

21 October 2019

Croma Security Solutions Group Plc
("Croma", "CSSG", the "Company" or the "Group")
Final Results for the Twelve Months to 30 June 2019

Contracted Income driving increased Shareholder Returns

Croma Security Solutions Group plc, the AIM listed total security services provider, announces its final results for the year ended 30 June 2019.

Financial Highlights

- Sustainable step-change achieved in sales and earnings over the last four years

	2019	2018	2017	2016
Revenues £m	34.6	35.1	22.1	19.0
EBITDA £m	1.9	2.5	0.8	0.6
EPS	7.82p	10.1p*	2.13p	0.96p
Dividend per share	1.8p	1.6p	0.5p	0.4p

- In 2019, trading patterns normalised with lower levels of higher margin project work which were experienced in 2018, an exceptional year
- Contracted revenues in 2019 represented 79% of total revenues (2018: contracted revenue accounted for 72%)
- Underlying sustainable increase in sales and earnings over the last four years driven by demand for Croma's premium security solutions from both government and corporations
- Group has net cash of £1.7 million as at 30 June 2019, after investing £0.589 million during the year
- Recommended 10% increase in final dividend to 1.1p per share making a total dividend for the year of 1.8p per share with dividend cover of 4x

*Adjusted for the purchase and re-issue of treasury shares in the prior year.

Operating Highlights

- Continued strong demand as corporations and government bodies choose to outsource security
- Key long-term manned guarding contracts won by Croma Vigilant particularly in the Estate Management, Health and Utilities sectors
- In its first year PROception, a ground-breaking new service which makes the reception part of a building's security, generated revenues of £0.2m (annualised £0.8m), significantly ahead of budget
- Good progress made towards establishing a national chain of modern security centres with three locksmith businesses acquired during the year, funded by the Group's cash resources

2020

- Current financial year has begun well with good forward visibility from contracted revenues
- Board believe Croma is well placed to improve upon 2019 trading performance

Sebastian Morley Chairman of CSSG said:

“The business has made a step change in performance reflecting increased demand and the strength of our premium offer within the security market. While one-off project work distorts comparisons with 2018, the underlying run rate in earnings has more than doubled over the last three years driven by the increase in contracted income. This, together with our progress towards developing a national chain of security centres and the speed with which the PROception concept has caught on, has made this another good year for the business.

Looking ahead, as a highly cash generative business we are well placed to continue to invest behind making Croma the British homeland security brand and maintain progressive returns to shareholders.”

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

Croma Security Solutions Group Plc

Sebastian Morley (Chairman)

Tel: +44 (0)7768 006 909

WH Ireland Limited

(Nominated Adviser and Broker)

Mike Coe

Chris Savidge

Tel: +44 (0)207 220 1666

Novella

Tim Robertson

Fergus Young

Tel: +44 (0)203 151 7008

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

I am very pleased to report Croma Security Solutions Group Plc's ("Croma" or the "Group") Final Results for the year ended to 30 June 2019. The Group generated revenues of £34.6 million, profit before tax of £1.4m and EBITDA of £1.9 million and did so without the benefit of significant levels of short term, higher margin project work that boosted results in 2018. Instead, trading in 2019 was notable for the increase in the levels of contracted work which have risen to 79% (2018:72%) of revenues and thereby provides greater visibility on the normalised run rate for the business which has achieved a step-change in earnings over the last four years.

At the heart of the Group's security activities is a strong ex-military ethos. It is this ethos that ensures Croma provides a premium level approach to every aspect of delivering security services and solutions. With the increase in demand across the UK for security solutions from both the private and public sector, Croma has benefitted as these bodies have opted for a premium service to ensure the safety of individuals, customers, employees and assets.

This increase in demand for recurring work is reflected in the trading performance for 2019 and in the positive outlook for 2020 and beyond.

Strategy for Growth within UK Security Market

At the beginning of 2019, the Group set out its strategy for establishing Croma as the British security brand. The increase in demand for Croma's premium services was recognised as an opportunity to expand the Group's market position and create a national network of Croma Security Centres alongside setting new standards in providing premium guarding services.

The Board believes there is an opportunity in its market to establish a national chain of modern security centres offering the full range of the Group's services from manned guarding to CCTV, intruder alarm and advanced security systems as well as high security locks. The format is proven to work for both commercial and domestic customers and therefore to create the network the Group intends to acquire locksmith premises and converting them into modern security centres. During the year three locksmiths were acquired and the sites are under conversion.

Croma's core business is manned guarding and success has come from providing capable, well trained and highly motivated officers compared with the more traditional model of the low paid and lowly motivated officer. Known for providing this premium service, Croma is focused on continuing to set new standards across the market. In 2019, the growth and success of PROception is an example of this, as it is currently transforming the way front of house security is performed in offices, hotels and government building up and down the country.

Our business strategy has considered the challenges ahead and the changing market place. We are investing in the appropriate resources and technologies to bring industry leading solutions. We believe the continuous development and use of data analytics and real time communications will be an essential part of the future of security services.

Trading Performance

All three divisions have performed well in the year under review, delivering good levels of profitability. Financial prudence and responsibility continue to be central to our ongoing strategy in order to shape an outstanding security services group that delivers for clients, staff and shareholders.

Croma Vigilant, our manned guarding division had a good year. The division grew contracted revenues so that they now represent 79% of total revenues. Key client wins were achieved in the estate management, health and utility sectors and a number of existing clients' contracts have been extended. 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.

Croma Security Systems and Locksmiths performed well reflecting the increased demand for their services and the ability of the Group to introduce products across the business. Croma Locksmiths in particular made a strong contribution to both revenues and profits. Croma Biometrics remains a significant opportunity for the Group with FastVein™ coming to the forefront as a potent biometric high-speed human identifier.

Dividend

Reflecting the strong financial performance over the year the Board is pleased to recommend a final dividend to shareholders of 1.1p per share (total 1.8p per share for the year) and subject to approval at the Annual General Meeting to be held on 27 November 2019, the final dividend will be paid on 29 November 2019 to all shareholders on the register at the close of business on 8 November 2019. The shares will be marked ex-dividend on 7 November 2019.

Outlook

Heightened concern over the real or perceived threats to security of individuals, customers and assets has led to an increased requirement for Croma's services. We view this demand to be long-term and it has already created a step change in the financial performance of the business.

The future challenge is to use this opportunity to build a larger business with the capability to service and reach a wider customer base across the UK. We are working to achieve this exciting objective whilst ensuring we remain a well-balanced business and operate prudently.

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

Sebastian Morley
Chairman
21 October 2019

Operational Review

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 performance of each business segment is discussed below:

Croma Vigilant

Croma Vigilant, our largest division, generated sales of £28.5m (2018: £29.0m) and operating profit of £1.4m (2018: £2.6m). Importantly, from the perspective of sustainable earnings, contracted revenues represented 88% of revenues (2018: 82%) and while 2018 generated exceptional profits for the Group, the reliability of contracted income provides a stronger base upon which to expand this division.

Croma Vigilant provides manned guarding for assets and individuals and now employs over 750 security personnel throughout the UK. Fundamental to the division's success is the military ethos that pervades through all aspects of the way the division is run to all contact with customers. Croma personnel have a market reputation for being smart, punctual, professional and courteous on a consistent basis which is in stark contrast to the average security guard. The growing retained customer base is increasingly opting for Croma's premium services and takes reassurance from the high standards and professionalism Croma Vigilant brings.

Following previous patterns, the split between private and public revenues remains an approximately two thirds/one third respectively. In the period under review, Croma Vigilant increased its market share in five of its six key target markets the exception being in local government where in 2018 the division had gained significant high margin income from one-off project work. Local government work remains an important market, however, income is now primarily contracted as opposed to being short term projects. During the year the Group recorded key wins in the health, estate management and utilities sector.

Last year, we were proud to publish our gender pay gap reports for the first time which showed that there is no significant pay gap between men and women in our organisation. This continues to be the case and we remain focused on ensuring everyone has an equal opportunity across the organisation.

Led by ex-policewoman Ruth McGowan, PROception is the Group's innovative new front of house concept, making the modern reception part of a building's security. PROception provides security trained receptionists to both manage the front desk and play an active role in security and is transforming the way manned security services are delivered in offices, hotels and public institutions. Responses from the property and leisure sector has been excellent with annualised revenues reaching £0.8m since launch. This is an excellent achievement and bodes well for the future prospects of PROception.

In 2018 Vigilant completed the Community Safety Accreditation Scheme 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.

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

Croma Security Systems

Croma Security Systems recorded sales of £2.70m (2018: £2.97m) and operating profit up over 60% to £0.34m (2018: £0.21m).

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

Croma Locksmiths, which operates through ten retail outlets on the South Coast of the UK and centrally through the Group, delivered a strong performance for the year growing sales to £3.42m (2018: £3.15m) and operating profit increased over 100% to £0.48m (2018: £0.24m).

In February 2019, the Board set out its strategy to become the British Homeland security brand through establishing a national chain of modern security centres. These centres offer the full range of Croma's security solutions from manned guarding, CCTV, intruder alarm and advanced security systems as well as high end security locks. Conversion of the retail outlets into modern Security Centres is well advanced enabling the stores to sell the Group's security capabilities to both domestic and commercial customers.

To establish a national chain of security centres, the Group is looking to acquire locksmith businesses and convert the premises into a Croma security centre. During the year, three locksmith businesses were acquired for conversion.

The locksmith market is highly fragmented and relatively unsophisticated in the UK. With demand for security advice and services increasing, these traditional locksmith stores provide a working base upon which to build a national network. While still in its formative stage, the initial income increases being achieved from the three new sites are encouraging, contributing income of £0.21m (£0.55m on an annualised basis).

With the three completed acquisitions, the Company now has ten retail stores which will all be converted to Croma Security Centres by 2020. The current centres are located in affluent areas close to London in the South West of the UK.

Croma Biometrics

With no new significant installations during the year, Croma Biometrics turnover fell to £101k (2018: £308k), however, 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 while sales have slowed in the period under review, its potential remains unchanged and we are involved in discussions which could well generate significant long-term income.

Group Financials

	2019	2018
	£000's	£000's
The Group financials can be summarised as follows:		
Revenue	34,599	35,119
Gross profit	6,490	7,149
Gross margin %	18.8%	20.4%
EBITDA	1,871	2,500
Operating profit	1,449	2,013
Earnings per share (2018 restated)	7.82p	10.10p
Net Assets	11,990	11,077
Cash generated from operations	462	2,689
Dividend per share in relation to the year	1.8p	1.6p

While gross profits margins reduced from 20.4% to 18.8%, close control of the Group's cost base saw overheads reduce by a noteworthy 2% whilst supporting similar levels of revenue.

Without a one-off benefit from a deferral in its payroll date in 2018, cashflow generated from operations was £0.46m (2018: £2.69m) and Group remains in a strong financial position with no borrowings and net cash of £1.7m after funding £0.6m of investments during the period.

The Board maintains the progressive dividend policy adopted in previous periods and is pleased to recommend a final dividend to shareholders of 1.1p per share (2018:1.0p).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

Continuing operations:

	2019		2018	
	£000's	£000's	£000's	£000's
Revenue		34,599		35,119
Cost of sales		<u>(28,109)</u>		<u>(27,970)</u>
Gross profit		6,490		7,149
Administrative expenses		<u>(5,041)</u>		<u>(5,136)</u>
Operating profit		1,449		2,013
Analysed as:				
Earnings before interest, tax, depreciation amortisation		1,871		2,500
Depreciation		(232)		(161)
Amortisation of intangible assets		<u>(190)</u>		<u>(326)</u>
Operating profit		1,449		2,013
Finance expenses		<u>(2)</u>		<u>(38)</u>
Profit before tax		1,447		1,975
Tax		<u>(281)</u>		<u>(359)</u>
Profit for the year from continuing operations		1,166		1,616
Total comprehensive income for the year attributable to owners of the parent		<u><u>1,166</u></u>		<u><u>1,616</u></u>

Earnings per share

Basic and diluted earnings per share (pence)			
Earnings from continuing operations (2018 restated)		7.82	10.1

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019**

Assets	2019	2018
	£000's	£000's
Non-current assets		
Goodwill	7,311	7,213
Other Intangible assets	647	835
Property, plant and equipment	668	476
	<u>8,626</u>	<u>8,524</u>
Current assets		
Inventories	825	668
Trade and other receivables	6,163	6,077
Cash and cash equivalents	1,729	2,154
	<u>8,717</u>	<u>8,899</u>
Total assets	<u>17,343</u>	<u>17,423</u>
Liabilities		
Non-current liabilities		
Deferred tax	(158)	(197)
Trade and other payables	(23)	(12)
	<u>(181)</u>	<u>(209)</u>
Current liabilities		
Trade and other payables	(5,126)	(6,071)
Borrowings	(46)	(66)
	<u>(5,172)</u>	<u>(6,137)</u>
Total liabilities	<u>(5,353)</u>	<u>(6,346)</u>
Net assets	<u><u>11,990</u></u>	<u><u>11,077</u></u>
Issued capital and reserves attributable to owners of the parent		
Share capital	794	794
Treasury shares	(399)	(399)
Share premium	6,133	6,133
Merger reserve	2,139	2,139
Capital redemption reserve	51	51
Retained earnings	3,272	2,347
Share options	-	12
Total equity	<u><u>11,990</u></u>	<u><u>11,077</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Share Capital £000's	Capital Redemption Reserve £000's	Treasury Shares £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 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 1 July 2018	794	51	(399)	6,133	2,139	2,347	12	11,077
Profit for the year	-	-	-	-	-	1,166	-	1,166
Dividends paid	-	-	-	-	-	(253)	-	(253)
Transfer on lapse of options	-	-	-	-	-	12	(12)	-
At 30 June 2019	794	51	(399)	6,133	2,139	3,272	-	11,990

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	£000's	£000's
Cash flows from operating activities		
Profit before taxation	1,447	1,975
Depreciation amortisation and impairment	422	487
Net changes in working capital	(973)	263
Financial expenses	2	38
Corporation tax paid	(436)	(74)
Net cash generated from operations	462	2,689
Cash flows from investing activities		
Purchase of business including acquisition costs net of cash acquired	(245)	-
Purchase of property, plant and equipment	(356)	(264)
Proceeds on disposal of property, plant and equipment	12	47
Net cash used in investing activities	(589)	(217)
Cash flows from financing activities		
Purchase of treasury shares	-	(406)
Buy back and cancellation of shares	-	(354)
Sale of treasury shares	-	5
Payments to reduce Hire Purchase	(42)	(52)
Payments to reduce borrowings	(1)	(154)
Dividends paid	(253)	(89)
Interest paid	(2)	(38)
Net cash used in financing activities	(298)	(1,088)
Net (decrease)/increase in cash	(425)	1,384
Cash and cash equivalents at beginning of period	2,154	770
Cash and cash equivalents at end of period	1,729	2,154

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").

During the year the Group adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. Neither standard had a material impact on the financial statements.

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 2019 or 30 June 2018.

The financial information has been extracted from the statutory accounts of the Company for the year ended 30 June 2019. 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 2018 have been delivered to the Registrar of Companies, whereas those for the year ended 30 June 2019 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 2019 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.