

CROMA SECURITY SOLUTIONS GROUP PLC
("CSSG", the "Company" or the "Group")

FINAL RESULTS
FOR THE YEAR TO 30 JUNE 2017

CROMA SECURITY SOLUTIONS GROUP PLC, the AIM quoted total security services provider, announces its results for the year ended 30 June 2017.

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

Highlights

- Revenue growth to £22.06M an increase of 15.9%
- Gross margin: £4.03M an increase of 3.5%
- EBITDA £0.8M an increase of 35%
- Balance sheet net assets £10.30M
- Earnings per share 2.13p
- Trading in the current financial year appreciably ahead of last year

An electronic copy of the annual report is available from the Group's website www.cssgplc.com along with the Notice of AGM.

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Chairman's Statement

I am pleased to report Croma Security Solutions Group's final results for the year to 30 June 2017.

The year has once again delivered on our core strategy of organic growth, coupled with innovation and strictly targeted acquisitions.

Financial prudence and responsibility are central to our ongoing strategy in order to shape an outstanding security services group that delivers for clients, staff and shareholders.

The growth in the Group has been driven in the Croma Vigilant and Croma Security Divisions while Croma Locksmiths continues to develop following our acquisition of Access Locksmiths in December 2015.

Our aim is to build a recognised brand that is synonymous with the provision of the highest level of total security services. We are stringently focused on quality and outstanding service delivery for our clients. More clients are seeing the benefit of having all of their security needs provided by one contractor and we are delivering tangible benefits to them.

Croma Vigilant has seen 14% top line growth, winning contracts in the private and public sectors with particularly strong growth in the property management and infrastructure sectors. We have invested heavily in our personnel this year in training standards and capability.

The guarding industry is changing fast and we are leading the charge. The traditional model of the low paid, lowly motivated officer is over and the current security climate demands capable, well trained and highly motivated officers. Croma Vigilant, where we utilise ex-military security professionals, has created a niche in a mediocre market place and our clients and potential clients welcome it.

Croma Security continues to deliver a significant level of new works for Odeon Cinemas and our second cinema chain continues to develop. In addition to the leisure industry, Croma Security has continued to win and compete for high end security solutions for high net worth individuals and we are becoming a provider of choice in this community. Croma Security has seen an increase in turnover this year and we see this trend continuing as our strategy evolves.

Croma Biometrics has been involved this year with a number of larger opportunities to bring FastVein™ to the forefront as a potent biometric high-speed human identifier. Identity management is a highly topical area and with our unique FastVein™ system, we are placed to benefit from this as a Group. Following the successful installation of FastVein into St Mary's Ascot School major systems have been installed at Cheltenham Ladies College, West Hill Park School and further along the UK Coast in Brighton. This year has also seen FastVein™ deployed in the construction sector. FastVein™ has seen considerable investment from the Group and although the concept is still in its early stages of development, we see it is a key part of our offering to clients.

Croma Locksmiths has been subject to a slowdown in general trade and a delay to the anticipated start date for our major contract, although this has now commenced. This impacted the numbers significantly and has led to a further restructuring of the business.

The focus of the Group remains that of delivering sustained growth by our unique offering to the security market. We aim to be a Group apart, a true one stop offering where clients can have all of their security requirements serviced by one vertically integrated Group. The security market remains fragmented and flat footed and we aim to capitalise on this by outstanding service delivery and aggressive marketing.

OUTLOOK

The Group has started the new financial year with trading considerably ahead of the equivalent period last year and we look forward to continuing this momentum and updating the market in due course.

I would like to thank all employees of the Group for their hard work over the last year. Putting a Group together by acquisition has had its challenges but our staff and our clients are seeing something luminous and refreshing, a Group that lives by outstanding service delivery while stringently managing its finances and delivering growth and return for its shareholders.

Sebastian Morley
Chairman
3 November 2017

Extract from the Strategic Report

The Group's strategic objectives are:

- to deliver market leading full service security offerings to the top end of the corporate and residential markets. This will be achieved by maintaining quality of service as a priority, focusing efforts on those clients who appreciate our differentiated offering, and leveraging our brand and client base;
- to produce consistent growth in clients and financial performance, by maintaining our margins and managing our costs. Acquisitions will be pursued only when they can be seen clearly to add value to the Group without imposing excessive burdens of operational consolidation;
- to develop and bring to market new technologies where feasible; and
- to deliver meaningful shareholder returns.

The Group's longer term objectives are to grow our core offerings in the UK and abroad until we are the security provider of choice to leading large corporates, to expand our service offering to include e-security, and to develop specific high-end national projects.

The maintenance and expansion of solutions to the present client base is fundamental. The Group continues to develop historical clients, some of whom currently use a diverse range of contractors, in order to bring all their needs under one roof when this makes good business sense for both parties.

The Group also continues developing overseas opportunities in particular in the Middle East. Whilst these require a high level of input, Croma see that this market will be a large contribution to overall future expansion

The performance of each business segment is discussed below:

Croma Vigilant

Croma Vigilant saw 14% top line growth with sales increasing to £16.40M (2016: £14.29M)

Operating profit decreased to £0.47M due to client driven training requirements after the succession of terror attacks. This level of training will not recur in the present year.

The year has seen the biggest change in the industry in our 20 years of trading. The reality of the terror threat in public places has started something of a revolution in how security services are seen and delivered. Most of our security officers operate in high footfall areas and with strong encouragement from us, our clients are buying into a more capable and well-trained security service working with and alongside the police.

Croma Vigilant's ex-military high grade offering has always been at the cutting edge of the U.K. guarding market and the general lifting of the bar for the industry will be extremely beneficial to us.

Our aim is to grow organically, gaining contracts from private and public organisations who demand the best.

Croma Security Systems

Croma Security Systems has seen turnover improve with continued orders in the leisure and education and construction sectors. Although client budgets remain tight there is a very promising pipeline. Turnover for the year has risen modestly by 4% to £2.36M (2016: £2.27M), with operating profit up to £0.46M (2016: £0.41M).

Last year Croma Security Systems adjusted the sales effort by bringing on board an existing internal and highly experienced engineer. This is allowing the current team to pass over smaller items to a technically capable individual. This was a very successful move and this year we have brought over another member of staff to further grow our sales effort.

Croma Security Systems continues to provide a full range of electronic security solutions for a wide range of clients. Both of our Cinema client contracts have improved upon last year with more new works placed. A number of new projects and refurbishment contracts have materialised and our pipeline continues to look positive. The increased level of works in this sector has brought about an additional dedicated member of staff to support the client account manager. The education sector has featured heavily in our sales this year as Croma continues to offer expertise and differentiation to these clients.

Croma Biometric - *FastVein*TM

As per our statement last year Croma Biometrics continues to develop and turnover has improved to £0.35M (2016: £0.17M). There has been continued investment in developing new software, client applications and marketing. Whilst development expenditure continues to outstrip revenues, again we remain highly confident that the current development and future opportunities justify the on-going investment.

We have delivered further projects in the education sector and we continue our plan to deliver further installations into this sector. We see the retail sector as an opportunity especially in the monitoring of staff attendance in addition to controlling access to sensitive areas thus offering demonstrable savings to our clients. This year has also seen a major construction application for *FastVein*TM and we plan to expand on this success in the near future.

In addition to major enhancements to our software capabilities and the availability of additional software engineers Croma Biometrics delivered a high-end external housing that finally places the *FastVein*TM device on the radar of our more discerning clients.

Croma Locksmiths

Croma Locksmiths has again seen a large change this year following the acquisition of a South Coast competitor which brought the total number of retail outlets to seven between Brighton and Poole/Bournemouth. Turnover increased to £2.95M (2016: £2.31M) and operating profit improved to £0.2M (2016: £0.09M), however this improvement was due mainly to the reversal of contingent consideration arising on the acquisition of Access Locksmiths in 2015. Without this reversal operating profit would have been at break even.

Sales have continued to be slow and a major contract that was scheduled to commence during the year was delayed into the present financial year, with many costs including additional staff hired in anticipation of the contract commencement.

M Whettingsteel, the operations director of Croma Locksmiths, resigned from the business in August 2017. His operational duties will now be covered by existing management.

Croma Locksmiths will be concentrating on delivery of the major contract whilst continuing with operational system changes.

Opportunity for consolidation in the sector still exists.

Outlook and priorities

The Group remains focused on driving growth, predominantly in the UK and overseas.

An enhanced sales team straddling the entire Group is in place and awareness of the Croma brand within the target market is increasing.

Croma Group's web presence continues actively to promote services along with email, social media, and exhibitions.

Croma Vigilant continues to see strong evidence that the high quality of their service offering is being well received and that intelligent and discerning companies will pay a premium for a reliable and effective guarding service.

Croma Security Systems is predominantly focused on providing integrated and reliable security systems. Corporate clients represent the company's best opportunities and best returns in terms of turnover and margin. In the year to 30 June 2018 the merging of Croma Locksmiths and Croma Security Systems will offer efficiencies to the business and increased benefits to our clients.

As a highly respected specialist, Croma Security Systems is directing some attention towards security systems design and consultancy, an area of great strength which we hope to expand especially with overseas clients where our depth of knowledge and experience is not only welcomed but projects with the necessary funding exist.

Croma Biometrics will continue to develop *FastVein*TM in the Education, Construction and Retail Sector. In addition, overseas resellers will be sought. Hardware is being redesigned on an on-going basis to improve the external appearance and reduce controller hardware size and improve efficiency and costs. Our latest versions allow entry into the high end bespoke installations sector whilst still being able to accommodate every day solutions.

Group Financials

	2017	2016
	£000's	£000's
The Group financials can be summarised as follows:		
Revenue	22,058	19,031
Gross profit	4,025	3,890
Gross margin %	18.2%	20.4%
EBITDA	799	588
Operating profit	431	238
Earnings per share	2.13p	0.96p
Net Assets	10,305	10,021
Cash generated from/(used in) operations	1,233	(110)
Dividend paid per share (paid)	0.5p	0.4p

The financial results of the Group are broadly satisfactory but improvements must be sought in the present year.

Revenues have grown by 16% in the year once again, led primarily by growth in our manned guarding division, Croma Vigilant. There was also growth in Croma Locksmiths because we are now reporting a full year's results for five out of 7 of our retail outlets.

The results of our Locksmiths division were disappointing. In particular, we have seen a fall in retail sales of around 7% and reduced spending from our business customers. To counter this fall, we are seeking to improve sales processes at our tills to better integrate with stock control systems. Together with our security systems division, we have recently taken on a new staff member focusing on sales and customer development. This is already bearing fruit.

In Locksmiths, we saw a stock shrinkage adjustment of £83k but with improved systems we are confident this will not recur in the present year. Also we saw the provision against slow moving stock increase to £122k. The Board feels that this is a sufficient level to allow us to reduce our inventories, so benefiting cash flow but without further impacts to the profit and loss account.

Gross profit in Croma Vigilant was slightly down from £1,927k to £1,861k. This was due to one-off costs of £50k, and also the implementation of a client driven training programme after the succession of terror attacks. These costs will not recur in the present year.

During the year cashflow was much improved with cash generated from operations at £1,233k and borrowing on our invoice discounting facility down by £404k to £135k. The key driver behind this change was moving the payment date for many of our employees to after the month for which their earnings accrued. Year-end cash balances and cash generated from operations were improved by £862k because of this change which has also allowed us to use our invoice discounting facilities more effectively and free up cash for investment in the group.

Operating profit was up £193k during the year and we expect more improvement in the present year. The Board has identified a number of synergies within our Locksmiths and Security Systems businesses which should see around £200k savings in administrative costs as the two businesses become operationally merged. The savings will be made in staff costs and in software.

The Board is aiming to maintain the progressive dividend policy adopted in previous periods. During the year an interim dividend of 0.5p per share was paid at a cost of £84k

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

Continuing operations:

	2017	2016
	£000's	£000's
Revenue	22,058	19,031
Cost of sales	<u>(18,033)</u>	<u>(15,141)</u>
Gross profit	4,025	3,890
Administrative expenses	(3,802)	(3,675)
Other operating income	<u>208</u>	<u>23</u>
Operating profit	431	238

Analysed as:

Earnings before interest, tax, depreciation amortisation	799	588
Depreciation	(126)	(109)
Amortisation of intangible assets	(242)	(241)
Operating profit	431	238

Finance expenses	<u>(74)</u>	<u>(61)</u>
Profit before tax	357	177
Tax	<u>3</u>	<u>(24)</u>
Profit for the year from continuing operations	360	153

Total comprehensive income for the year attributable to owners of the parent	<u><u>360</u></u>	<u><u>153</u></u>
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Earnings per share

Basic and diluted earnings per share (pence)	2.13	0.96
Earnings from continuing operations		

Diluted Earnings per share (pence)	2.13	0.95
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017**

Assets	2017	2016
	£000's	£000's
Non-current assets		
Goodwill	7,213	7,213
Other Intangible assets	1,161	1,401
Property, plant and equipment	420	442
	<u>8,794</u>	<u>9,056</u>
Current assets		
Inventories	710	643
Trade and other receivables	3,804	3,446
Cash and cash equivalents	770	392
	<u>5,284</u>	<u>4,481</u>
Total assets	<u>14,078</u>	<u>13,537</u>
Liabilities		
Non-current liabilities		
Deferred tax	(238)	(303)
Trade and other payables	(89)	(140)
	<u>(327)</u>	<u>(443)</u>
Current liabilities		
Trade and other payables	(3,251)	(2,433)
Borrowings	(195)	(640)
	<u>(3,446)</u>	<u>(3,073)</u>
Total liabilities	<u>(3,773)</u>	<u>(3,516)</u>
Net assets	<u>10,305</u>	<u>10,021</u>
 Issued capital and reserves attributable to owners of the parent		
Share capital	845	844
Share premium	6,133	6,129
Merger reserve	2,139	2,139
Retained earnings	1,176	900
Other reserves	12	9
Total equity	<u>10,305</u>	<u>10,021</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Share Capital £000's	Share Premium £000's	Merger Reserve £000's	Retained Earnings £000's	Share Options £000's	Total Equity £000's
At 1 July 2015	743	5,230	2,139	806	6	8,924
New share issue	101	899	-	-	-	1,000
Profit for the year	-	-	-	153	-	153
Dividends paid	-	-	-	(59)	-	(59)
Share option scheme charge	-	-	-	-	3	3
At 30 June 2016	844	6,129	2,139	900	9	10,021
New share issue	1	4	-	-	-	5
Profit for the year	-	-	-	360	-	360
Dividends paid	-	-	-	(84)	-	(84)
Share option scheme charge	-	-	-	-	3	3
At 30 June 2017	845	6,133	2,139	1,176	12	10,305

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	£000's	£000's
Cash flows from operating activities		
Profit before taxation	357	177
Depreciation amortisation and impairment	368	350
Loss on sale of property, plant and equipment	3	10
Net changes in working capital	443	(672)
Financial expenses	74	61
Corporation tax paid	(12)	(36)
Net cash generated from operations	1,233	(110)
Cash flows from investing activities		
Purchase of business including acquisition costs net of cash acquired	(100)	(712)
Purchase of property, plant and equipment	(114)	(73)
Proceeds on disposal of property, plant and equipment	7	67
Net cash used in investing activities	(207)	(718)
Cash flows from financing activities		
New share issue	5	-
Decrease in Hire Purchase	(56)	(38)
(Decrease)/increase in borrowings	(439)	539
Dividends paid	(84)	(59)
Interest paid	(74)	(61)
Net cash used in financing activities	(648)	381
Net increase/(decrease) in cash	378	(447)
Cash and cash equivalents at beginning of period	392	839
Cash and cash equivalents at end of period	770	392

Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("Adopted IFRS's").

While the financial information included in this preliminary announcement has been computed in accordance with Adopted IFRSs, this announcement does not itself contain sufficient information to comply with Adopted IFRSs.

This preliminary announcement does not constitute statutory accounts of the Group for the years ended 30 June 2017 or 30 June 2016.

The financial information for the year ended 30 June 2016 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis. The statutory accounts for the year ended 30 June 2017 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them.

The accounts for the year ended 30 June 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Annual Report will be posted to all shareholders who have requested a copy on 6 November 2017 and will be available on request from Unit 6 Fulcrum 4, Solent Way, Whiteley, Hampshire PO15 7FT and on the Company website at <http://www.cssgplc.com/investors/>. The Annual Report contains full details of the principal accounting policies adopted in the preparation of these financial statements.