Group is unable successfully to integrate an acquired company or business, the acquisition could lead to disruptions to the business. If the operations or assimilation of an acquired business does not accord with the Enlarged Group's expectations, the Enlarged Group may have to decrease the value afforded to the acquired business or realign the Enlarged Group's structure.

The Enlarged Group may need additional access to capital in the future

The Enlarged Group's capital requirements depend on numerous factors, including its ability to expand its business. If its capital requirements vary materially from its current plans, the Enlarged Group may require further financing. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities and adversely affect the Enlarged Group's dividend policy. In addition, there can be no assurance that the Enlarged Group will be able to raise additional funds when needed or that such funds will be available on terms favourable or acceptable to the Enlarged Group. If the Enlarged Group is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations or anticipated expansion.

Insurance Risk

There is a risk that insurance coverage may prove inadequate to satisfy potential claims and losses. Also, the Enlarged Group may become subject to liabilities that cannot be insured against or against which it may elect not to be insured fully or at all because of high premium costs.

Litigation Risk

Legal proceedings may arise from time to time in the course of the Enlarged Group's business. The Enlarged Group cannot preclude the possibility that litigation may be brought against it. Any such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the business, financial condition or results of operations of the Enlarged Group.

Legal Risk

There is a possibility that new legislation or regulations in any relevant jurisdiction may be adopted in the future that may materially adversely affect the Enlarged Group's operations or its cost structure. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Enlarged Group or its suppliers or customers to change operations significantly or incur increased costs which could have a material adverse effect on the financial results of the Enlarged Group. In the ordinary course, however, the Enlarged Group would seek to include a clause in the client's contract which makes the client liable for any increase in cost arising from changes in legislation.

A terrorist incident or the threat of terrorism may adversely affect the Enlarged Group's business and may increase the cost of insurance or reduce the availability of insurance for the Enlarged Group

Against a backdrop of terrorist threat and increasing security awareness, the Enlarged Group operates in an industry that may be perceived to have a role in countering terrorism. It is possible that future terrorist incidents, where the Enlarged Group is responsible for providing security, could lead to reputational damage and possibly also litigation against the Enlarged Group. This is particularly the case in respect of certain high-profile venues for which the Enlarged Group is contracted to provide security. Such reputational damage or litigation could have an adverse effect on the Enlarged Group's business, financial condition, operating results and prospects.

In addition, in the current climate of global terrorism, it is also possible that premia for the Enlarged Group's insurance against terrorist-related incidents may increase significantly, or that appropriate insurance becomes difficult to obtain either at all or at sufficient levels of cover. Whilst the Enlarged Group would, in the ordinary course, seek to reflect the rising costs of insurance in the arrangements with its customers, a significant rise in the price, or the non-availability, of adequate insurance may adversely affect the ability of the Enlarged Group to continue offering particular types of services or to do so with insurance in place.

Increased regulation of the security industry could adversely affect the Enlarged Group's business

Over recent years the security industry has been subject to an increasing level of regulation, particularly in relation to manned guarding. For example, under the Private Security Industry Act 2001 (which was brought into force in various parts of the United Kingdom between 2001 and 2009), each security guard employed by the Enlarged Group in the UK is required to have a minimum level of training and an individual licence. Any further regulation is likely to lead to additional costs for the Enlarged Group that may adversely affect the Enlarged Group's business, financial condition, operating results and prospects.

RISK FACTORS ASSOCIATED WITH THE ACQUISITION

The Enlarged Group will encounter numerous integration challenges as a result of the Acquisition and integration issues, which are currently unforeseen, may arise

The Enlarged Group will encounter numerous integration challenges as a consequence of the Acquisition and integration issues, which are currently unforeseen, may arise. As a result, the integration will place significant demands on the management of the Enlarged Group that, in the short term, may have an adverse effect on the Enlarged Group's business, financial condition and operating results.

Dependence upon key suppliers

CSS Total Security is dependent upon a limited number of suppliers, including in particular Robert Bosch Foundation, for certain of the key product ranges it resells to its customers. If, for any reason, such suppliers increased their pricing, or otherwise adversely changed the terms on which they supply those key product ranges to CSS Total Security, it could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations. In addition, if those suppliers ceased, or became unable, to supply such key product ranges, then CSS Total Security would have to seek alternatives. Sourcing suitable alternative product ranges could be time-consuming and costly. In addition, such alternative product ranges may not be of the same quality and / or may not be supplied on terms which are as favourable and this could also have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

GENERAL RISKS RELATING TO AN INVESTMENT IN ORDINARY SHARES

Investment in AIM securities

It may be more difficult for an investor to realise his or her investment on AIM than it is to realise an investment in a company whose shares or other securities are quoted on the Official List. The AIM Rules for Companies are less demanding than the Listing Rules. Therefore, an investment in a share which is traded on AIM is likely to carry a higher risk than an investment in the same share if it were quoted on the Official List.

The market for Ordinary Shares may be highly volatile and subject to wide fluctuations in response to a variety of factors, which could lead to losses for Shareholders. These factors include, amongst others, the following: changes in tax regime; additions or departures of key personnel at the Company; and adverse press, newspaper and other media reports.

The market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Ordinary Shares may be difficult to realise.

Possible volatility in the price of Ordinary Shares

The market price of Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including changes in market sentiment regarding Ordinary Shares (or securities similar to them), any regulatory changes affecting the Company's operations, variations in its operating results, developments in the industry or its competitors, the operating and share price performance of other companies in the financial services and markets sector, or speculation about the Company's business in the press, media or investment communities.

The Company's operating results and prospects from time to time, may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of Ordinary Shares. In general, prospective investors should be aware that the value of an investment in Ordinary Shares may go down as well as up.

The Company can give no assurance that the market price of Ordinary Shares will not decline below the relevant price at which prospective investors subscribe for Ordinary Shares.

Dilution of Shareholders' equity

The Company's capital requirements depend on a number of factors. If its capital requirements vary materially from its current estimates, the Company may require further equity financing. Subject to the Articles, applicable laws and any rights and restrictions attached to a class of shares or other securities, the Board of Directors may at any time issue such number of shares, options to acquire shares and other securities with rights of conversion to shares and on such terms as the Board resolves. Where this occurs existing Shareholders will suffer from dilution.

Dividends

Dividend maintenance and/or growth in the Ordinary Shares will rely on underlying growth in the Enlarged Group's businesses and, in particular, the dividend policy set out in Part 1 of this document should not be construed as a dividend forecast. Any change in the tax treatment of dividends or interest received by the Enlarged Group may reduce the level of yield, if any, received by Shareholders.

Taxation

Any change in the Enlarged Group's tax status or in taxation legislation could affect the Enlarged Group's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which are subject to change. The taxation of an investment in the Enlarged Group depends on the individual circumstances of investors. Investors should consider carefully whether an investment in the Enlarged Group is suitable for them in the light of the potential risk factors, their personal circumstances and the financial resources available to them and should obtain their own professional advice where they consider necessary.

Lock-ins and orderly marketing agreement

On Admission, 3,322,447 Ordinary Shares representing 22.9 per cent. of the share capital will be subject to the lock-in deeds summarised in paragraph 2 of Part 5 ("The Acquisition and Related Matters") of this document. Whilst these agreements are designed to ensure an orderly market in the Ordinary Shares, there can be no guarantee that a sale of a large number of Ordinary Shares, particularly following the end of the orderly marketing period, will not adversely affect the market price of Ordinary Shares.

Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Enlarged Group and certain plans and objectives of the Enlarged Group with respect thereto. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS INVOLVED IN ACQUIRING ORDINARY SHARES. POTENTIAL SHAREHOLDERS SHOULD READ THIS DOCUMENT IN ITS ENTIRETY BEFORE DECIDING WHETHER OR NOT TO ACQUIRE ORDINARY SHARES.

PART 3
ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION RELATING
TO CSS GROUP FOR THE THREE YEARS ENDED 30 JUNE 2011

The historical financial information of CSS Group is presented in this Part 3 as follows:

- **Section A – Accountant's report on the aggregated financial information relating to the CSS Group for the three years ended 30 June 2011**
- **Section B – CSS Group Aggregated Financial Information for the three years ended 30 June 2011**

SECTION A

ACCOUNTANTS' REPORT ON THE AGGREGATED FINANCIAL INFORMATION RELATING TO THE CSS GROUP FOR THE THREE YEARS ENDED 30 JUNE 2011

Croma Group plc
Emerald House
East Street
Epsom
Surrey
KT17 1HS

1 March 2012

Dear Sirs

The CSS Group

We report on the financial information set out in Section B of Part 3 of the AIM Admission Document dated 1 March 2012 of Croma Group plc ("the Admission Document") which comprises the aggregated statement of comprehensive income, the aggregated statement of financial position, the aggregated statement of changes in equity, the aggregated statement of cash flows and the related notes for the three years ended 30 June 2011. This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in notes 6 and 8.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

As described in note 7, the directors of Croma Group plc are responsible for preparing the financial information on the basis of preparation set out in note 6 to the financial information.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Scope of work

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Basis for qualified opinion on financial information

With respect to inventory carrying amounts of £175,994, £135,855 and £57,759 as at 30 June 2008, 30 June 2009 and 30 June 2010 respectively, in the aggregated statement of financial position, the evidence available to us was limited because we did not observe the counting of physical inventories on those dates. As a consequence, we have also been unable to obtain sufficient appropriate evidence concerning opening inventory balances as at 1 July 2008, 1 July 2009 and 1 July 2010. As opening balances relating to inventory form part of the determination of the aggregated statement of comprehensive income, we were also unable to determine whether adjustments might have been necessary in respect of profits or losses for the years reported in the aggregated statement of comprehensive income. Owing to the nature of the CSS Group's records, we were unable to obtain sufficient appropriate evidence regarding the inventory quantities by using other procedures.

Qualified opinion on financial information

In our opinion, except for the possible effects such adjustments if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the valuation of the CSS Group's inventory, the financial information gives, for the purposes of the Admission Document dated 1 March 2012, a true and fair view of the state of affairs of the CSS Group as at 30 June 2009 and 2010 and of its profits and losses, cash flows, recognised gains and losses and changes in equity for the three years ended 30 June 2011 in accordance with the basis of preparation set out in note 6 of the financial information and has been prepared in a form that is consistent with the accounting policies adopted in Croma Group plc's latest annual accounts.

Unqualified opinion on the aggregated statement of financial position as at 30 June 2011

In our opinion the aggregated statement of financial position gives a true and fair view of the state of affairs of the CSS Group as at 30 June 2011 in accordance with the basis of preparation set out in note 6 of the financial information and has been prepared in a form that is consistent with the accounting policies adopted in Croma Group plc's latest annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

SECTION B
CSS GROUP AGGREGATED FINANCIAL INFORMATION
FOR THE THREE YEARS ENDED 30 JUNE 2011

1 AGGREGATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO:

	Notes	30 June 2009 £	30 June 2010 £	30 June 2011 £
Revenue	10	3,459,396	3,300,086	3,048,168
Cost of sales	13	(1,780,464)	(1,752,991)	(1,174,804)
Gross profit		1,678,932	1,547,095	1,873,364
Administrative expenses	13	(1,675,686)	(1,381,823)	(1,466,251)
Profit from operations	10	3,246	165,272	407,113
Finance income	14	5,143	454	1,812
Finance expense	14	(19,000)	(6,701)	(3,153)
(Loss)/profit before tax		(10,611)	159,025	405,772
Tax charge	17	(15,640)	(9,835)	(103,156)
(Loss)/profit for the year from continuing operations		(26,251)	149,190	302,616
Discontinued operations				
Profit for the year from discontinued operations	12	84,788	155,131	2,045
Profit for the year and total comprehensive income attributable to owners of the parent		58,537	304,321	304,661

The accompanying notes and accounting policies form part of this financial information

2 AGGREGATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 £	30 June 2010 £	30 June 2011 £
Assets				
Non-current assets				
Property, plant and equipment	20	143,714	110,168	190,877
Intangible assets	19	-	-	180,978
		143,714	110,168	371,855
Current assets				
Inventories	21	135,855	57,759	273,530
Trade and other receivables	22	744,336	560,757	350,062
Assets included in disposal group	12	-	-	2,491
Cash and cash equivalents	29	243,295	566,219	692,544
		1,123,486	1,184,735	1,318,627
Total assets		1,267,200	1,294,903	1,690,482
Liabilities				
Non-current liabilities				
Accruals and deferred income	23	-	-	(17,544)
Borrowings	23	-	(20,372)	(12,592)
Deferred tax	25	(12,062)	(12,062)	(39,973)
		(12,062)	(32,434)	(70,109)
Current liabilities				
Trade and other payables	23	(664,767)	(775,248)	(440,390)
Current tax liabilities	23	(316,327)	(78,526)	(201,058)
Accruals and deferred income	23	(75,404)	(102,193)	(594,512)
Liabilities included in disposal group	12	-	-	(54,834)
Borrowings	23	(347,007)	(199,604)	(28,020)
		(1,403,505)	(1,155,571)	(1,318,814)
Total liabilities		(1,415,567)	(1,188,005)	(1,388,923)
Net (liabilities)/assets		(148,367)	106,898	301,559
Equity				
Share capital	3	31,000	31,000	31,000
Retained earnings	3	(179,367)	75,898	270,559
Total (deficit)/equity attributable to shareholders		(148,367)	106,898	301,559

The accompanying notes and accounting policies form part of this financial information.

3 AGGREGATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2009	Note	Share Capital £	Retained earnings £	Total equity £
At 1 July 2008		31,000	(176,792)	(145,792)
Profit and total comprehensive income for the year				
Continuing operations		-	(26,251)	(26,251)
Discontinued operations		-	84,788	84,788
Total recognised income and expense for the year		-	58,537	58,537
Transactions with owners				
Dividends paid	18	-	(61,112)	(61,112)
Balance at 30 June 2009		31,000	(179,367)	(148,367)
<hr/>				
Year ended 30 June 2010	Note	Share Capital £	Retained earnings £	Total equity £
At 1 July 2009		31,000	(179,367)	(148,367)
Profit and total comprehensive income for the year				
Continuing operations		-	149,190	149,190
Discontinued operations		-	155,131	155,131
Total recognised income and expense for the year		-	304,321	304,321
Transactions with owners				
Dividends paid	18	-	(49,056)	(49,056)
Balance at 30 June 2010		31,000	75,898	106,898
<hr/>				
Year ended 30 June 2011	Note	Share Capital £	Retained earnings £	Total equity £
At 1 July 2010		31,000	75,898	106,898
Profit and total comprehensive income for the year				
Continuing operations		-	302,616	302,616
Discontinued operations		-	2,045	2,045
Total recognised income and expense for the year		-	304,661	304,661
Transactions with owners				
Dividends paid	18	-	(110,000)	(110,000)
Balance at 30 June 2011		31,000	270,559	301,559

The share capital balance represents the aggregated share capital of CSS Total Security Ltd and CSS Locksmiths Ltd and similarly for the retained earnings, in accordance with the basis of preparation of this financial information.

4 AGGREGATED STATEMENT OF CASHFLOWS

Notes	Year to 30 June 2009 £	Year to 30 June 2010 £	Year to 30 June 2011 £
Cashflows from operating activities			
Profit before tax (including discontinued operations)	74,177	314,156	407,817
Adjustments for:			
Depreciation and amortisation	22,858	24,942	52,739
Loss on sale of property, plant and equipment	-	-	1,721
Financial income	(5,143)	(454)	(1,812)
Financial expenses	19,000	6,701	3,153
<i>Cashflows from operating activities before changes in working capital and provisions</i>			
	110,892	345,345	463,618
Decrease/(increase) in inventories	40,139	78,096	(210,771)
Decrease in trade and other receivables	1,265,372	183,579	265,786
(Decrease)/increase in trade and other payables	(1,156,091)	(94,823)	76,644
Cash generated from operations			
	260,312	512,197	595,277
Interest received	5,143	454	1,812
Interest paid	(19,000)	(6,701)	(3,153)
Income taxes	(26,170)	(15,543)	(6,068)
Net cashflows generated in operating activities			
	220,285	490,407	587,868
Investing activities			
Purchase of property, plant and equipment	(76,128)	(53,885)	(117,678)
Proceeds on disposal of property, plant and equipment	-	62,489	2,300
Purchase of subsidiary net of cash acquired	11	-	(106,727)
Net cash used in investing activities			
	(76,128)	8,604	(222,105)
Cash flows from financing activities			
Dividends paid	(61,112)	(49,056)	(110,000)
Proceeds from borrowings	-	31,120	-
Repayment of borrowings	(108,569)	(158,151)	(128,947)
Net cash used in financing activities			
	(169,681)	(176,087)	(238,947)
Net (decrease)/increase in cash and cash equivalents			
	(25,524)	322,924	126,816
Cash and cash equivalents at beginning of year			
	268,819	243,295	566,219
Cash and cash equivalents at end of year			
	29	243,295	566,219
		693,035	693,035

5 INTRODUCTION

The financial information on the CSS Group, for the years ended 30 June 2009, 30 June 2010 and 30 June 2011, has been prepared solely for the purpose of this AIM Admission Document and does not constitute audited statutory accounts within the meaning of the Companies Act 2006.

6 BASIS OF PREPARATION

The financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation. It is based on the financial statements of the CSS Group entities, which originally reported under UK GAAP. The CSS Group Historical Financial Information does not constitute the CSS Group's first financial statements in accordance with IFRS, and therefore does not include transitional reconciliations or comparative information for the beginning of the earliest period presented in the Historical Financial Information.

The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) except for:

As described below, the financial information represents the aggregation of two sub-groups. Where the holding companies have 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, then the other entity or business is classified as a subsidiary. Inter-company transactions and balances between group companies are therefore eliminated in full.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information for entities under common management and control which do not form a legal group, and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRSs as adopted by the EU. In other respects IFRSs as adopted by the EU have been applied.

CSS Group comprises four companies under the common management and control of the vendor shareholders, namely: CSS Total Security Ltd, CSS Locksmiths Ltd, Alarm Bell Company Ltd and Da Vinci Technologies Ltd. With the exception of Da Vinci Technologies Ltd, all of these companies, should the proposed acquisition by Cromia Group plc proceed, will be 100% owned, either directly or indirectly, by Cromia Group plc. A liquidator was appointed to wind up Da Vinci Technologies Ltd in August 2011.

As a consequence of the CSS Group shareholdings, noted below, this financial information has been prepared using the following methodology:

- (1) Two 'sub-groups' have been created under the Business Combinations accounting policy note below:
 - Sub-group 1: CSS Total Security Ltd and Alarm Bell Company Ltd.
 - Sub-group 2: CSS Locksmiths Ltd and Da Vinci Technologies Ltd.
- (2) The financial information relating to the two sub-groups has then been aggregated to show the financial information for the 100% interest in the CSS Companies being acquired by Cromia Group plc. Under this method, the results, net assets and cashflows of the sub-groups have been aggregated with eliminations for intercompany transactions and balances as part of the aggregation process. The related share capital balances and retained profits have also been aggregated. The investment by CSS Total Security Ltd in CSS Locksmiths Ltd, which represents 45% of the issued share capital, has been eliminated against the aggregated retained profits of the CSS Group

The shareholdings of the CSS Group companies are as follows:

Company	Shareholder	Holding
CSS Total Security Ltd	Roberto Fiorentino	45%
	Natalie Fiorentino	45%
	The Trustees of the County Access Systems Ltd Retirement Benefits Scheme	5%
	The Trustees of the Fiorentino Children's Trust	5%
Alarm Bell Company Ltd	CSS Total Security Ltd	100%
CSS Locksmiths Ltd	CSS Total Security Ltd	45%
	The Trustees of the Fiorentino Children's Trust	35%
	Roberto Fiorentino	20%
Da Vinci Technology Ltd	CSS Locksmiths Ltd	100%

Common management and control exists due to Roberto Fiorentino being considered to be the ultimate controlling party of the CSS Group given that Natalie Fiorentino is the wife of Roberto Fiorentino and that he is a Trustee of both the Fiorentino Children's Trust and the County Access Systems Ltd Retirement Benefits Scheme.

This financial information has been prepared on a going concern basis, under the historic cost convention, which the directors of Croma Group plc have assessed as appropriate from a review of the forecasts which show that it will continue to operate with sufficient working capital to fund its operational costs.

All accounting estimates and assumptions that are used in preparing the financial information are consistent with the latest approved budget forecast where applicable. Judgements are based on the information available to management. Actual results for the CSS Group companies may ultimately differ from those estimates.

The relevant judgements and estimates relating to intangible assets, the recoverability of trade debtors and the payment of a contingent consideration for the acquisition of Alarm Bell Company are outlined in Notes 19, 22 and 11, respectively.

7 RESPONSIBILITY

The Directors of Croma Group plc are responsible for this financial information and the contents of this document in which it is included.

8 ACCOUNTING POLICIES

8.1 Revenue and profit recognition

The income of the CSS Group is derived from a number of sources. These sources are service based as well as from 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 CSS 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 CSS Group and the customers.

- Installation of locks, alarm systems and other items are recognised as sales at the point at which they are supplied to a customer.
- Service and repair activities are recognised as sales when the activity is completed.
- Alarm maintenance fees are recognised over the term of the contract. The value of the unrecognised amount is held as deferred income under 'Accruals and deferred income' in the balance sheet.

8.2 Intangible assets

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated at 20% per annum using the straight-line method to amortise over the expected life of the customer relationship.

8.3 Business combinations

Consolidated financial information, relating to the two sub-groups described in the basis of preparation, incorporates the results of business combinations using the acquisition method. The consolidated statements 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. The results, cash flows and statements of financial position, of the two sub-groups, are then aggregated. The transaction costs are expensed through the statement of comprehensive income.

8.4 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any provision for impairment. 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:

Buildings (leasehold)	- 20% reducing balance
Fixtures, fittings and equipment	- 10-35% reducing balance
Motor vehicles	- 25% reducing balance

8.5 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.

8.6 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 Annual General Meeting.

8.7 Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position 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; and
- investments in subsidiaries and jointly controlled entities where the CSS 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.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the year-end date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the CSS 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 CSS Group company; or
- different CSS 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.

8.8 Contingent consideration

Contingent consideration is recognised at fair value. Under IFRS 3 contingent consideration was recognised when it was probable and was capable of being measured reliably and any changes after initial recognition were recognised as movements in the investment in the subsidiary acquired. Under IFRS 3 revised, contingent consideration is fair valued at initial recognition, even if not probable, with any subsequent changes recognised in the statement of comprehensive income.

8.9 Operating leases

Operating leases are those leases that do not give rights approximating to ownership. Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the lease.

8.10 Financial Instruments

Financial assets and financial liabilities are initially recognised in the CSS Group's statement of financial position when the CSS Group becomes a party to the contractual provisions of the instrument at their fair value, less transaction costs, and thereafter at amortised cost.

8.11 Share capital

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

8.12 Finance cost

Finance costs of debt are recognised in profit or loss over the term of such instruments at a constant periodic rate on the carrying amount.

8.13 Financial assets

Loans and receivables are recorded, subsequent to initial recognition, at their amortised cost less any provision for doubtful receivables. 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 CSS 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 cashflows 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 profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

These 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 provisions at 30th June across the CSS Group were 2011: £16,517, 2010: £20,441 and 2009: £33,635. The effect of discounting on these financial instruments is not considered to be material.

From time to time, the CSS 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 CSS Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Cash equivalents are deposits held 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. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

8.14 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.
- (c) All other financial instruments issued by the CSS Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The CSS Group's ordinary shares are classified as equity instruments.

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

8.15 Capital management

The CSS Group manages capital so as to safeguard its ability to continue as a going concern with the aim of providing a return to shareholders. The capital structure of the CSS Group consists of debt, which includes the borrowings disclosed in Note 23, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued share capital and retained earnings, as disclosed in the aggregated statement of changes in equity in Note 3. The Directors are satisfied with the capital mix in the three years. The proportions are:

	2009 £	2010 £	2011 £
Total debt			
Other borrowings	347,007	191,828	20,244
Hire purchase	-	28,148	20,368
Total	347,007	219,976	40,612
Equity	(148,367)	106,898	301,559

8.16 Discontinued operations

A discontinued operation is a cash-generating unit, or a group of cash-generating units, 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 coordinated 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

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the year-end date for the latest period presented. Discontinued operations have been measured at carrying value on the basis that Da Vinci Technologies Ltd is being voluntarily wound up and the net liability position at 30 June 2011 results in no distributions being payable to the owner.

8.17 Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the CSS 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	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	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 Income	1 July 2012

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 CSS Group's financial statements in the period of initial application.

9 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The CSS 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) The amount accrued for contingent consideration on the acquisition of Alarm Bell Company Ltd at 30 June 2011 was £87,500 on a cash basis (fair value basis £75,538), (2010 and 2009: £Nil). Details are given in Note 11 below. The annual discount rate used in calculating the fair value was 10%.
- (b) The provision for non-recovery of trade receivables at 30 June 2011 was £16,517 (2010: £20,441, 2009: £33,635). Details are given in Note 22.
- (c) Amortisation of intangible assets. Intangible assets, reflecting the value of customer relationships, have been recognised on the acquisition of Alarm Bell Company Limited. They have been amortised using the straight line basis at an annual rate of 20%.
- (d) The basis of the aggregation of the two sub-groups described in Note 6. This eliminates the investment in CSS Locksmith Ltd by CSS Total Security Ltd and in doing so reduces the aggregated balance sheets by £252,050 in 2011 (2010 and 2009: £252,050). Following the proposed acquisition, the treatment of this investment will fall within the relevant accounting standard. It is believed that this will not have a material effect on the position as shown in this financial information.

10 SEGMENTAL REPORTING

All activities originate in the UK. The CSS Group had, at 30 June 2011, four companies operating: CSS Total Security Ltd (Total Security), Alarm Bell Company Ltd (Alarm Bell) acquired 23 January 2011, CSS Locksmiths Ltd (Locksmiths) and Da Vinci Technologies Ltd (Da Vinci). As each company is engaged in a different marketplace and have their own profiles of risk and rewards the directors consider that these four companies best represent the material business segments of the Group. CSS provides electronic security solutions including CCTV, intruder and access control systems. Locksmiths provides locksmith services. Alarm Bell provides fire alarm installation and services. Da Vinci distributed CCTV recording solutions.

2009 Business segments	Total Security £	Locksmiths £	Da Vinci £	Total £
Income Statement				
Access, Intruder and CCTV services	1,219,005			
Maintenance services	313,911			
Parking services	857,150			
Other services	1,838			
Turnover – Provision of goods and services	2,391,904	1,067,492	-	3,459,396
Gross profit	1,181,590	497,342	-	1,678,932
Profit from operations	(68,309)	71,555	-	3,246
Finance income	3,193	1,950	-	5,143
Finance expense	(19,000)	-	-	(19,000)
Profit/(loss) before tax	(84,116)	73,505	-	(10,611)
Income tax expense	(3,063)	(12,577)	-	(15,640)
Profit/(loss) for the year from continuing operations	(87,179)	60,928	-	(26,251)
Profit for the year from discontinued operations	-	-	84,788	84,788
Profit/(loss) for the year and total comprehensive income	(87,179)	60,928	84,788	58,537
Statement of financial position				
Assets	512,739	605,157	149,304	1,267,200
Liabilities	(808,539)	(123,006)	(484,022)	(1,415,567)
Net assets/(liabilities)	(295,800)	482,151	(334,718)	(148,367)
Net debt				
Cash and cash equivalents	125,843	116,576	876	243,295
Other borrowing	(163,373)	-	(183,634)	(347,007)
Total Net Cash/(Debt)	(37,530)	116,576	(182,758)	(103,712)
Fixed asset movements				
Capital additions	15,591	-	60,537	76,128
Depreciation	12,542	3,116	7,200	22,858

Significant revenues from transactions with a single customer (i.e. greater than 10%)

There were no significant transactions with external customers within the CSS Group for the year ended 30 June 2009.

2010 Business segments	Total Security £	Locksmiths £	Da Vinci £	Total £
Income Statement				
Access, Intruder and CCTV services	1,263,557			
Maintenance services	461,644			
Parking services	479,096			
Other services	158			
Turnover – Provision of goods and services	2,204,455	1,095,631	-	3,300,086
Gross profit	1,050,881	496,214	-	1,547,095
Profit from operations	114,326	50,946	-	165,272
Finance income	268	186	-	454
Finance expense	(6,701)	-	-	(6,701)
Profit before tax	107,893	51,132	-	159,025
Income tax	-	(9,835)	-	(9,835)
Profit for the year from continuing operations	107,893	41,297	-	149,190
Profit for the year from discontinued operations	-	-	155,131	155,131
Profit for the year and total comprehensive income	107,893	41,297	155,131	304,321
Statement of financial position				
Assets	744,605	643,598	(93,300)	1,294,903
Liabilities	(954,068)	(147,650)	(86,287)	(1,188,005)
Net assets/(liabilities)	(209,463)	495,948	(179,587)	106,898
Net debt				
Cash and cash equivalents	398,292	166,413	1,514	566,219
Other borrowing and hire purchase liability	(136,689)	-	(83,287)	(219,976)
Total Net Cash	261,603	166,413	(81,773)	346,243
Fixed asset movements				
Capital additions	44,229	9,656	-	53,885
Depreciation	19,459	5,483	-	24,942

Significant revenues from transactions with a single customer (i.e. greater than 10%)

There were no significant transactions with external customers within the CSS Group for the year ended 30 June 2010.

2011 Business segments	Total Security £	Alarm Bell £	Locksmiths £	Da Vinci £	Total £
Income Statement					
Access, Intruder and CCTV services	1,078,152				
Maintenance services	463,952				
Parking services	195,869				
Other services	69,246				
Turnover – Provision of goods and services	1,807,219	168,562	1,072,387	-	3,048,168
Gross profit	1,046,733	168,358	658,273	-	1,873,364
Profit from operations	191,349	50,849	164,915	-	407,113
Finance income	460	1,050	302	-	1,812
Finance expense	(3,147)	-	(6)	-	(3,153)
Profit before tax	188,662	51,899	165,211	-	405,772
Income tax expense	(49,318)	(6,547)	(47,291)	-	(103,156)
Profit for the year from continuing operations	139,344	45,352	117,920	-	302,616
Profit for the year from discontinued operations	-	-	-	2,045	2,045
Profit for the year and total comprehensive income	139,344	45,352	117,920	2,045	304,661
Statement of financial position					
Assets	994,677	108,028	585,286	2,491	1,690,482
Liabilities	(1,099,895)	(62,776)	(171,418)	(54,834)	(1,388,923)
Net assets/(liabilities)	(105,218)	45,252	413,868	(52,343)	301,559
Net debt					
Cash and cash equivalents	365,840	47,359	279,345	-	692,544
Other borrowing and hire purchase liability	(40,612)	-	-	-	(40,612)
Total Net Cash	325,228	47,359	279,345	-	651,932
Fixed asset movements					
Capital additions	75,952	3,629	39,779	-	119,360
Depreciation	23,122	1,252	8,256	-	32,630

Significant revenues from transactions with a single customer (i.e. greater than 10%)

Alarm Bell Company Ltd's total external revenues include 66% (£112,000) from Babcock Infrastructure for the period beginning 23 January 2011 and ended 30 June 2011.

11 BUSINESS COMBINATION

CSS Group acquired 100% of the issued share capital of Alarm Bell Company Limited on 24 January 2011. Alarm Bell Company Ltd provides fire alarm installation and maintenance services. This acquisition benefits the CSS Group in providing it with certification, expertise and a customer base in the installation and maintenance of fire alarm equipment. This market was previously unserved by the CSS Group and the acquisition enables it to provide a more comprehensive security service to its customers. The intangible assets (note 19) of £201,087 arising from the acquisition are attributable to acquired contractual and other customer relationships. This transaction has been accounted for by the acquisition method of accounting. The book and fair values of the company were as follows:

	Book and fair value £
Property, plant and equipment	1,682
Inventories	5,000
Trade and other receivables	55,091
Cash and cash equivalents	5,773
Trade and other payables	(39,733)
Corporation tax	(8,927)
Other Tax	(7,337)
Accruals and deferred income	(12,636)
Net liabilities	(1,087)
Intangible assets	201,087
Total consideration	200,000
Satisfied by:	
Cash consideration	112,500
Contingent consideration	87,500
	200,000
Net cashflow on acquisition	
Cash consideration	112,500
Cash and cash equivalents acquired	(5,773)
	106,727

There were no fair value adjustments to be made on acquisition as Alarm Bell Company Ltd has no complex assets or liabilities. The transaction costs of £8,012 were expensed through the statement of comprehensive income in the year ended 30 June 2011.

The agreement for the acquisition of Alarm Bell Company Ltd contains provision for contingent consideration; the amount payable is variable and is dependent on customer contract renewals and earnings targets being achieved over the three years subsequent to the acquisition of Alarm Bell Company Ltd. The maximum fair value of this contingent consideration is £87,500 and this has been incorporated into the acquisition cost, and accrued for, in accordance with the relevant accounting policy. The minimum contingent consideration is considered to be £50,000.

The company contributed £168,562 of revenue and £51,899 of profit before tax in the period between the date of acquisition and the year-end date. Had Alarm Bell Company Ltd been consolidated from 1 July 2010, the aggregated statement of comprehensive income would show revenue of £3,222,314 and retained profit of £307,250.

12 DISCONTINUED OPERATION

Discontinued operations have been measured at carrying value on the basis that Da Vinci Technologies Ltd is being voluntarily wound up and the net liability position at 30 June 2011 results in no distributions being made to the owner.

On 16 August 2011, a liquidator was appointed to wind up Da Vinci Technologies Ltd, which is a wholly owned subsidiary of CSS Locksmiths Ltd. The result of this company in the year to 30 June 2011 and its financial position at 30 June 2011 have been shown as a single line item in the Aggregated Statement of Comprehensive Income and the Aggregated Statement of Financial Position in accordance with IFRS 5. Further details are shown below:

	2009 £	2010 £	2011 £
Income statement			
Revenue	215,104	131,135	22,168
Expenses	(130,316)	23,996	(20,123)
Profit for the year from discontinued operation	84,788	155,131	2,045
Assets included in disposal group			
Fixtures, fittings and equipment	-	-	2,000
Cash and cash equivalents	-	-	491
	-	-	2,491
Liabilities included in disposal group			
Accruals and other creditors	-	-	(4,417)
Borrowings	-	-	(50,417)
	-	-	(54,834)
Net cashflows			
Net (decrease)/increase in cash and cash equivalents	(2,219)	638	(1,023)

13 EXPENSES BY NATURE

	2009 £	2010 £	2011 £
Expenses by nature			
Amount of inventory expensed as cost of sales	1,582,013	1,608,224	1,138,390
Operating lease expense	517,014	459,329	391,721
Depreciation and amortisation	22,858	24,942	52,739
Loss on disposal of property, plant and equipment	-	-	1,721

14 FINANCE INCOME AND EXPENSE

	2009 £	2010 £	2011 £
Finance Income			
Interest received on bank deposit accounts	5,143	454	1,812
Finance Expense			
Interest paid on other loans	19,000	6,325	2,019
Hire purchase interest	-	376	1,134
	19,000	6,701	3,153

15 STAFF COSTS

	2009	2010	2011
The average monthly number of persons (including directors) employed during the period was:			
Management and administration	21	20	21
Service and product provision	25	21	22
	46	41	43
	2009 £	2010 £	2011 £
Staff costs (for the above persons):			
Wages and salaries	1,046,827	927,690	890,538
Social security costs	97,195	80,060	76,128
	1,144,022	1,007,750	966,666

There were no pension costs incurred in the three years ended 30 June 2011.

16 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 the CSS Group. The directors of these companies, who are listed below, alone, fulfil this role in the CSS Group.

	Salary £	Total £
2009		
Executive directors:		
R M Fiorentino	20,000	20,000
N S Fiorentino	20,000	20,000
N Anscombe	8,248	8,248
P Jeary	7,500	7,500
R Heslop	11,667	11,667
E Marlow	10,417	10,417
	77,832	77,832
2010		
Executive directors:		
R M Fiorentino	20,030	20,030
N S Fiorentino	21,627	21,627
N Anscombe	12,372	12,372
P Jeary	13,659	13,659
R Heslop	18,500	18,500
E Marlow	26,000	26,000
	112,188	112,188
2011		
Executive directors:		
R M Fiorentino	20,000	20,000
N S Fiorentino	20,000	20,000
R Heslop	21,250	21,250
C Robinson	17,500	17,500
AH Brown	11,250	11,250
FJ Brown	11,250	11,250
E Marlow	26,000	26,000
	127,250	127,250

The CSS Group companies 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.

17 TAXATION

	2009 £	2010 £	2011 £
Taxation	15,640	9,835	103,156

	2009 £	2010 £	2011 £
Domestic current year tax			
UK corporation tax	15,543	9,835	79,012
Adjustments for prior periods	97	-	(3,767)
	15,640	9,835	75,245
Deferred tax			
Deferred tax adjustments	-	-	27,911
	15,640	9,835	103,156

	2009 £	2010 £	2011 £
Factors affecting the tax charge for the year			
Profit/(loss) before taxation	(10,611)	159,025	405,772
Profit/(loss) multiplied by the standard rate of taxation	28.0% (2,971)	28.0% 44,527	27.5% 111,587
Effects of:			
Disallowed expenditure	2,869	464	3,034
Non recognition of losses	23,528	11,358	-
Utilisation of tax losses brought forward	4,757	(27,116)	-
Income not taxable for tax purposes	-	(6,177)	-
Capital allowances in excess of depreciation	(6,343)	(9,944)	(22,550)
Small companies marginal rate relief	(6,297)	(3,277)	(13,060)
Adjustment to tax charge for previous periods	97	-	(3,766)
Total current year tax charge	15,640	9,835	75,245

18 DIVIDENDS

Dividends paid outside of the CSS Group of companies were as follows:

	2009 £	2010 £	2011 £
Total dividend paid	61,112	49,056	110,000

19 INTANGIBLE ASSETS

	Contractual customer relationship £	Other customer relationships £	Total £
Cost			
At 1 July 2008	-	-	-
At 30 June 2009	-	-	-
At 30 June 2010	-	-	-
Arising on acquisition of Alarm Bell Company Ltd	114,745	86,342	201,087
At 30 June 2011	114,745	86,342	201,087
Accumulated amortisation and impairment			
At 1 July 2008	-	-	-
At 30 June 2009	-	-	-
At 30 June 2010	-	-	-
Amortisation	11,475	8,634	20,109
At 30 June 2011	11,475	8,634	20,109
Net book value			
At 30 June 2009	-	-	-
At 30 June 2010	-	-	-
At 30 June 2011	103,270	77,708	180,978

The excess of consideration payable over the fair value of the tangible assets acquired is recognised as intangible assets, relating to contractual and other customer relationships, deriving principally from year to year maintenance renewals.

Contractual customer relationship recognises the intangible value of the Alarm Bell Company Ltd's major customer, with which it has recently agreed a new contract.

Amortisation of £20,109 is included in administrative expenses.

20 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2008	54,209	482,250	449	536,908
Additions	7,285	61,693	7,150	76,128
Disposals	-	-	-	-
At 30 June 2009	61,494	543,943	7,599	613,036
Additions	-	14,985	38,900	53,885
Disposals	-	(151,411)	(449)	(151,860)
At 30 June 2010	61,494	407,517	46,050	515,061
Additions	-	16,888	102,472	119,360
Disposals	-	(2,000)	(7,150)	(9,150)
At 30 June 2011	61,494	422,405	141,372	625,271
Depreciation				
At 1 July 2008	49,570	396,748	146	446,464
Charge for the year	224	20,785	1,849	22,858
On disposals	-	-	-	-
At 30 June 2009	49,794	417,533	1,995	469,322
Charge for the year	179	13,250	11,513	24,942
On disposals	-	(89,164)	(207)	(89,371)
At 30 June 2010	49,973	341,619	13,301	404,893
Charge for the year	143	14,663	17,824	32,630
On disposals	-	-	(3,129)	(3,129)
At 30 June 2011	50,116	356,282	27,996	434,394
Carrying value at 30 June 2009	11,700	126,410	5,604	143,714
Carrying value at 30 June 2010	11,521	65,898	32,749	110,168
Carrying value at 30 June 2011	11,378	66,123	113,376	190,877

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

	2009 £	2010 £	2011 £
At 30 June - Cost	-	38,900	38,900
Accumulated depreciation	-	9,725	17,019
Net book value	-	29,175	21,881

The CSS Group leases a vehicle under a non-cancellable hire purchase agreement. The lease terms are up to four years, and ownership of the asset lies with the CSS Group.

21 INVENTORIES

	2009 £	2010 £	2011 £
Raw materials and consumables	135,855	57,759	267,037
Work in progress	-	-	6,493
	135,855	57,759	273,530

	2009 £	2010 £	2011 £
Stock adjustments - write up/(write down)	2,000	(58,000)	201,000

There is no material difference between the replacement cost of inventory and its carrying value.

No inventory has been provided as security against borrowings in any of the three years ended 30 June 2011. Inventory expensed in cost of sales is as detailed in note 13.

22 TRADE AND OTHER RECEIVABLES

	2009 £	2010 £	2011 £
Trade receivables	682,008	534,711	335,862
Allowance for doubtful debts	(33,635)	(20,441)	(16,517)
Net trade receivables	648,373	514,270	319,345
Other receivables	81,041	20,076	30,717
Prepayments	14,922	26,411	-
	744,336	560,757	350,062

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 CSS Group due to the varied nature of credit terms and the close monitoring of these terms by the directors. CSS Group provides in full for any debts it believes have become irrecoverable. The figures shown below show the specific provision for doubtful receivables.

Allowance for doubtful receivables	2009 £	2010 £	2011 £
Balance at beginning of year	36,143	33,635	20,441
Utilisation of provision	(38,825)	(13,298)	(4,277)
Increase in provision	36,317	104	353
Balance at end of year	33,635	20,441	16,517

Trade receivables due	2009 days	2010 days	2011 days
Current average debtor days	72	59	40

Trade receivables past due but unimpaired	2009 £	2010 £	2011 £
Under 60 days	380,928	330,756	215,512
60 - 90 days	60,446	76,729	36,216
Over 90 days	206,999	106,785	67,617
	648,373	514,270	319,345

23 TRADE AND OTHER PAYABLES

	2009 £	2010 £	2011 £
Trade and other payables due within 1 year			
Trade payables	664,767	775,248	440,390
Current tax liabilities	316,327	78,526	201,058
Accruals and deferred income	75,404	102,193	594,512
	1,056,498	955,967	1,235,960
Trade and other payables due after more than 1 year			
Accruals and deferred income (between 2 and 3 years)	-	-	17,544
Loans and borrowings due within 1 year			
Other borrowings	347,007	191,828	20,244
Hire purchase liability	-	7,776	7,776
	347,007	199,604	28,020
Interest bearing loans and borrowings due after more than 1 year			
Hire purchase liability (between 2 and 5 years)	-	20,372	12,592
	-	20,372	12,592

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The CSS Group's financial instruments comprise of cash and various items such as trade and other receivables, and trade and other payables, all of which arise directly from its normal operations. The carrying values of all of the CSS Group's financial instruments approximate their fair values at 30 June 2011, 30 June 2010 and 30 June 2009. The accounting policies described in Note 8 outlines how the financial instruments are measured. An analysis of the aggregated statement of financial position, relevant to an analysis of risk management, is as follows:

	Loans and receivables £	Non-financial assets & financial assets outside the scope of IAS 39 £	Total £
2009			
Trade and other receivables	744,336	-	744,336
Cash and cash equivalents	243,295	-	243,295
	987,631	-	987,631
2010			
Trade and other receivables	560,757	-	560,757
Cash and cash equivalents	566,219	-	566,219
	1,126,976	-	1,126,976
2011			
Trade and other receivables	350,062	-	350,062
Cash and cash equivalents	693,035	-	693,035
	1,043,097	-	1,043,097

	Other financial liabilities at amortised cost £	Liabilities outside the scope of IAS 39 £	Total £
2009			
Trade and other payables	740,171	-	740,171
Tax	-	316,327	316,327
Borrowings	347,007	-	347,007
	1,087,178	316,327	1,403,505
2010			
Trade and other payables	877,441	-	877,441
Tax	-	78,526	78,526
Borrowings	219,976	-	219,976
	1,097,417	78,526	1,175,943
2011			
Trade and other payables	1,052,446	-	1,052,446
Tax	-	201,058	201,058
Borrowings	40,612	-	40,612
	1,093,058	201,058	1,294,116

Market risk

Foreign exchange risk – CSS Group operates within the UK and is not exposed to foreign exchange risks.

Price risk – CSS Group has no direct exposure to equity or commodity price movements.

Cash flow and fair value interest rate risk – Subsequent to 30 June 2011, the loan from the County Access Systems Ltd Retirement Benefits Scheme, included in other borrowings, was repaid in full. CSS Group therefore has no variable rate borrowings and possesses sufficient cash reserves to enable it to operate without any interest rate risk in the foreseeable future.

Credit risk

The level of credit risk is, in the view of the directors, generally, low due to a wide mix of clients in different trade sectors. No customer accounts for more than 10% of the CSS Group turnover. It suffered a bad debt charge of £353 in the year to 30 June 2011 (2010: £104, 2009: £36,317) and the CSS Group companies continue to exercise tight control over credit offered to its 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 CSS Group companies pay close attention to the collection of debts.

Interest rate sensitivity

The CSS Group has very minimal borrowings, comprising only hire purchase financial liabilities carrying a fixed rate of interest. Other borrowings relate to the loan from the County Access Systems Ltd Retirement Benefits Scheme, which, subsequent to 30 June 2011, was repaid in full.

Liquidity and interest rate risk tables

The following table details the CSS 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.

2009	Weighted average effective interest rate %	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	0.0%	664,767	-	-	-	-	-	664,767
Hire purchase		-	-	-	-	-	-	-
Floating rate								
Other borrowings	4.7%	347,007	-	-	-	-	-	347,007
Total		1,011,774	-	-	-	-	-	1,011,774

2010	Weighted average effective interest rate %	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	0.0%	775,248	-	-	-	-	-	775,248
Hire purchase	7.2%	648	7,128	15,552	4,820	-	-	28,148
Floating rate								
Other borrowings	2.3%	191,828	-	-	-	-	-	191,828
Total		967,724	7,128	15,552	4,820	-	-	995,224

2011	Weighted average effective interest rate %	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	0.0%	440,390	-	-	-	-	-	440,390
Hire purchase	7.2%	648	7,128	12,592	-	-	-	20,368
Floating rate								
Other borrowings	1.5%	20,244	-	-	-	-	-	20,244
Total		461,282	7,128	12,592	-	-	-	481,002

Book and fair value of debt maturity	Book Value 2009 £	Fair Value 2009 £	Book Value 2010 £	Fair Value 2010 £	Book Value 2011 £	Fair Value 2011 £
Non-Current						
Hire purchase (between 2 and 5 years)	-	-	20,372	20,372	12,592	12,592
Current						
Hire purchase	-	-	7,776	7,776	7,776	7,776
Other borrowings	347,007	347,007	191,828	191,828	20,244	20,244
	347,007	347,007	199,604	199,604	28,020	28,020

25 PROVISION FOR LIABILITIES

Deferred tax	2009	2010	2011
	£	£	£
Opening provision	12,062	12,062	12,062
Movement			
Capital allowances in excess of depreciation	-	-	27,911
Closing provision	12,062	12,062	39,973

The deferred tax balance relates to accelerated capital allowances.

Contingent Liability

There were no contingent liabilities at 30 June 2009, 2010 or 2011 or up to the date of the publication of this financial information.

26 RELATED PARTY TRANSACTIONS

Identity of related parties

The CSS Group has a related party relationship with its directors and the trustees of the Directors' Pension Scheme (the County Access Systems Ltd Retirement Benefits Scheme).

Directors of the CSS Group, their immediate relatives and the trustees of the Fiorentino Children's Trust and the County Access Systems Ltd Retirement Benefits Scheme control 100% of the four companies' voting shares.

Pension Scheme loan

In 2006, a loan of £369,000 was granted to CSS Total Security Limited by the Trustees of County Access Systems Limited Retirement Benefit Scheme. The loan was to be repaid by way of monthly instalments until 19 March 2011, with interest charged at market rates. The loan was paid off in full after 30 June 2011.

Amounts outstanding at the year-end were as follows:

30 June 2009	£ 163,373
30 June 2010	£ 108,541
30 June 2011	£ 20,244

Family loans

In 2008, debt of £320,728 was sold to various directors and members of their immediate families by MSL Location Services Ltd and MSL Management & Promotions Ltd for a consideration of £1. No interest is payable on the debt and there is no fixed repayment schedule. The family loan is repayable on demand and therefore the fair value is the original loan value as this will be the minimum amount payable on demand.

Various drawdowns have been made on the debt in subsequent years. The total balance outstanding on the debt was as follows:

30 June 2009	£ 183,634
30 June 2010	£ 83,287
30 June 2011	£ 50,417

Director loans

During the year to 30 June 2011, CSS Total Security Limited granted a loan to a Director of £28,171. No interest is payable on the loan and there is no fixed repayment schedule. The full amount of the loan was still outstanding at 30 June 2011. Director loans are initially recognised at fair value.

Other loans

In the year to 30 June 2009, due to the global financial crisis, CSS Locksmiths Limited transferred amounts from its bank account to various Directors and members of staff to mitigate the credit risk surrounding financial institutions at the time. All amounts, totalling £130,000, were subsequently repaid before 30 June 2009. The temporary loans bore no interest.

Rent

CSS Total Security Limited leases premises from the Trustees of the County Access Systems Limited Retirement Benefit Scheme. The total rentals on these premises, which were transacted at arm's length, were as follows:

30 June 2009	£ 37,460
30 June 2010	£ 31,500
30 June 2011	£ 31,500

CSS Locksmiths Limited leases premises from the Trustees of the County Access Systems Limited Retirement Benefit Scheme. The total rentals on these premises, which were transacted at arm's length, were as follows:

30 June 2009	£ 38,500
30 June 2010	£ 38,500
30 June 2011	£ 38,500

No director acquired or disposed of any of the shares of the four companies comprising the CSS Group during the three years ended 30 June 2011.

27 EVENTS AFTER THE REPORTING PERIOD

On 16 August 2011, a Liquidator was appointed to wind up Da Vinci Technologies Ltd (Note 12).

28 OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land & buildings			2009	Other	2011
	2009	2010	2011			
	£	£	£	£	£	£
No later than 1 year	23,500	23,500	23,500	-	19,204	4,382
Later than 1 year and no later than 5 years	-	-	-	54,014	20,625	11,339
Later than 5 years	478,500	432,000	385,500	-	-	-
	502,000	455,500	409,000	54,014	39,829	15,721

The leases relating to land and buildings are for the premises of the CSS Group in Southampton, Fareham and Winchester, with unexpired terms, at 30 June 2011, of less than one year, seven years and eleven years, respectively, and are full repairing and insuring in nature.

29 NOTES SUPPORTING THE CASH FLOW STATEMENT

Cash and cash equivalents for purposes of the cash flow statement comprise:

	2009 £	2010 £	2011 £
Cash at bank and in hand	243,295	566,219	692,544
Cash in disposal group (Note 12)	-	-	491
Total	243,295	566,219	693,035

There were no significant non cash transactions in the three years ended 30 June 2011.

PART 4

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Unaudited Pro Forma Statement of Net Assets for the Enlarged Group

Set out below is an unaudited pro forma statement of net assets prepared to illustrate the effect on the net assets of the Enlarged Group of the Acquisition and Placing as if the Acquisition and Placing had taken place on 31st December 2011. It has been prepared, on the basis of the notes set out below, for illustrative purposes only. Because of its nature, it addresses a hypothetical situation and therefore this pro forma statement of net assets does not represent the actual financial position of the Enlarged Group.

(€'000)	Croma Group Net Assets as at 31 December 2011 (Note 1)	CSS Group Net Assets as at 30 June 2011 (Note 2)	Cash (net of expenses) to be raised from the Placing (Note 3)	Initial Consideration (Note 4)	Net Asset Value Payment (Note 5)	Contingent Consideration CSS Group (Note 6)	Contingent Consideration Alarm Bell Company Ltd (Note 7)	Goodwill (Note 8)	Repayment of Convertible Loan Notes (note 9)	Unaudited Pro Forma Adjusted Net Assets of the Enlarged Group on Admission
Assets										
Non-Current Assets										
Property, Plant & Equipment	191	191								382
Intangible Assets	-	181								181
Goodwill	1,396	-		4,462	932	538	107	(302)		7,133
Total	1,587	372								7,696
Current Assets										
Inventories	54	274								328
Trade & Other Receivables	2,801	350								3,151
Assets Included in Disposal Group	-	3								3
Cash & Cash Equivalents	43	693	4,122	(2,000)	(932)					1,926
Total	2,898	1,320								5,408
Liabilities										
Long Term Liabilities										
Convertible Loan Notes	(288)	-							53	(235)
Provisions	(23)	-								(23)
Trade & Other Payables	(20)	-								(20)
Contingent & Deferred Consideration	-	-				(538)	(107)			(645)
Deferred Tax	(7)	(40)								(47)
Accruals & Deferred Income	-	(18)								(18)
Borrowings	-	(13)								(13)
Total	(338)	(71)								(1,001)
Current Liabilities										
Bank Overdrafts & Loans	(1,011)	(28)								(1,039)
Trade & Other Payables	(479)	(440)								(919)
Accruals and Deferred Income	(204)	(595)								(799)
Tax	(733)	(201)								(934)
Liabilities Included in Disposal Group	-	(55)								(55)
Convertible Loan Notes	(505)	-						505		-
Total	(2,932)	(1,319)								(3,746)
Net Assets	1,215	302	4,122	2,462	-	-	-	(302)	558	8,357

The pro forma statement of net assets has been prepared on the basis of the notes below:

1. The net assets of Croma Group as at 31st December 2011 have been extracted from the unaudited interim financial statements for the six months then ended and which are available on the Company's website (www.cromagroup.co.uk)
2. The net assets of CSS Group as at 30th June 2011 have been extracted from the historical financial information on the CSS Group set out in Section B of Part 3 of this document.
3. Represents the anticipated proceeds of £5 million from the Placing of 6,666,666 Ordinary Shares at 75 p per share, net of expenses of £0.9 million.
4. Represents the initial consideration payable in cash upon completion of the Acquisition of £2,000,000 and 3,282,447 ordinary shares with a placing value of £2,462,000.
5. Represents the payment of £932,000 to the equity holders of CSS Group being an estimate of the Net Asset Value of that group as at completion, payable 60 days after completion.
6. Represents the contingent consideration payable by the Croma Group estimated to be £538,000. The consideration amount is contingent on the CSS Group's performance for the year ended 30 June 2012 and is payable in shares, to be settled within 30 days of the finalisation of CSS Group's audited accounts for the year ended 30 June 2012.
7. Represents the earn-out consideration payable by the Croma Group and estimated to total £126,000, discounted to £107,000 to represent the fair value at 31 December 2011. The actual consideration amount to be paid will be based on the financial results of Alarm Bell Company Limited for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 and is payable in cash within 45 days of Alarm Bell Company Limited's audited accounts being finalised for each of the respective years.
8. A consolidating adjustment has been made to remove the net assets of the CSS Group.
9. Conversion of convertible loan notes with a face value of £575,000, of which £17,000 is recorded in Equity and £558,000 is recorded in Liabilities under the requirements for accounting for financial instruments. The convertible loan notes are to be converted into Ordinary Shares, as disclosed at Part 1 of this document.
10. A balance of £450,000 not directly attributable to the terms of the proposed transaction, and therefore which has not been adjusted in the pro forma statement of net assets, was owed to the Croma Group by the CSS Group as at 30 June 2011 and the amount payable by the CSS Group is included in arriving at the total for the net assets of the CSS Group as at 30 June 2011. This amount payable by the CSS Group would ordinarily be eliminated in the event of a consolidation of the net assets of the two groups had they been part of the same corporate group at the accounting reference date.
11. A further amount of £225,000 not directly attributable to the terms of the proposed transaction, and therefore which has not been adjusted in the pro forma statement of net assets, was owed to the Croma Group by the CSS Group as at 31 December 2011. This amount receivable by the Croma Group is included in the Croma Group's total for Net Assets as at 31 December 2011 together with the amount of £450,000 referred to in the preceding note 10. The aggregate amount receivable by the Croma Group from the CSS Group would ordinarily be eliminated in the event of a consolidation of the net assets of the two groups had they been part of the same corporate group at the accounting reference date.
12. No adjustments have been made to identify any intangible assets arising as part of the Acquisition. This will be considered in preparing the financial statements of the Enlarged Group for the year ended 30 June 2012. Therefore the excess of consideration over the net assets of the CSS Group has provisionally (see note 13 also) been included in the line for Goodwill.
13. No adjustments have been made to reflect any fair value adjustments in relation to the consideration payable or net assets being acquired.
14. No other adjustment has been made for any movement in the consolidated net assets of the Croma Group or other matters arising since 31 December 2011 or the aggregated net assets of the CSS Group from trading or other matters arising since 30 June 2011.

The pro forma statement of net assets does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

PART 5 THE ACQUISITION AND RELATED MATTERS

1. Acquisition Agreement

1.1 The Company entered into the Acquisition Agreement with Roberto Michele Fiorentino, Natalie Sarah Fiorentino, the Trustees of the Fiorentino Children's Trust and the Trustees of the County Access Systems Limited Retirement Benefits Scheme on 1 March 2012.

1.2 Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the entire issued share capital of CSS Total Security and those shares in CSS Locksmiths not already held by CSS Total Security. Alarm Bell Company is a wholly owned subsidiary of CSS Total Security and consequently, by acquiring the entire issued share capital of CSS Total Security, Croma will also acquire Alarm Bell Company.

1.3 *Purchase Price*

The purchase price comprises:

1.3.1 a consideration (due on completion of the Acquisition) of:

- (i) £2 million, to be financed from the proceeds of the Placing; and
- (ii) the allotment to the Sellers of Ordinary Shares with an aggregate value (at the Placing Price) of £2,461,835;

1.3.2 a cash payment (expected to be due within 60 days of completion of the Acquisition, "**Completion**") of an amount equal to the net assets of CSS Total Security, CSS Locksmiths and Alarm Bell Company as at Completion (the "**Net Asset Value Payment**");

1.3.3 a deferred consideration (due within 30 days of the publication of the audited accounts for the CSS Companies for the period ending 30 June 2012) to be satisfied by the allotment to the Sellers of Ordinary Shares with an aggregate value (at the Placing Price) of up to £538,165; and

1.3.4 an earn-out consideration to be calculated by reference to the profit before tax of Alarm Bell Company for each of the three financial periods ending 30 June 2012, 2013 and 2014. This earn-out consideration is due within 45 days of the publication of the audited accounts of Alarm Bell Company for the relevant financial periods and is capped at £400,000 for each such financial period.

1.4 *Conditions*

The Acquisition Agreement is conditional upon certain conditions being met, including:

1.4.1 the approval of the Acquisition by Shareholders at the General Meeting;

1.4.2 the Placing Agreement becoming unconditional in all respects (save for certain conditions which are not capable of being satisfied prior to Completion) and not having been terminated;

1.4.3 the Admission of the Enlarged Share Capital to trading on AIM;

1.4.4 there having been no material breach of any of the warranties contained in the Acquisition Agreement as at Completion;

1.4.5 the Acquisition Agreement not having been terminated by the Company or the Sellers; and

1.4.6 there being no material adverse change in the financial position of the CSS Companies or the Group as at Completion.

The parties have agreed to use reasonable endeavours to procure that the conditions are satisfied. If any of the conditions has not been satisfied prior to 8.00 a.m. on 27 April 2012, the Acquisition Agreement shall automatically terminate.

1.5 *Termination rights*

1.5.1 The Company has the right to terminate the Acquisition Agreement on the occurrence of certain events prior to Completion. Those events are:

- (i) a material breach by the Sellers of any provisions of the Acquisition Agreement existing as at Completion;
- (ii) a material breach of any of the warranties contained in the Acquisition Agreement existing as at Completion; or

- (iii) the occurrence of any event which affects or is likely to affect materially and adversely the financial position of the CSS Companies.
- 1.5.2 The Sellers have the right to terminate the Acquisition Agreement on the occurrence of certain events prior to Completion. Those events are:
 - (i) a material breach by Croma of any provisions of the Acquisition Agreement existing as at Completion; or
 - (ii) the occurrence of any event which affects materially and adversely the financial position of the Group.

1.6 *Warranties*

The Sellers have given warranties of a customary nature for a transaction of this size and nature in relation to the CSS Companies, including, without limitation, in respect of share capital, capacity, accounts, accounting and financial changes since 30 June 2011, assets, licences and consents, customers and suppliers, finance and guarantees, insolvency, environmental and health and safety, intellectual property, real estate, employees, pensions, contracts and litigation matters.

The liability of the Sellers for all warranty claims or claims under the tax deed when taken together shall not exceed an amount equal to £1,000,000 plus the Net Asset Value Payment. The Sellers shall not be liable for a claim for breach of warranty unless the amount of all claims taken together exceeds £10,000, in which case the whole amount and not just the excess shall be recoverable.

The Sellers shall not be liable in respect of a claim unless the Company has given the Sellers notice in writing of the claim (i) in respect of a claim for breach of any of the tax warranties or a claim under the tax deed, within a period of 7 years from Completion; and (ii) in the case of all other warranty claims within the period of 3 months from the publication of the audited accounts of the Company for the period ending 30 June 2013.

The warranties are given by the Sellers as at the date of execution of the Acquisition Agreement and are deemed repeated at Completion by reference to the facts at that time.

1.7 *Indemnities*

The Sellers have given indemnities to the Company in respect of various matters (including, in particular, the tax affairs of the CSS Companies).

1.8 *Restrictive Covenants*

Each of the Sellers has entered into restrictive covenants for the benefit of the Company for a period of two years from Completion that are usual for a transaction of this size and nature, including non-solicitation of customers and senior employees, non-interference with suppliers, use of names or trading styles and use of confidential information.

1.9 *Conduct of the CSS Companies pending Completion*

The Sellers have agreed to exercise such rights as they have to procure that pending Completion the business of the CSS Companies is carried on in the ordinary course.

2. **Lock-in Deeds**

Pursuant to lock-in deeds dated 1 March 2012, the Sellers have undertaken to the Company and to N+1 Brewin that, during the period of 18 months commencing on and including the date of Admission (the “**First Period**”), save in certain limited circumstances set out in Rule 7 of the AIM Rules (being in the event of an intervening court order, the death of the director or Shareholder in question or on the acceptance of a takeover offer for the Company), they will not, and will use their reasonable endeavours to procure that their associates will not, dispose of any interest which they have in the share capital of the Company.

In addition, the Sellers have undertaken to the Company and to N+1 Brewin that, during the period of 24 months commencing on the end of the First Period, save in such limited circumstances, they will, and will use their reasonable endeavours to procure that their associates will, generally only dispose of any interest which they have in the share capital of the Company through N+1 Brewin (or the Company’s then current broker) and in such orderly manner as N+1 Brewin (or such broker) shall reasonably determine (having regard to the desirability of maintaining an orderly market in the Company’s shares).

PART 6 TAXATION

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HMRC. They are intended to apply only to Shareholders who are resident or ordinarily resident in the UK for UK tax purposes, who hold Ordinary Shares as investments and who are the beneficial owners of Ordinary Shares. The statements may not apply to certain classes of Shareholders such as dealers in securities and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment.

Any Shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and disposal of Ordinary Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

1. Dividends

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

1.1 Individual Shareholders

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his/her total income tax liability on the dividend. Such an individual Shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "**gross dividend**"), which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10% of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident or ordinarily resident individual Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HMRC in respect of any part of the tax credit. A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to income tax on the dividend at the rate of 10% of the gross dividend so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. A UK resident individual Shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5% but will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Shareholder will have to account for additional tax equal to 22.5% of the gross dividend (which is also equal to 25% of the net cash dividend received). A UK resident individual Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at 42.5% but will be able to set the tax credit off against part of this liability. The effect of that set-off of the tax credit is that such a Shareholder will have to account for additional tax equal to 32.5% of the gross dividend (which is also equal to approximately 36.1% of the net cash dividend received).

1.2 Corporate Shareholders

A corporate Shareholder, which is resident in the UK for tax purposes, will not normally be subject to corporation tax on any dividend received from the Company. Such a corporate Shareholder will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

1.3 Non-resident Shareholders

Subject to certain exceptions for individuals who are Commonwealth citizens, residents of the Isle of Man or the Channel Islands, nationals of states which are part of the European Economic Area and certain others, the right of a Shareholder who is not resident in the United Kingdom for tax purposes to a tax credit on dividends will depend on the existence and terms of any double tax treaty between the United Kingdom and the country in which that person is resident.

Persons who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities (in the United Kingdom and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

1.4 Pension funds

UK pension funds will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

2. Capital gains

If a Shareholder sells any Ordinary Shares, he/she may, depending on his/her circumstances and the availability of exemptions or reliefs, incur a liability to UK taxation on any gain realised.

2.1 Individual Shareholders

An individual Shareholder, who is resident in the UK for tax purposes, will be subject to capital gains tax on any gains arising to the extent that the Shareholder's total gains in the tax year (after taking into account any reliefs and allowable losses) exceed the annual exemption (£10,600 for 2011/12). Broadly, gains will be taxed at a rate of 18% for a taxpayer paying income tax at the basic rate and 28% for a taxpayer paying income tax at the higher or additional rate. Where the gains of a basic rate taxpayer subject to CGT exceed the unused part of his basic rate band, that excess is subject to tax at the 28% rate.

2.2 Corporate Shareholders

A corporate Shareholder, which is resident in the UK for tax purposes, will be subject to corporation tax on any gains arising. However, indexation allowance may be available for the purpose of reducing any chargeable gain.

2.3 Non-resident Shareholders

Shareholders who are temporarily non-UK resident may, in certain circumstances, be subject to UK taxation on any gains realised whilst they are not resident in the UK.

Persons who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities (in the United Kingdom and any other country) on any gains realised.

2.4 Pension funds

UK pension funds will not normally be liable to UK taxation on capital gains arising from the sale of Ordinary Shares which have been held as an investment.

3. Stamp duty and stamp duty reserve tax

No stamp duty or SDRT will be payable on the issue of definitive share certificates in respect of Placing Shares or on the crediting of stock accounts in CREST with Placing Shares, unless the holders concerned are persons to whom the depository receipt or clearance service charge may apply (excluding clearance services where an election for a different basis of charge is in effect).

The transfer on sale of Ordinary Shares held outside CREST will generally be liable to stamp duty at the rate of 0.5% of the consideration paid (rounded up to the nearest £5.00). However, stamp duty will not be chargeable where such consideration is £1,000 or less and the instrument of transfer is certified at £1,000. An unconditional agreement to transfer New Shares will normally be subject to SDRT at the rate of 0.5% of the actual consideration paid. However, this SDRT liability will be cancelled, and any SDRT already paid will be refunded, if the agreement is completed by a duly stamped transfer, generally within six years of the agreement being made.

The transfer on sale of Ordinary Shares held in CREST will generally be liable to SDRT at the rate of 0.5% of the actual consideration paid. In the case of transfers in CREST, the tax will be collected through CREST in accordance with the CREST rules. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

The above statements are intended as a general guide. Transfers to certain categories of person are not subject to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for SDRT, be required to notify and account for it.

PART 7 ADDITIONAL INFORMATION

1. Persons responsible

The Company and the Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation, domicile and registered office

- 2.1 The Company was incorporated in England and Wales on 12 April 1996 with registered number 03184978.
- 2.2 The Company is domiciled in the UK. Its registered office is at Emerald House, East Street, Epsom, Surrey KT17 1HS. The Company's head office is at Security House, 23 Longbarns Road Dumfries DG1 4BZ. The Company's telephone number is 01387 247842 (or +44 1387 247842 if dialling from outside the UK).
- 2.3 The principal laws and legislation under which the Company operates are the Companies Act and regulations made under the Companies Act.

3. Subsidiaries and Group structure

- 3.1 The Company is the ultimate holding company of the Group and has the following subsidiaries:

Company name	Percentage of voting rights held	Principal activity	Country of incorporation
Vigilant Security (Scotland) Limited	100%	Professional asset protection services including key point guarding operations, close protection, keyholding, training and investigations	Scotland (registered number SC212151)
Photobase Limited	100%	Provision of biometrics solutions, identity management solutions, and asset tagging	England and Wales (registered number 02185695)

- 3.2 Following Admission, the Company will have the following subsidiaries, in addition to the subsidiaries set out in paragraph 3.1 of this Part 7.

Company name	Percentage of voting rights held	Principal activity	Country of incorporation
CSS Total Security Limited	100%	Provision of domestic and corporate security solutions	England and Wales (registered number 02432869)
CSS Locksmiths Limited ⁽¹⁾	100% ⁽¹⁾	Provision of specialist locksmith services including mechanical locking, safes and key cutting, physical security provision and installation	England and Wales (registered number 00972779)
Alarm Bell Company Limited ⁽²⁾	100%	Provision of fire alarm systems	England and Wales (registered number 03944563)

Notes:

(1) 45% of the issued share capital of CSS Locksmiths is held by CSS Total Security.

(2) 100% of the issued share capital of Alarm Bell Company is held by CSS Total Security.

4. Property, plant and equipment

4.1 The material properties of the Enlarged Group are set out below:

Address/location	Tenant and Landlord	Use	Tenure and expiry	Rent (per annum) ⁽¹⁾
8 Andover Road, Winchester, Hampshire	Tenant: CSS Locksmiths Landlord: Trustees of County Access Systems Limited Retirement Benefits Scheme ⁽²⁾	Shop	Leasehold, 20 May 2022	£12,000
346 Shirley Road, Southampton	Tenant: CSS Locksmiths and CSS Total Security Landlord: Trustees of County Access Systems Limited Retirement Benefits Scheme	Shop	Leasehold, 18 December 2018	£23,500
Unit 6, Fulcrum 4, Solent Way, Solent Business Park, Fareham	Tenant: CSS Total Security Landlord: Trustees of County Access Systems Limited Retirement Benefits Scheme	Offices	Leasehold, 12 June 2018	£31,500
23 Loganbarns Road, Dumfries	Owned by Vigilant	Head office	Freehold	Not applicable

Notes:

(1) Expressed exclusive of any applicable VAT.

(2) Roberto Fiorentino and his spouse, Natalie Fiorentino, together with MW Trustees Limited comprise the trustees of the County Access Systems Limited Retirement Benefits Scheme, the sole beneficiaries of which are Roberto and Natalie Fiorentino.

4.2 The Company is not aware of any environmental issues affecting the utilisation by the Enlarged Group of the properties set out above.

5. Share capital

5.1 The issued and fully paid share capital of the Company as at 29 February 2012 (being the latest practicable date prior to the publication of this document) was as follows:

Class of shares	Number	Nominal value
Ordinary Shares of 0.1 pence each	189,337,815	£189,337.82

5.2 The issued and fully paid share capital of the Company immediately following Admission is expected to be as follows:

Class of shares	Number	Nominal value
Ordinary Shares of 5 pence each	14,502,532	£725,126.60

5.3 As at 30 June 2011 the issued and fully paid share capital of the Company was as follows:

Class of shares	Number	Nominal value
Ordinary Shares of 0.1 pence each	189,337,815	£189,337.82

- 5.4 The numbers of Ordinary Shares outstanding at the beginning and end of the year ended 30 June 2011 were as follows:

Date	Number	Nominal value
1 July 2010	189,337,815	£189,337.82
30 June 2011	189,337,815	£189,337.82

- 5.5 Save as set out in paragraph 5.6 below there were no changes to the authorised and issued share capital of the Company between 1 July 2008 and 29 February 2012 (being the latest practicable date prior to the publication of this document). It is expected that an additional 35 existing Ordinary Shares of 0.1 pence each shall be issued immediately prior to the Share Consolidation so that the Company's issued share capital is exactly divisible by 50. No share capital of the Company (or of any other member of the Enlarged Group) is under option or agreed conditionally or unconditionally to be put under option. As at 29 February 2012 (being the latest practicable date prior to the publication of this document), the Company did not hold any shares in treasury.
- 5.6 The following changes to the authorised and issued share capital of the Company have taken place between 1 July 2008 and 29 February 2012 (being the latest practicable date prior to the publication of this document):
- 5.6.1 on 25 June 2009, pursuant to special resolutions passed on 26 May 2009 and an order of the High Court of Justice Chancery Division dated 24 June 2009, the Company: (i) cancelled and extinguished 4.9 pence of the amount paid up on each ordinary share of 5 pence each in the capital of the Company and reduced the nominal value of each such share to 0.1 pence; (ii) cancelled and extinguished all of the deferred shares of 0.5 pence each in the capital of the Company; and (iii) cancelled its share premium account;
- 5.6.2 on 20 November 2009, 6,500,000 Ordinary Shares were issued by the Company at a price of 2 pence per share;
- 5.6.3 on 7 December 2009, a special resolution was passed removing any limit on the Company's authorised share capital;
- 5.6.4 on 14 December 2009, 1,453,841 Ordinary Shares were issued by the Company at a price of 2 pence per share; and
- 5.6.5 on 16 June 2010, 4,000,000 Ordinary Shares were issued by the Company at a price of 2.5 pence per share.
- 5.7 In connection with the Acquisition and the Placing, a Resolution will be proposed at the General Meeting to: (i) consolidate every 50 ordinary shares of 0.1 pence in the capital of the Company into one ordinary share of 5 pence; and (ii) authorise the Directors, for the purposes of section 551 of the Companies Act, to allot shares in the capital of the Company or to grant rights to subscribe for or to convert any security into shares in the capital of the Company up to a maximum nominal amount of £573,000. Such authority is in addition to all existing allotment authorities and will expire on 28 February 2013. If passed, the Resolution will also empower the Directors to allot those shares on a non pre-emptive basis.
- 5.8 It is expected that 10,715,779 Ordinary Shares will be issued on Admission pursuant to the Acquisition, the Placing and the conversion of loan notes (representing approximately 73.9% of the Enlarged Share Capital). Following Admission, up to 717,553 additional Ordinary Shares may require to be issued pursuant to the Acquisition Agreement.

6. Dividends

The Company did not declare a dividend in respect of any of the financial periods ended 30 June 2009, 2010 and 2011.

7. Memorandum and articles of association

- 7.1 The memorandum of association of the Company and the Articles are available for inspection at the addresses set out in paragraph 20 of this Part 7.
- 7.2 The memorandum of association provides that the main object of the Company is to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of the memorandum of association of the Company.

7.3 The Articles contain provisions to the following effect:

7.3.1 Voting rights

- (a) Subject to any special rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who is present in person (or being a corporation, present by a duly appointed representative) has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the registered holder. In case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders, and for this purpose only seniority shall be determined by the order in which the names stand in the register of members in respect of the share.
- (b) No holder of a share in the Company is entitled to attend or vote at a general meeting either personally or by proxy in respect of that share if:
 - (i) any sum presently payable by him to the Company in respect of that share remains unpaid;
 - (ii) if he or any person appearing to be interested in shares held by him has been duly served with a notice under section 212, the Companies Act 1985 (now section 793, Companies Act) and is in default for the prescribed period in supplying to the Company the information required thereby; or
 - (iii) he has been duly served with a notice requiring him to provide to the Company a statement that he or any other person is/are the beneficial owner of such share and he is in default in complying with such notice.

7.3.2 Dividend rights

- (a) The Company may by ordinary resolution declare dividends but no such dividends shall be payable otherwise than out of the profits available for dividends in accordance with statute or exceed the sum recommended by the Board.
- (b) All dividends shall be apportioned and paid pro rata according to the portion or portions of the period in respect of which the dividend is paid during which any such amount or amounts were paid up. Dividends may be paid or declared in any currency.
- (c) Insofar as, in the opinion of the Board, the profits of the Company justify such payments, the Board may pay to the members interim dividends and may also pay (half yearly or at any other prescribed interval) any dividend which may be payable at a fixed rate.
- (d) The Board may deduct from any dividend or other monies payable in respect of any shares held by a member, all such sums as may be due by such member on account of calls or otherwise in respect of his shares in the Company.
- (e) All unclaimed dividends may be invested or otherwise used by the Board for the Company until claimed. Any dividend unclaimed after a period of 12 years from the date of its declaration shall be forfeited and shall revert to the Company.
- (f) Subject to certain exceptions, the Directors may retain any dividend or other moneys otherwise payable in respect of a share if (i) a notice has been served concerning the disclosure of interest in shares, (ii) the shares which are the subject of the notice represent in aggregate at least 0.25 per cent. of that class of share, and (iii) the person on whom the notice was served failed to comply with the requirements of that notice within the period for compliance specified in the notice and remains in default in complying with such notice.

7.3.3 Rights on a return of capital

Subject to any special rights attached to any class of shares, in the event of liquidation of the Company the surplus assets remaining after payment of the liabilities shall be distributed in proportion to the amounts paid up or deemed to be paid up on the shares.

7.3.4 Rights of pre-emption on issues of securities

The only rights of pre-emption attaching to the Ordinary Shares are those set out in section 561, Companies Act.

7.3.5 Transfers of shares

- (a) All transfers of shares may be effected in writing in the usual form or in any other form acceptable to the Directors or by any other method authorised by statute and approved by the Directors.
- (b) The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.
- (c) The Directors may in their absolute discretion refuse to register the transfer of any share:
 - (i) which is not fully paid and over which the Company has a lien;
 - (ii) unless a transfer is a permitted transfer, where (a) a notice has been served in respect of the share concerning the disclosure of interests in voting shares, (b) the share or shares which were the subject of that notice represented in aggregate at least 0.25 per cent of that class of share, and (c) the person on whom the notice was served failed to comply with the requirements of that notice within the period for compliance specified in the notice and remains in default in complying with such notice; and
 - (iii) to more than four joint holders.
- (d) Subject to the provisions of the Companies Act, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine (provided that the register shall not be closed for more than thirty days in any year and notice of such closure will be given).
- (e) If the Directors refuse to register or authorise the registration of a transfer which is effected by a written instrument they shall within two months after the date on which the instrument was lodged with the Company or its registrars send to the transferee notice of this refusal.

7.3.6 Lien and forfeiture

- (a) The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share. The Company's lien (if any) on a share shall extend to all dividends or other moneys payable thereon. The registration of a transfer of shares shall, unless otherwise agreed between the Directors on behalf of the Company and the person to whom the shares have been so transferred, operate as a waiver of the Company's lien (if any) on such shares.
- (b) For the purpose of enforcing such a lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until a notice in writing stating the amount due and demanding payment, giving notice of intention to sell in default, shall have been served in such manner as the Directors shall think fit on such member or the persons (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice.
- (c) The net proceeds of any such sale after payment of the costs thereof shall be applied in or towards satisfaction of the amount due, and the residue (if any) shall (upon surrender to the Company for cancellation of any certificate(s) in respect of the shares sold) be paid to the member or the persons (if any) entitled by transmission to the shares.

7.3.7 Sale of shares held by untraced members

The Company shall be entitled to sell at the best price reasonably obtainable any share of a member or any share to which a person is entitled by transmission if and provided that:

- (a) for a period of twelve years no cheque or warrant sent by the Company through the post in a prepaid envelope addressed to the member or to the person entitled by transmission to the share at his address on the register or the other last known address given by the member or the person entitled by transmission to which cheques and warrants are to be

sent has been cashed and no communication has been received by the Company from the member or person entitled by transmission;

- (b) no less than three dividend warrants have been sent by post to the address referred to in (a) above in the twelve year period referred to in (a) above;
- (c) the Company has at the expiration of the said period of twelve years by advertisement in both a national daily newspaper and in a newspaper circulating in the area in which the address referred to in (a) above is located given notice of its intention to sell such share;
- (d) the Company has not during the further period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the member or person entitled by transmission; and
- (e) the Company has first given notice in writing to the London Stock Exchange, if necessary, of its intention to sell such shares and complied with the requirements of that exchange or trading facility in relation thereto.

7.3.8 Variation of rights attaching to shares

The special rights attached to any class of shares may be varied as may be provided by such rights or in the absence of any such provision, with the written consent of the holders of at least three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To every separate general meeting of the holders of the issued shares of a particular class (whether held for the purpose of passing a resolution relating to class rights or for any other purpose) the provisions of this Articles shall apply, except that:

- (i) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;
- (ii) the necessary quorum shall be two persons at least present in person and holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question;
- (iii) if any such separate general meeting shall be adjourned by reason of there being no quorum present and at the adjourned meeting a quorum as defined above shall not be present fifteen minutes after the time appointed for such adjourned meeting, one holder of shares of the class in question present in person or by proxy shall be a quorum;
- (iv) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and
- (v) on a poll every holder of shares of the class in question who is present in person or by proxy shall have one vote for every share of that class held by him.

7.3.9 Changes in share capital

- (a) The Company may by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall provide.
- (b) The Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account subject to authority required by law.
- (c) The Company may purchase its own shares provided such purchase has previously been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class or securities issued by the Company which are listed and convertible into shares in the capital of the Company which are of the same class as to those proposed to be purchased.

7.3.10 Shareholder meetings

The necessary quorum at a general meeting of the Company is three members present in person or by proxy (or, being a corporation, present by a representative duly appointed). If after fifteen minutes from the time appointed for the holding of a general meeting (or such longer time as the Chairman thinks fit), a quorum is not present, the meeting shall be dissolved if convened on the requisition of members, or in any other case it shall stand adjourned to such place and time as

the Chairman shall determine. If at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the member or members present in person or by proxy and entitled to vote upon the business to be transacted shall be a quorum and shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

7.3.11 **Communications with Shareholders**

- (a) An annual general meeting and any general meeting at which it is proposed to pass a special resolution or a resolution of which special notice has been given to the Company shall be called by twenty one clear days' notice in writing at least, and any other general meeting by fourteen clear days' notice in writing at least. Notice shall be given in the manner set out in the Articles to all members whose names are entered on the Company's register of members at the close of business twenty one days before the date the notice is given and the auditors. There are provisions for meetings to be held on short notice in certain circumstances. The Articles prescribe that every notice calling a general meeting or a meeting of any class of members of the Company shall specify the place and the day and hour of the meeting and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and the proxy need not be a member of the Company. In the case of any general meeting at which business other than ordinary business is to be transacted, the notice shall specify the general nature of such business and if any resolution is to be proposed as an extraordinary resolution or as a special resolution the notice shall contain a statement to that effect. The notice shall also contain a statement that a member is not entitled to attend and vote unless his name is entered on the register of members 48 hours before the date of the meeting. In the case of an annual general meeting the notice shall also specify the meeting as such.
- (b) The Directors may direct that members or proxies who wish to attend any general meeting shall submit to such searches and/or comply with such security arrangements or restrictions as in each case the Directors shall, in their absolute discretion, consider appropriate and the Directors may, in their absolute discretion, refuse entry to such general meeting to any member or proxy who fails to comply with such direction.

7.3.12 **Ownership of shares by overseas persons**

A member who, having no registered address within the United Kingdom, has not supplied to the Company an address within the United Kingdom for service of notices shall not be entitled to receive notices or copies from the Company.

7.3.13 **Appointment of directors**

- (a) Unless otherwise determined by ordinary resolution the Directors shall not be fewer than three nor more than ten in number.
- (b) A director is not required to hold any qualification shares.
- (c) The Directors shall have power at any time and from time to time to appoint any person to be a director either to fill a vacancy or as an additional director but so that the total number of directors shall not at any time exceed the maximum number. Any director appointed by the Directors shall retire from office at the next annual general meeting and shall then be eligible for election by the members.

7.3.14 **Retirement of directors**

- (a) The chief executive of the Company (whether designated as chief executive, managing director or otherwise howsoever) shall not be subject to retirement by rotation as at (c) below or be taken into account in determining the number of directors to retire in each year, but he shall otherwise be subject to the same provisions as to resignation and removal as the other directors.
- (b) Any provisions of the Companies Act which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as director or liable to vacate office as a director on account of his having reached any specific age or of requiring

special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

- (c) At the annual general meeting in every year one-third of the directors for the time being (excluding any director who is required to retire at this meeting pursuant to paragraph 7.3.13(c) above and any director exempt from retirement by rotation pursuant to paragraph 7.3.14(a) above) or, if their number is not a multiple of three, then the number nearest to one-third, but not exceeding one-third, shall retire from office and shall be eligible for re-election; provided always that if in any year the number of directors who are subject to retirement by rotation shall be two, one of such directors shall retire, and if in any year there shall be only one director who is subject to retirement by rotation that director shall retire.

7.3.15 Proceedings of the board of directors

- (a) The Directors may meet together and regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes, and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote. A director may, and the Company Secretary on the requisition of a director shall, at any time summon a meeting of the directors.
- (b) Notice of meetings of the Directors shall be deemed to be duly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address in the UK or any other address in the UK given by him to the Company for this purpose. It shall not be necessary to give notice of a meeting of the Directors to any director for the time being absent from the UK but the alternate director (if any) acting in his place shall be entitled to notice of such meeting. Any director may waive notice of any meeting and any such waiver may be retrospective.
- (c) All or any of the Directors or members of any committee appointed by the Directors may participate by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other and any person participating in a meeting in this manner shall be deemed to be present in person and be entitled to vote and be counted in a quorum accordingly. Such meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is.
- (d) The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed at any other number shall be two of whom one may be an alternate director not being himself a director.
- (e) The Directors may elect a chairman of their meetings and one or more deputy chairman, and determine the period for which each is to hold office. If no chairman or deputy shall have been elected, or if at any meeting neither the chairman nor a deputy chairman is present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.

7.3.16 Remuneration of and pensions and gratuities for directors

- (a) The amount of any fees payable to non-executive directors shall be determined by the Directors provided that they shall not in any year exceed an amount of £20,000 or such other sum as may from time to time be approved by ordinary resolution.
- (b) The remuneration and other terms and conditions of appointment of a director appointed to any executive office or employment within the Company shall be fixed by the Directors.
- (c) The Directors are entitled to be repaid all expenses properly incurred by them respectively in performance of their duties. Any director rendering special or extra services to the Company may be paid such additional remuneration as the Directors or a committee thereof may determine.
- (d) The Board has power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any director or ex-director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

7.3.17 Permitted interests of directors

A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms as the Directors may determine and no director or intending director shall be disqualified by his office from entering into any contract with the Company as vendor, purchaser or otherwise (subject to such contract having been duly declared). Any director may act by himself or his firm in a professional capacity for the Company (other than as the Company's auditor) and be entitled to remuneration for such professional services as if he were not a director. Any director may continue to be, or become a director of, or hold any other office, employment or place of profit under or become a member of any other company in which the Company may be interested and no such director shall be accountable for any remuneration, salary or other benefits received by him unless otherwise agreed.

7.3.18 Conflicts of interest of directors

- (a) Save as specifically provided in the Articles, a director may not vote in respect of any contract, transaction or arrangement or any proposal whatsoever in which he has any interest which (together with any interest of any person connected with him) is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A director will not be counted in the quorum at a meeting in relation to any resolution in respect of which he is debarred from voting.
- (b) A director shall not vote or be counted in the quorum of any resolution concerning his own appointment (including fixing or varying the terms of his appointment or the termination thereof) as the holder of any office or place of profit with the Company or any company in which the Company is interested.
- (c) Subject to applicable law, a director is entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
 - (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant or in the underwriting or sub-underwriting thereof;
 - (iv) any proposal concerning another company in which he or any person connected with him is interested directly or indirectly, provided that he and any person connected with him are not interested in more than 1 per cent. of the issued shares of any such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;
 - (v) any arrangement for the benefit of the employees of the Company or its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
 - (vi) any proposal relating to the purchase and/or maintenance of any insurance policy liability for the benefit of any persons which include Directors.

7.3.19 Indemnification and insurance of directors

- (a) Without prejudice to any indemnity to which the person concerned may be otherwise entitled, every director, alternate director, secretary or other officer of the Company shall be entitled to be indemnified by the Company against any liability incurred by him:
 - (i) in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or he is acquitted; or

- (ii) in connection with any application for the acquisition of shares by an innocent nominee or the general power to grant relief in case of honest and reasonable conduct in which relief is granted to him by the court.
- (b) Subject to the provisions of, and so far as may be permitted by, the Companies Act but without prejudice to any indemnity to which the person concerned may be otherwise entitled, every such officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liability incurred by him in the execution and discharge of his duties or the exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.
- (c) The Directors may purchase and maintain at the cost of the Company insurance cover for any such officer against any liability which may attach to him in respect of any negligence, default, breach of duty or breach of trust towards the Company or otherwise in relation to anything done or omitted to be done or alleged to have been done or omitted to be done by him as an officer of the Company.

7.3.20 **Borrowing powers**

The Board may exercise all the powers of the Company to borrow money (as defined in the Articles) and to mortgage or charge its undertaking, property and assets (present and future) including uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, subject to the limit as set out in the Articles.

8. Directors

8.1 Directors' service contract and letters of appointment

8.1.1 Sebastian Jake Finch Morley

Sebastian Jake Finch Morley is currently the Company's Chief Executive Officer but shall become the Company's Executive Chairman with effect from Admission.

As Executive Chairman, Mr Morley will be paid an annual basic salary of £100,000, reimbursed for all expenses properly incurred in performing his duties, and paid holiday pay and sick pay.

Either the Company or Mr Morley may terminate the agreement by giving not less than 12 months' written notice, although the Company may terminate the agreement with immediate effect under certain specified circumstances.

Upon notice to terminate the service agreement being given by the Company or Mr Morley, the Company may require Mr Morley to take "gardening leave" for the remainder of the term of the agreement, during which Mr Morley may not attend his place of work and may not contact any client, customer, supplier, employee or officer of the Company. Mr Morley's duties of employment, including the duty of fidelity, will continue during the period of "gardening leave".

For a period of 6 months following the date on which Mr Morley's employment terminates, Mr Morley is not, without the prior written consent of the Company, to compete with the Company's business or solicit or entice away business or senior employees of the Company.

8.1.2 Roberto Michele Fiorentino

Roberto Michele Fiorentino shall be appointed as Chief Executive Officer by a service agreement, with such appointment expected to take effect on Admission, on similar terms to those outlined at paragraph 8.1.1.

Mr Fiorentino will be paid an annual basic salary of £175,000 and provided with a car allowance at the rate of £9,500 per annum (less any tax and statutory deductions).

Either the Company or Mr Fiorentino may terminate the agreement by giving not less than 12 months' written notice, although the Company may terminate the agreement with immediate effect under certain specified circumstances.

8.1.3 James Leslie Dunion

James Leslie Dunion was appointed as Finance Director, with such appointment commencing on 1 April 2011, on similar terms to those outlined at paragraph 8.1.1.

Mr Dunion is paid an annual basic salary of £45,000.

Either the Company or Mr Dunion may terminate the agreement by giving not less than 6 months' written notice, although the Company may terminate the agreement with immediate effect under certain specified circumstances.

8.1.4 Andrew Nicholas Hewson

Andrew Nicholas Hewson was appointed as a non-executive director pursuant to an agreement between the Company and Grosvenor Equity Managers ("GEM") Limited dated 18 November 2011. Mr Hewson's annual commitment to the Company is in the region of two days per month. GEM will be paid an annual fee of £18,000 exclusive of any applicable VAT and reimbursed for all expenses reasonably and properly incurred in performing the services. Mr Hewson's appointment is terminable without notice.

8.1.5 Charles Neil McMicking

Charles Neil McMicking shall be appointed as a non-executive director by a letter of appointment, with such appointment expected to take effect on Admission. Mr McMicking's annual commitment to the Company will be in the region of 4 days per month. Mr McMicking will be paid an annual fee of £18,000 exclusive of any applicable VAT and reimbursed for all expenses reasonably and properly incurred in performing his duties. The appointment will be terminable upon three months' notice, save in certain circumstances as set out in the Articles, including failure to be re-elected by the Company in general meeting, when it terminates immediately.

8.1.6 Lord James William Eustace Percy

Lord James William Eustace Percy shall be appointed as a non-executive director by a letter of appointment, with such appointment expected to take effect on Admission. Lord Percy's annual commitment to the Company will be in the region of 4 days per month. Lord Percy will be paid an annual fee of £25,000 exclusive of any applicable VAT and reimbursed for all expenses reasonably and properly incurred in performing his duties. The appointment will be terminable upon three months' notice, save in certain circumstances as set out in the Articles, including failure to be re-elected by the Company in general meeting, when it terminates immediately.

8.2 Directors' interests

Save as set out below, none of the Directors has any interest in the share capital of the Company or any of its subsidiary undertakings. In addition, none of the Directors (nor any member of their respective immediate families) has any interest in any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.

The beneficial interests of the Directors, of their respective immediate families and (so far as is known or could with reasonable diligence be ascertained by the relevant director) of any person connected with a director in the share capital of the Company as at 29 February 2012 (being the latest practicable date prior to the publication of this document) and as they are expected to be on Admission are as follows:

Director	As at 29 February 2012		On Admission	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Sebastian Jake Finch Morley	24,200,000	12.78%	484,000	3.33%
Roberto Michele Fiorentino ⁽¹⁾	2,000,000	1.06%	3,322,447	22.91%
James William Eustace Percy	8,600,000	4.54%	272,000	1.87%
Andrew Nicholas Hewson ⁽²⁾	6,694,342	3.54%	133,886	0.92%
Charles Neil McMicking	800,000	0.42%	16,000	0.11%

Notes:

(1) Roberto Fiorentino's holding includes that in his own name and those held by each of the other Sellers.

(2) Andrew Hewson's interests are held by two Suffolk Life Self-Invested Personal Pension Plans.

8.3 In addition to their directorships of the Company, the Directors currently hold or have held the following directorships during the five years preceding the date of this document:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Sebastian Jake Finch Morley	Photobase Limited The Camp Limited The Camp (Scotland) Limited Vigilant Security (Scotland) Limited	Croma Defence Systems Limited Highlander M.D. Limited Profile Security Group Limited Profile Security Holdings Limited Profile Security Services Limited RDDS Avionics Limited
Roberto Michele Fiorentino	Alarm Bell Company Limited CSS Total Security Limited CSS Locksmiths Limited County Security Systems Limited Kestrel Total Control Limited Da Vinci Technologies Limited	County Securities Supplies Limited County Security Group Limited Security and Sign Limited
James Leslie Dunion	Photobase Limited Vigilant Security (Scotland) Limited	
Andrew Nicholas Hewson	AGN Investments Limited Cadena Group Limited Going Green Limited Grosvenor Equity Managers Limited Heligon Limited Icelus Developments Limited Philex plc Westminster Gardens Holdings Limited	Beacon Point Developments Limited Cadena Management Limited Chiliogon Secretaries Limited Morpheus Developments (Cresswell) Limited Pure Global Limited Pradera - AM PLC Tonic Marine Developments Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
James William Eustace Percy	Linhope Farms Limited Northern Commercial Properties Limited Syon Park Limited Vigilant Security (Scotland) Limited	Alnmarin International Limited Blackwolf Limited International Maritime Group Limited
Charles Neil McMicking	Coburg Capital Limited F4G Software Limited RailSimulator.com Limited	Eastern Scotland Investments Limited Gap General Partner Limited IMMATV Production Limited NFM Games Limited Noble Fund Advisors Limited Noble Fund Managers Nominee Limited Noble HSC Optivita UK I General Partner Limited Noble HSC Optivita UK II General Partner Limited Noble HSC Optivita UK III General Partner Limited Noble HSC Optivita VII UK General Partner Limited Noble HSC Optivita VIII UK General Partner Limited Noble Portfolio Managers Limited Noble Private Equity Limited Rail Simulator Developments Limited Vegastream Distribution Limited

- 8.4 Mr Fiorentino was a director of Da Vinci Technologies Limited (formerly Cieffe Limited), a company incorporated in England and Wales with registered number 04565279, when the company entered into a creditors' voluntary arrangement (CVA). The CVA took effect on 11 April 2007. CSS Locksmiths (a company in which Roberto Fiorentino holds a significant interest) held 82% of the shares in Da Vinci Technologies Limited at the time it entered into the CVA. A first and final dividend of 9.26 pence in the pound was distributed to unsecured creditors of the company on 26 January 2009. The notice of completion of the CVA was served on 27 February 2009. On 7 December 2011, CSS Locksmiths transferred each of the shares it held in Da Vinci Technologies Limited to Mr Fiorentino's spouse, Natalie Sarah Fiorentino.
- 8.5 Mr Hewson resigned as a director of Citygrove PLC, a company incorporated in England and Wales with registered number 1096676, on 30 November 1989 and, having worked his notice, left the company in early June 1990. Citygrove PLC entered into receivership on 24 August 1990 and was subsequently compulsorily wound up by court order dated 23 January 1991.
- 8.6 Save as set out above, none of the Directors has:
- (i) any unspent convictions in relation to indictable offences;
 - (ii) at any time been adjudged bankrupt or been the subject of any form of individual voluntary arrangement;
 - (iii) been a director of a company at the time of, or at any time during the period of 12 months preceding the date of, its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or composition or arrangement with its creditors generally or with any class of them;
 - (iv) been a partner in a partnership at the time of, or at any time during the period of 12 months preceding the date of, its compulsory liquidation, administration or partnership voluntary arrangement;

- (v) owned any asset which has been placed in receivership or been a partner of any partnership at the time at which, or at any time during the period of 12 months preceding the date on which, any asset of that partnership was placed in receivership;
- (vi) been the subject of any public criticism by any statutory or regulatory authority (including any recognised professional body); or
- (vii) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

9. Employees

9.1 The following table sets out the number of employees of the Enlarged Group at the end of each of the financial years in question and the geographic locations of those employees:

Location	Financial year ended 2009	Financial year ended 2010	Financial year ended 2011
Scotland	130	140	149
England	137	152	180
Totals	267	292	329

9.2 The following table sets out the number of employees of the Enlarged Group at the end of each of the financial years in question and the main category of activity of those employees:

Main category of activity	Financial year ended 2009	Financial year ended 2010	Financial year ended 2011
Manned guarding	212	243	275
Administration / support	14	14	15
Engineers	24	16	19
Locksmiths	16	14	15
Research and development	1	5	5
Totals	267	292	329

10. Mandatory takeover offers and squeeze-out/sell-out rules

10.1 Save as provided by the Companies Act and the City Code, there are no rules or provisions which:

- 10.1.1 require a mandatory takeover offer to be made in respect of the Company;
- 10.1.2 entitle a party making a takeover offer in respect of the Company to squeeze-out Shareholders who do not accept the offer; or
- 10.1.3 entitle a Shareholder to sell-out to a party who has made a takeover offer in respect of the Company.

10.2 No takeover offers have been made in respect of the Company during the financial years of the Company ended on 30 June 2010 and 30 June 2011 or during the current financial year of the Company ending on 30 June 2012.

11. Major Shareholders

11.1 Insofar as is known to the Company, as at 29 February 2012 (the latest practicable date prior to the date of this document), save as indicated in paragraph 8.2 of this Part 7 above, the name of each person who, whether directly or indirectly, held a registered interest in 3% or more of the issued Ordinary Share capital of the Company, and the amount of each person's interest, was as follows:

Shareholder	As at 29 February 2012		On Admission	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Giltspur Nominees Limited Des:BUNS ⁽¹⁾⁽²⁾	36,720,779	19.39%	734,415	5.06%
Pershing Nominees Limited Des:PSL981 ⁽²⁾	13,331,161	7.04%	-	-
TD Direct Investing Nominees (Europe) Limited Des:SMKTNOMS ⁽²⁾	10,436,481	5.51%	-	-
Barclayshare Nominees Limited ⁽²⁾	8,645,976	4.57%	-	-
Chase Nominees Limited ⁽²⁾	7,684,190	4.06%	-	-
JIM Nominees Limited Des:JARVIS ⁽²⁾	6,145,317	3.25%	-	-

(1) includes Ordinary Shares held on behalf of Sebastian Morley as disclosed in paragraph 8.2 of Part 7 of this document

(2) as at 29 February 2012, being the latest practicable date prior to publication of this document, and other than disclosed in paragraph 8.2 of Part 7 of this document, the Company is not aware of any beneficial shareholder holding greater than 3 per cent. of the issued share capital of the Company.

- 11.2 None of the persons noted in the table above has different voting rights from other Shareholders in respect of the Ordinary Shares held by them.
- 11.3 Insofar as is known to the Company, as at 29 February 2012 (being the latest practicable date prior to the publication of this document), the Company was not, directly or indirectly, owned or controlled by any persons and there were no arrangements, the operation of which might at a subsequent date result in a change in control of the Company.

12. Related party transactions

- 12.1 Save as set out in the financial information incorporated by reference into this document (as set out in paragraph 20 of this Part 7), no related party transactions have been entered into by members of the Group between 1 July 2008 (being the first day covered by such financial information and 29 February 2012 (being the latest practicable date prior to the publication of this document).
- 12.2 Save as set out below or in the historical financial information set out in Part 3 of this document, no related party transactions have been entered into by members of the CSS Group between 1 July 2008 (being the first day covered by such historical financial information) and 29 February 2012 (being the latest practicable date prior to the publication of this document).
- 12.3 During the second half of 2011, Roberto Michele Fiorentino, a proposed Director of the Enlarged Group, received loans from the CSS Group totalling £100,000 which are still outstanding. This loan will be settled by Mr Fiorentino out of the cash consideration he will receive on completion of the Acquisition.

13. Material contracts

- 13.1 The following is a summary of all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by any member of the Enlarged Group either: (i) within the two years immediately preceding the publication of this document which are, or may be, material to the Enlarged Group; or (ii) which contain any provision under which any member of the Enlarged Group has any obligation or entitlement which is, or may be, material to the Enlarged Group as at the date of this document.

13.1.1 Acquisition Agreement

A summary of the Acquisition Agreement is set out at paragraph 1 of Part 5 ("The Acquisition and related matters") of this document.

13.1.2 Lock-in Deeds

A summary of the lock-in deeds is set out at paragraph 2 of Part 5 ("The Acquisition and related matters") of this document.

13.1.3 **Placing Agreement**

Pursuant to a placing agreement between the Company, the Directors and N+1 Brewin dated 1 March 2012, N+1 Brewin has agreed, subject to the terms and conditions, as agent for the Company, to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price. N+1 Brewin has not agreed to underwrite the Placing.

N+1 Brewin's obligations under the Placing Agreement are conditional upon, amongst other matters that are typical for a transaction of this nature: (i) Admission becoming effective by 8.00 a.m. on 27 March 2012 (or such later date as the Company and N+1 Brewin may agree (being no later than 27 April 2012)); (ii) the Resolution being passed (without amendment); (iii) the Company having complied with all of its obligations under the Placing Agreement prior to Admission; (iv) there having been no material adverse change in or any development or event involving a prospective change in or affecting the condition of the Enlarged Group taken as a whole; and (v) the Acquisition Agreement becoming wholly unconditional (save for any condition relating to Admission). Certain of these conditions may be waived by N+1 Brewin.

Under the Placing Agreement, N+1 Brewin are entitled to: (i) a broking commission of 4 per cent. on the value at the Placing Price of the Placing Shares (save in respect of Placing Shares taken up by certain prescribed parties in relation to whom the relevant commission shall be either (i) 1 per cent. or 5 per cent. depending on the party); and (ii) a corporate finance fee of £120,000 (payable by the Company), in each case together with any applicable VAT.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains warranties given by the Company and the Directors to N+1 Brewin as to the accuracy of the information contained in this document and as to other matters relating to the Enlarged Group and its business. The Placing Agreement also contains certain indemnities granted by the Company to N+1 Brewin.

N+1 Brewin is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

13.1.4 **Development and licence agreement**

Photobase entered into a development and licence agreement with CSS Total Security dated 30 June 2011. Pursuant to that agreement Photobase granted CSS Total Security a 10 year licence in respect of certain software in consideration for a licence fee of £450,000 (excluding VAT) per annum.

13.1.5 **Share sale agreement in respect of RDDS Avionics Limited**

The Company entered into a share sale agreement on 31 March 2011 with Oak Manor Investments Limited ("**OMIL**") in respect of the disposal by the Company of the entire issued share capital of RDDS Avionics Limited ("**RDDS**").

The sale price comprised: (i) a completion payment of £720,000; (ii) deferred consideration of £200,000 (subject to a completion accounts based adjustment); and (iii) earn out consideration of an amount equal to 25% of RDDS' net profit for the twelve month period ending on 31 March 2012. The earn-out consideration is capped at £600,000.

Under this share sale agreement, the Company gave warranties to OMIL of a customary nature for a transaction of this size and nature in relation to RDDS, including in respect of share capital, accounts, accounting and financial changes since 30 June 2010, assets, licences and consents, customers and suppliers, finance and guarantees, insolvency, environmental and health and safety, intellectual property, real estate, employees, pensions, contracts, and litigation matters.

The liability of the Company for all warranty claims when taken together is limited to an amount equal to 100% of the purchase price then received. The Company is not liable for a claim for

breach of warranty unless: (i) in respect of an individual claim, the value of the claim exceeds £5,000; and (ii) the amount of all claims taken together exceeds £20,000, in which case the whole amount and not just the excess shall be recoverable.

The Company is not liable in respect of a claim unless OMIL has given the Company notice in writing of the claim: (i) in respect of a claim for breach of any of the tax warranties or a claim under the tax covenant, within a period of 7 years from 31 March 2011; and (ii) in the case of all other warranty claims within the period of 18 months from 31 March 2011.

Under this share sale agreement, the Company entered into restrictive covenants for the benefit of OMIL and RDDS for a period of three years from 31 March 2011 which are usual for a transaction of this size and nature, including non-solicitation of customers and senior employees, non-interference with suppliers, use of names or trading styles and use of confidential information.

The Company also entered into a tax covenant in favour of OMIL in respect of liabilities to taxation of RDDS for all periods ending on 31 March 2011 in a form which is usual for a transaction of this size and nature.

13.1.6 **Share purchase agreement in respect of Alarm Bell Company**

CSS Total Security entered into a share purchase agreement on 24 January 2011 with Andrew Hugh Brown and Frances Jean Brown (the sellers) (the “**Browns**”) in respect of the acquisition by CSS Total Security of the entire issued share capital of Alarm Bell Company.

The purchase price comprised: (i) a completion payment of £100,000; (ii) deferred consideration of up to £50,000 (subject to the level and timings of Alarm Bell Company’s renewal of certain maintenance contracts); and (iii) earn out consideration of up to £50,000 (calculated by reference to EBITDA). These deferred and earn-out consideration elements were subsequently bought out by CSS Total Security.

Under this share purchase agreement, the Browns gave warranties, on a joint and several basis, to CSS Total Security of a customary nature for a transaction of this size and nature in relation to Alarm Bell Company including in respect of share capital, accounts, accounting and financial changes since 31 March 2010, assets, licences and consents, customers and suppliers, finance and guarantees, insolvency, environmental and health and safety, intellectual property, real estate, employees, pensions, contracts and litigation matters. The liability of the Browns for all warranty claims when taken together is limited to an amount equal to 100% of the consideration actually received by them. The Browns are not liable for a claim for breach of warranty unless the amount of all claims taken together exceeds £5,000, in which case the whole amount and not just the excess shall be recoverable. The Browns are not liable in respect of a claim unless CSS Total Security has given the Browns notice in writing of the claim: (i) in respect of a claim for breach of any of the tax warranties or a claim under the tax covenant, within a period of 7 years from 24 January 2011; and (ii) in the case of all other warranty claims within the period of 2 years from 24 January 2011.

Under this share purchase agreement, the Browns entered into restrictive covenants for the benefit of CSS Total Security and Alarm Bell Company. The Browns agreed not to compete with Alarm Bell Company for a period of two years from 24 January 2011. In addition, the Browns agreed: (i) not to solicit fire alarm or other security system customers for a period of three years from 24 January 2011; (ii) not to solicit senior employees of Alarm Bell Company for a period of three years from 24 January 2011; and (iii) not to use any trade or domain name or email addresses used by Alarm Bell Company.

CSS Total Security and the Browns also entered into a tax covenant in favour of CSS Total Security in respect of liabilities to taxation of Alarm Bell Company for all periods ending on 24 January 2011 in a form which is usual for a transaction of this size and nature. There is no contractual limit on the amount of the liability of the Browns under the tax covenant.

13.1.7 Agency and management services agreement

Photobase entered into an agency agreement and a management services agreement with CSS Total Security dated August 2010. Pursuant to the agency agreement, Photobase appointed CSS Total Security as its exclusive sales agent for its biometric identification and access control products and agreed to pay CSS Total Security a commission equal to 50% of the after tax annual profit of Photobase. Pursuant to the management services agreement, CSS Total Security agreed to provide certain other services to Photobase in consideration for an annual fee of £40,000 plus VAT (payable quarterly in arrears). Both the agency agreement and the management services agreement expire on 5 September 2012 and can be terminated by either party at any time on 6 months' notice.

13.1.8 Convertible loan notes issued by the Company

The Company has in issue a number of convertible unsecured loan notes. Interest accrues on these notes at the rates noted below and these notes fall due for redemption on the dates noted below. In addition, these notes are convertible at any time (at the option of the noteholder) into ordinary shares in the capital of the Company. The conversion price per ordinary shares (expressed prior to any adjustment that may be required as a result of the Share Consolidation) is as set out below:

Date of issue of notes	Amount of principal outstanding	Annual interest rate	Conversion price per Existing Ordinary Share	Redemption date
31 January 2007 ⁽¹⁾	£400,000	5%	5 pence ⁽²⁾	20 December 2012
11 December 2007 ⁽¹⁾	£75,000	5%	5 pence ⁽²⁾	6 December 2012
11 December 2007	£45,000	5%	5 pence	6 December 2012
8 February 2008 ⁽¹⁾	£100,000	10%	5 pence ⁽²⁾	7 February 2013
19 February 2008	£200,000	10%	5 pence	21 February 2013

(1) These loan notes will convert into Ordinary Shares upon Admission.

(2) It has been agreed that these loan notes will convert at the Placing Price upon Admission.

14. Litigation

So far as the Company is aware, neither the Company nor any other member of the Enlarged Group is or has been engaged in nor has pending or threatened against it any governmental, legal or arbitration proceedings which may have, or have had in the recent past (being the 12 months immediately preceding the date of this document), a significant effect on the Enlarged Group's financial position or profitability.

15. Working capital

The Directors and proposed Directors are of the opinion that, having made due and careful enquiry and after taking into account existing bank facilities and the net proceeds of the Placing, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

16. No significant change

Save as set out in this Admission Document, there has been no significant change in the financial or trading position of (i) the Group since 31 December 2011 (being the end of the last financial period for which unaudited interim financial information has been published in respect of the Group) or (ii) the CSS Companies since 30 June 2011 (being the end of the last financial period for which audited financial information has been published in respect of the CSS Companies).

17. Consents

- 17.1 N+1 Brewin has given and not withdrawn its consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- 17.2 Grant Thornton UK LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its written consent to the inclusion of the references to its report set out in Part 3 of this document in the form and context in which it appears and has authorised the context of such report for the purposes of Schedule 2 of the AIM Rules.

18. Expenses and fees

- 18.1 The total fees, costs, charges and expenses payable by the Company in connection with the Placing, the Acquisition and Admission are estimated to be £0.9 million (including VAT).
- 18.2 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in the document and trade suppliers) has received, directly or indirectly, from any member of the Enlarged Group within the twelve months preceding the date of application for Admission or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from it on or after Admission:
- 18.2.1 fees totalling £10,000 or more;
 - 18.2.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - 18.2.3 any benefit with a value of £10,000 or more at the date of Admission.
- 18.3 Coburg Capital Limited (a company controlled by Charles Neil McMicking) received fees of £21,000 (plus VAT) during the period of 12 months preceding the date of this document for services rendered to the Group in connection with the sale by the Company of RDDS Avionics Limited. Coburg Capital Limited will be paid fees of £30,000 (plus VAT) following Admission for services rendered to the Group in connection with the Acquisition.

19. General

- 19.1 BDO LLP, One Victoria Street, Bristol BS1 6AA, were the auditors of the Company for the financial years ended 30 June 2009 and 2010. BDO LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 19.2 Grant Thornton UK LLP, 1-4 Atholl Crescent, Edinburgh EH3 8LQ, were the auditors of the Company for the financial year ended 30 June 2011. Grant Thornton UK LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 19.3 The financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Act. The consolidated financial statements of the Group in respect of each of the three financial years ended 30 June 2009, 2010 and 2011 have been delivered to the Registrar of Companies in England and Wales. The audit report for the year ended 30 June 2009 was unqualified and did not contain a statement under section 498 of the Act. The audit report for each of the two years ended 30 June 2011 was unqualified, however included reference to matters which the auditors drew attention by ways of emphasis without qualifying their report and did not contain a statement under section 498 of the Act. The aggregated financial information of the CSS Companies in respect of each of the three financial years ended 30 June 2009, 2010 and 2011 has been prepared solely for the purpose of this document in Part 3 of this document.

19.4 Application has been made for the Ordinary Shares (following the Share Consolidation) to be enabled for settlement in CREST. The ISIN for the Ordinary Shares (following the Share Consolidation) is GB00B5MJV178. The Placing Price represents a premium of 70 pence over the nominal value of 5 pence per Ordinary Share.

20. Documentation incorporated by reference

The table below sets out the information that is incorporated by reference into this document. Each of the documents set out in the table below is available for inspection as set out in paragraph 21 of Part 7 (“Additional information”) of this document and is available on the Company’s website at www.cromagroup.co.uk. No information which is incorporated by reference into any of the documents set out in the table below is incorporated by reference into this document.

Document	Information incorporated by reference into this document	Page number(s) of such document
Croma Group plc - Report and Financial Statements for period ended 30 June 2009	Auditor’s report on financial statements for period ended 30 June 2009	11 to 12
Croma Group plc - Report and Financial Statements for period ended 30 June 2009	Consolidated income statement, consolidated statement of financial position, the company balance sheet, the consolidated cashflow statement, the consolidated statement of changes in equity and the related notes	13 to 55
Croma Group plc - Report and Financial Statements for period ended 30 June 2010	Auditor’s report on financial statements for period ended 30 June 2010	14 to 15
Croma Group plc - Report and Financial Statements for period ended 30 June 2010	Consolidated statement of comprehensive income, the consolidated statement of financial position, the company balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes	16 to 55
Croma Group plc - Report and Financial Statements for period ended 30 June 2011	Auditor’s report on financial statements for period ended 30 June 2011	15 to 16
Croma Group plc - Report and Financial Statements for period ended 30 June 2011	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	17 to 64
Croma Group plc - Unaudited Interim Financial Information for the six months to 31 December 2011.	Consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement and the related notes	-

21. Availability of documents

20.1 Copies of this document (and of any information incorporated by reference into this document) will be available to the public during normal business hours on any weekday (Saturday, Sunday and public holidays excepted) free of charge from the registered office of the Company and the offices of Shepherd and Wedderburn LLP (1 Exchange Crescent, Conference Square, Edinburgh EH3 8UL) for a period of at least one month after Admission.

Date 1 March 2012

NOTICE OF GENERAL MEETING



Croma Group plc

*(Incorporated and registered in England and Wales under the Companies Act 1985
with registered number 03184978)*

Notice is hereby given that a general meeting of Croma Group plc (the "Company") will be held at the offices of Shepherd and Wedderburn LLP at Condor House, 10 St. Paul's Churchyard, London EC4M 8AL at 10 a.m. on 26 March 2012 for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

THAT:

1. every 50 ordinary shares of 0.1 pence each in the capital of the Company (as shown in the register of members of the Company at 6.00 p.m. on 26 March 2012) be and are hereby consolidated into one new ordinary share of 5 pence each (a "New Ordinary Share"), provided that where such consolidation results in any member being otherwise entitled to a fraction of a New Ordinary Share, such fraction shall be aggregated with the fractions of a New Ordinary Share to which other members of the Company may be entitled (up to such number as will result in a whole number of New Ordinary Shares, with any balance remaining unconsolidated and unclassified) and the directors of the Company be and are hereby authorised to sell (or appoint any other person to sell to any person), on behalf of the relevant members, all the New Ordinary Shares representing such fractions at the best price reasonably obtainable to any person, and to distribute the proceeds of sale (net of expenses) in due proportion among the relevant members entitled thereto (save that: (i) any fraction of a penny which would otherwise be payable shall be rounded up or down in accordance with the usual practice of the registrar of the Company; and (ii) individual amounts not exceeding £3.00 shall be retained by the Company for its benefit) and that any director of the Company (or any person appointed by the directors of the Company) shall be and is hereby authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant members and to do all acts and things the directors consider necessary or desirable to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such shares;
2. the limit on the aggregate amount of fees that may be paid by the Company to its non-executive directors be increased to £100,000 per annum and any previous payments made to non-executive directors in excess of any previously applicable limit be ratified;
3. the proposed acquisition by the Company of CSS Total Security Limited and CSS Locksmiths Limited, on the terms and subject to the conditions set out in the conditional sale and purchase agreement dated 1 March 2012 entered into among the Company, Roberto Fiorentino and others (the "Acquisition Agreement"), as described in the admission document of the Company dated 1 March 2012 of which this notice forms part, be and is hereby approved for all purposes and that the directors of the Company (or any duly authorised committee thereof) be and they are hereby authorised to take all such steps as they consider necessary or appropriate to effect the same and to agree all such modifications, variations, amendments or revisions to the Acquisition Agreement as they consider necessary or appropriate, and to do or to procure to be done such other things in connection with such acquisition, as they consider to be in the best interests of the Company;
4. in addition to any such existing authority, the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £573,000, provided that such authority shall expire on 28 February 2013, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry;

5. in addition to any such existing power, the directors be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) pursuant to the authority conferred on them by part 4 of this resolution for cash up to an aggregate nominal amount of £573,000, as if section 561(1) of the Act did not apply to any such allotment, provided that such power shall expire on 28 February 2013, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry; and
6. the name of the Company be changed from Croma Group plc to Croma Security Solutions Group plc.

1 March 2012

By Order of The Board

Registered Office:
Emerald House
East Street
Epsom
Surrey
KT17 1HS

James Dunion
Company Secretary

Notes:

1. Appointment of proxy

Any shareholder who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be shareholders) to attend the meeting and speak and vote instead of the shareholder. If more than one proxy is appointed each proxy must be appointed to exercise rights attached to different shares. Appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

In order for a proxy form to be valid, it must be completed and signed and returned to the Company's registrars Neville Registrars Limited, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA so they receive it no later than 10 a.m. (UK time) on 24 March 2012.

A shareholder wishing to appoint multiple proxies should photocopy the proxy form. It will be necessary for the shareholder to indicate on each separate proxy form the number of shares in relation to which each proxy is authorised to act.

2. Appointment of proxy using CREST

Shareholders may also appoint proxies online through CREST by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST proxy instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages, whether relating to the appointment of a proxy or the amendment to an instruction given to a previously appointed proxy, must be transmitted so as to be received by the Company's registrars, Neville Registrars Limited (ID 7RA11) by 10 a.m. (UK time) on 24 March 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or CREST voting service provider take) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST proxy instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3. Changing proxy instructions

To change your proxy instructions you will need to convey your changed instructions to your duly appointed proxy.

Where you have appointed the Chairman of the meeting as your proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the shareholder helpline on +44 121 585 1131 to obtain another proxy form.

If you submit more than one valid proxy appointment, the appointment executed last before the latest time for the receipt of proxies will take precedence.

Where you have appointed the Chairman of the meeting as your proxy and wish to revoke his appointment or to change your voting instructions, please ensure that your revocation or amended voting instructions are received by the Company before the commencement of the meeting.

4. Termination of proxy appointments

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating that you revoke your proxy appointment to the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company's registrars, Neville Registrars Limited, no later than 9 a.m. (UK time) on 26 March 2012. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person and vote, your proxy appointment will automatically be terminated.

5. Corporate representatives

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

6. Record date

To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 10 a.m. (UK time) on 24 March 2012 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. Other matters

Shareholders may not use any electronic address provided in either this notice or any related documents (including the admission document and proxy form), to communicate with the Company for any purposes other than those expressly stated.

8. Statement of capital and voting rights

As at 29 February 2012 (being the latest practical date prior to publication of this notice), the Company's issued share capital consisted of 189,337,815 Ordinary Shares which each carry one vote. Therefore, total voting rights in the Company as at 29 February 2012 are 189,337,815.