

22 October 2018

Croma Security Solutions Group Plc

("CSSG", the "Company" or the "Group")

Final Results for the Twelve Months to 30 June 2018

Increased investment in Security by government and private enterprises behind uplift in sales & profits

Croma Security Solutions Group plc, the AIM listed total security services provider, announces its final results for the twelve months to 30 June 2018.

Substantial uplift in sales and profits

- 59% increase in revenues to £35.1m (2017: £22.1m)
- Significant rise in EBITDA to £2.5m (2017: £0.80m)
- Substantial increase in pre-tax profits to £1.98m (2017: 0.36m)
- Substantial increase in earnings per share to 9.89p (2017: 2.13p)
- Paid and proposed dividends up to 1.6p (2017: 0.5p)

Real and perceived increases in security concerns behind record trading performance

- Strong demand for total security solutions from private enterprises and government bodies
- Organic growth across the main operating divisions
- Croma Vigilant - sales increasing by 77%:
 - over 1,000 security personnel;
 - secured an increase in the number of long-term contracts; and
 - now providing community policing support in London under the Community Safety Accreditation Scheme.
- Croma Systems and Locksmiths - sales increasing by 9.6%:
 - a good performance with demand for products across the division;
 - particularly strong performance from the Locksmiths retail chain; and
 - new opportunities for the Group's FastVein (Biometrics) technology.

Outlook for FY 2019

- Good to start to the financial year with an increase in contracted revenues
- Look to maintain progressive dividend policy for FY 2019

Sebastian Morley, Chairman of CSSG, said:

“This has been an exceptional year for our business. Demand has increased on the back of real and perceived security concerns and critically for Croma we are benefitting from this but also increasing our market share. Our offer has evolved to become a total security solution which when delivered by our teams of ex-military personnel is proving to be compelling. Our financial results have been helped in this year by some large one-off projects, even so, our ongoing trading performance backed by an increase in the number of long-term contracts is more than double two years ago which is reflected in the Board's confidence in recommending a final dividend of 1p per share, bringing the total for the year to 1.6p per share, which is a three-fold increase on the prior year.”

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

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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.

Chairman's Statement

This has been a highly successful year for the business and I am delighted to report Croma Security Solutions Group Plc's ("Croma" or the "Group") Final Results for the 12 months to 30 June 2018, which show Group revenues increasing by 59.2% to £35.1m and Group EBITDA increasing by more than three times to £2.5m, a very strong financial performance driven by a number of factors which bode well for our future.

Demand across the UK for security solutions from both the private and public sector has grown significantly. Institutions have responded to the perceived and real increases in crime and terror occurrences and together with government bodies are choosing to outsource security. Alongside this growth in demand, Croma is winning an increasing share of the security market as institutions opt for a premium service delivered by our team, run with a strong ex-military ethos.

While FY 2018 has been flattered by unusually high levels of project work, the overall trends are positive, and the current year will benefit from an increase in levels of ongoing contracted revenues together with a more normalised level of project work.

Premium Positioning

Our success in winning an increasing share of our market comes from being able to provide total security solutions for large corporations and institutions utilising some of the most advanced and innovative security technology available to the commercial market. Perhaps most importantly, and distinct from any other competitor in our market place, Croma's premium service is delivered under the control and direction of ex-military security professionals. The contrast with providing capable, well trained and highly motivated officers compared with the more traditional model of the low paid and lowly motivated officer, is stark. Once this is put into today's security context, it is understandable why an increasing number of clients are opting for Croma's premium service.

In addition, the Group's understanding and ability to incorporate commercially available security technology (which tends to lag behind military grade technology) is another key competitive advantage.

Trading Performance

All main divisions have performed well in the year under review, delivering significant increases in organic led growth. 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.

Delivering a significant 77% uplift in revenues, Croma Vigilant, our manned guarding division has had a very good year. Our strategy of providing ex-military professionals to protect the assets of our customers has worked well and we are seeing the benefits of our growing reputation for providing a reliable and a premium level of service. Growing customer trust is enabling us to increasingly position ourselves as a total security solutions provider so that we can bring in expertise from other parts of the Group to existing Croma Vigilant clients. In addition to providing manned guarding solutions, Croma Vigilant also provides complementary police services to local councils under the 'Community Safety Accreditation Scheme', a growing incremental revenue stream.

A combined 9.6% increase in revenues for Croma Security Systems and Locksmiths demonstrated the increasing demand for innovative technical security solutions. During the year, this division benefitted from a strong performance by Croma Locksmiths, a retail chain acquired in 2015 together with winning

a significant new 3-year contract with a major UK utility company. Croma Biometrics remains a significant opportunity for the Group with FastVein™ coming to the forefront as a potent biometric high-speed human identifier.

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.

Dividend

Reflecting the excellent financial performance over the year the Board is pleased to recommend a final dividend to shareholders of 1.0p per share (total 1.6p per share for the year) and subject to approval at the Annual General Meeting to be held on 28 November, the final dividend will be paid on 30 November 2018 to all shareholders on the register at the close of business on 9 November 2018. The shares will be marked ex-dividend on 8 November 2018.

Outlook

Given the platform provided by the significant improvement in the financial performance and trading position of the Group over the last two years, the Directors believe the outlook Croma is extremely positive.

In the current financial year, we can expect to replicate some but not all of the project income we received in FY 2018 due to some large exceptional projects that are unlikely to be repeated. However, there has been a substantial increase in contracted income and this together with the expectation of some further project work make the Board confident of achieving a good result for the year, consistent with the underlying growth in the business.

Finally, I would like to thank all employees of the Group for their tremendously hard work over the last year and I look forward to working together again this year to achieve another excellent performance.

Sebastian Morley
Chairman
22 October 2018

Extract from the Strategic Report

The Group's strategic objectives are:

- to deliver market leading full service security offerings to the upper quartile end of both large corporations and government. Achieved by maintaining quality of service as a priority, focusing on meeting the full range of our clients security needs, and leveraging our brand and client base;
- to produce consistent growth in 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;
- to develop and bring to market new technologies, and;
- to deliver attractive shareholder returns.

Each company has Key Performance Indicators which are monitored and reported to the executive Directors on a monthly basis. These are discussed below.

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 expand the services to long-term 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 to develop overseas opportunities in particular in the Middle East. Whilst these require a high level of input, Croma believes this market will be an important future market.

The performance of each business segment is discussed below:

Croma Vigilant

Croma Vigilant, our largest division, saw a 77% top line growth, with sales increasing to £29.0m (2017: £16.40m) and operating profit increasing five-fold to £2.59m (2017: £0.47m).

Croma Vigilant provides manned guarding for assets and individuals. The division now employs over 1,000 security personnel throughout the UK.

A combination of increased public and private concerns over security, lack of public resources and Croma Vigilant's strengthening market reputation for providing a professional, premium service has been behind this record performance. As ever, our customers consistently refer to the reassurance that comes from knowing that the execution of our services is performed significantly by ex-military personnel.

Following previous patterns, the split between private and public revenues remains an approximate two thirds/one third split. During the year, Croma Vigilant division won six new contracts from both public and private organisations of which two were one-off projects and boosted financial performance, however, the balance of contracts are long-term and one contract in particular with a major UK local authority is the largest the Group has ever won. The contract is for six years providing a range of security services and is worth approximately £27m in total.

In March 2018 we were proud to publish our gender pay gap reports for the first time. These indicate that there is no significant pay gap between men and women in our organisation, demonstrating our commitment to providing an environment in which all employees have equal opportunities for development and progression.

May 2018 saw the launch of a new service, PRO-ception, aimed at providing front of house excellence for commercial buildings whatever their use. PRO-ception is an innovative concept, making the modern reception part of a building's security. Led by ex-policewoman Ruth McGowan, PRO-ception provides security trained receptionists to both manage the front desk and play an active role in security. The response to what is a new concept has been very encouraging.

In our half year results announcement, we confirmed Vigilant had completed the Community Safety Accreditation Scheme so enabling the division to provide private security within communities using mobile and foot patrol officers. Reduced government budgets have increased the focus on outsourcing and to meet the reduction in the number of police officers patrolling the streets, our highly disciplined force of security personnel is well placed to support the regular police and local communities. In January 2018, Vigilant won a long-term contract to support the police in one of London's largest boroughs.

The current year has begun well with a good pipeline of new business opportunities.

Croma Security Systems

Croma Security Systems grew sales by 13% to £2.67m (2017: £2.36m) and operating profit by 2.6% to £0.48m (2017: £0.47m). The division has completed a successful 12 months expanding its presence in the leisure, education, utilities and construction sectors. In support of the Group's focus on providing total security solutions, Croma Security Systems continues to provide a full range of electronic security solutions from CCTV, high security locks to FastVein biometrics technology for high speed human identification.

Croma Locksmiths

Recovering from a challenging previous year, Croma Locksmiths, which operates through 7 retail outlets on the South Coast of the UK and centrally through the Group, delivered a strong performance for the year and sales grew by 6.9% to £3.15m (2017:£2.95m). With an excellent contribution from the Access Locksmiths retail outlets acquired in 2015, this performance was further enhanced by the securing of a 3-year contract with a major utility company to supply security solutions for their multiple sites across the UK. Looking ahead, investment is being made to enable the retail sites to evolve into security centres so they can act as both showrooms for the wider Groups' security capabilities and continue as retail outlets.

Croma Biometrics

Croma Biometrics turnover fell slightly to £308k (2017: £346k) with an operating loss of £267k (2017: 186k).

Our FastVein™ biometrics technology provides significant future potential for the Group. Currently deployed across the retail, education and construction sectors it provides customers with quick, easy to use, accurate and cost-effective data. FastVein™ has clear commercial advantages and we are continuing to invest in further developing the technology and expanding the marketing of this exciting product. Interest from future potential customers in FastVein™ has been strong and we anticipate increasing the number of FastVein™ contracts in the current year.

Group Financials

	2018	2017
	£000's	£000's
The Group financials can be summarised as follows:		
Revenue	35,119	22,058
Gross profit	7,149	4,025
Gross margin %	20.4%	18.2%
EBITDA	2,500	799
Operating profit	2,013	431
Earnings per share	9.89p	2.13
Net assets	11,077	10,305
Cash generated from operations	2,689	1,233
Dividend paid per share	0.6p	0.5p

Cashflow has been exceptionally strong with cash generated from operations at £2.69m (2017: £1.2m) and the Group has been able to repay all medium-term borrowings and also to complete the purchase of own shares from a former director. Although the existing invoice discounting facility of up to £1m remains available to fund short term requirements, this has hardly been used in the second half of the year and as a result overall borrowing costs have reduced by 49% to £38k.

The Board maintains the progressive dividend policy adopted in previous periods and is pleased to recommend a final dividend to shareholders of 1.0p per share. During the year an interim dividend of 0.6p per share was paid at a cost of £89k.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

Continuing operations:

	2018		2017	
	£000's	£000's	£000's	£000's
Revenue		35,119		22,058
Cost of sales		<u>(27,970)</u>		<u>(18,033)</u>
Gross profit		7,149		4,025
Administrative expenses		(5,136)		(3,802)
Other operating income		<u>-</u>		<u>208</u>
Operating profit		<u>2,013</u>		<u>431</u>
Analysed as:				
Earnings before interest, tax, depreciation amortisation	2,500		799	
Depreciation	(161)		(126)	
Amortisation of intangible assets	<u>(326)</u>		<u>(242)</u>	
Operating profit	2,013		431	
Finance expenses		<u>(38)</u>		<u>(74)</u>
Profit before tax		1,975		357
Tax		<u>(359)</u>		<u>3</u>
Profit for the year from continuing operations		1,616		360
Total comprehensive income for the year attributable to owners of the parent		<u><u>1,616</u></u>		<u><u>360</u></u>

Earnings per share

Basic and diluted earnings per share (pence)				
Earnings from continuing operations		9.89		2.13

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018**

Assets	2018	2017
	£000's	£000's
Non-current assets		
Goodwill	7,213	7,213
Other Intangible assets	835	1,161
Property, plant and equipment	476	420
	<u>8,524</u>	<u>8,794</u>
Current assets		
Inventories	668	710
Trade and other receivables	6,077	3,804
Cash and cash equivalents	2,154	770
	<u>8,899</u>	<u>5,284</u>
Total assets	<u>17,423</u>	<u>14,078</u>
Liabilities		
Non-current liabilities		
Deferred tax	(197)	(238)
Trade and other payables	(12)	(89)
	<u>(209)</u>	<u>(327)</u>
Current liabilities		
Trade and other payables	(6,071)	(3,251)
Borrowings	(66)	(195)
	<u>(6,137)</u>	<u>(3,446)</u>
Total liabilities	<u>(6,346)</u>	<u>(3,773)</u>
Net assets	<u><u>11,077</u></u>	<u><u>10,305</u></u>
Issued capital and reserves attributable to owners of the parent		
Share capital	794	845
Treasury Shares	(399)	-
Share premium	6,133	6,133
Merger reserve	2,139	2,139
Capital redemption reserve	51	-
Retained earnings	2,347	1,176
Share options	12	12
Total equity	<u><u>11,077</u></u>	<u><u>10,305</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Share Capital £000's	Capital Redemption Reserve	Treasury Shares	Share Premium £000's	Merger Reserve £000's	Retained Earnings £000's	Share Options £000's	Total Equity £000's
At 1 July 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
Shares redeemed	(51)	51	-	-	-	(354)	-	(354)
Treasury shares acquired	-	-	(406)	-	-	-	-	(406)
Treasury shares issued	-	-	7	-	-	(2)	-	5
Profit for the year	-	-	-	-	-	1,616	-	1,616
Dividends paid	-	-	-	-	-	(89)	-	(89)
At 30 June 2018	794	51	(399)	6,133	2,139	2,347	12	11,077

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	£000's	£000's
Cash flows from operating activities		
Profit before taxation	1,975	357
Depreciation amortisation and impairment	487	368
Loss on sale of property, plant and equipment	-	3
Net changes in working capital	263	443
Financial expenses	38	74
Corporation tax paid	(74)	(12)
Net cash generated from operations	2,689	1,233
Cash flows from investing activities		
Purchase of business including acquisition costs net of cash acquired	-	(100)
Purchase of property, plant and equipment	(264)	(114)
Proceeds on disposal of property, plant and equipment	47	7
Net cash used in investing activities	(217)	(207)
Cash flows from financing activities		
New share issue	-	5
Purchase of treasury shares	(406)	-
Buy back and cancellation of shares	(354)	-
Sale of treasury shares	5	-
Decrease in Hire Purchase	(52)	(56)
Decrease in borrowings	(154)	(439)
Dividends paid	(89)	(84)
Interest paid	(38)	(74)
Net cash used in financing activities	(1,088)	(648)
Net increase in cash	1,384	378
Cash and cash equivalents at beginning of period	770	392
Cash and cash equivalents at end of period	2,154	770

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 2018 or 30 June 2017.

The financial information has been extracted from the statutory accounts of the Company for the year ended 30 June 2018. The auditors reported on those accounts; their reports were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The accounts for the year ended 30 June 2017 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2018 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 22 October 2018 and will be available on request from Unit 7 & 8 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.