CROMA SECURITY SOLUTIONS GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 June 2022

CONTENTS

COMPANY INFORMATION

Directors	S J F Morley	(Executive Chairman)
	R M Fiorentino	(Group Chief Executive)
	R A Juett ACA	(Finance Director)
	P Williamson	(Executive Director)
	C N McMicking	(Non-Executive)
	A N Hewson MA FCA	(Non-Executive)
Registered office	Unit 7 & 8 Fulcrum 4 Solent Way Whiteley Fareham Hampshire PO15 7FT	
Registered number	03184978	
Nominated advisers and brokers	WH Ireland Limited 24 Martin Lane London EC4R 0DR	
Registered independent statutory auditor	CLA Evelyn Partners Limited 4th Floor Cumberland House, 15-17 Cumberland Place, Southampton, SO15 2BG	
Solicitors	Shoosmiths Forum 5 Parkway Whiteley Fareham PO15 7PA	
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD	
Principal bankers	Lloyds Banking Group plc 25 Gresham Street, London EC2V 7HN	
	Svenska Handelsbanken AB 3 Thomas More Square London E1W 1WY	
Website	www.cssgplc.com	

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

This has been another solid trading period for the Group and I am therefore very pleased to present the trading results for the 12 months to 30 June 2022.

Coming out of the pandemic period, the Group is equally well positioned as it was when we entered. During the pandemic, we adapted well to the market conditions, maintained our customer and employee base and continued to deliver premium security solutions and services. The Group's financial performance during the year under review, reflects this, with revenues increasing by 8% to £35.16m and earnings before interest, taxation depreciation and amortisation (" EBITDA") excluding government support income for the pandemic, increasing by 23% to £1.6m.

The Group remains debt free, excluding lease liabilities, and with cash balances, as of 30 June 2022, of £2.6m, is well placed to support and expand all parts of the business. Customer demand is strong, evidenced by the increase in sales during the year and the significant new contract wins announced since the year end.

Our strategic objectives have remained unchanged. We are focused on servicing the premium end of the security market and becoming the British security brand in Britain. The locksmith and systems security market remains highly fragmented made up of many small businesses which offer us acquisition opportunities. In the last 12 months we have added three further security centres through two acquisitions, the second coming post year end. Alongside growing by acquisition, we continue to grow organically led by our reputation for delivering a premium service and expanding the range of our services we provide to existing clients, in particular, adding PROception to current manned guarding contracts.

Also underpinning our organic growth is the perceived need amongst private companies and government departments to protect individuals and assets from the range of potential risks. These risks encompass many types of events from anti-social behaviour, vandalism, theft and physical threats to individuals or groups. Sadly, most corporate bodies will at some time experience one of these events and this experience then tends to lead senior management to upgrade the protection of their assets to a premium security service such as ours.

Innovation and in particular, innovation through technology continues to be a specific focus for the Group. We have a strong track record of early adoption where we see opportunity to differentiate and enhance our services. A key focus for the business is our partnership with Finnish firm iLOQ, the iLOQ product is a market leading lock product which is opened and powered by a mobile phone. We are the preferred UK national distributor of iLOQ since October 2021 and we have invested in training our personnel across our security centres to be able to market and install the product nationally. Since the year end, we have signed a contract with a major education partner which has the potential to be rolled out nationally, the first we hope of many such contracts.

The Board is pleased to recommend a final dividend to shareholders of 2.1p per share and subject to approval at the Annual General Meeting to be held on 6 December 2022, the final dividend will be paid on 16 December 2022 to all shareholders on the register at the close of business on 2 December 2022. The shares will be marked ex-dividend on 1 December 2022.

The year under review has been a period of further growth but also one of investment in assets, people and new technologies. The benefit of these investments has been reflected in the excellent new business wins achieved since the year end, the impact of which will be first felt in the current financial year. As a Board, we are also acutely aware of the economic environment and how and where this might impact the Group. Employee retention is a key area and we have been working hard to ensure our employee base receives competitive pay levels combined with a positive and engaging work environment. Our position of having no borrowings and continued positive cash balances, ensures we have the financial flexibility to support our businesses where necessary.

As a consequence, the Board is confident in the prospects of the business.

Sebastian Morley (Nov 9, 2022 16:40 GMT)

Sebastian Morley - Chairman
10 November 2022

Operational Review

The Directors present the Group Strategic Report for Croma Security Solutions Group plc and its subsidiary companies for the year ended 30 June 2022.

The Group's strategic objectives continue to be:

- 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.

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 £29.3m (2021: £27.4m) and operating profit of £0.7m (2021: £1.1m). The increase in sales reflects the increase in demand for our security solutions however, operating profits have declined due to various factors including increased spend on post pandemic travel costs, new spending on IT software, a potential bad debt provision of £0.1m and additional rent and rates at our Dumfries office, where we have doubled our floorspace occupancy.

Our bottom line does not show the benefit from government support relating to the pandemic which inflated operating profits for this division by a net figure of £0.2m in 2021 compared to 2022.

Croma Vigilant provides manned guarding and reception services for property assets and individuals and continues to employee over 900 security personnel throughout the UK. Fundamental to the division's success is the military ethos that pervades all aspects of the way the division is run, and all contact with customers. Alongside this approach is a focus on innovation. A key area of innovation has been the creation of PROception, a front of house concept, making the modern reception part of a building's security strategy. It is a natural combination with the divisions manned guarding services for buildings where there is a reception, and our clients are recognising the significant benefits of combining the two services to the significant enhancement of a building's security.

The experience and expertise contained across our employee base is significant and in the current economic environment it is crucial that we remain an employer of choice with competitive pay levels together with providing a positive and engaging work environment. To deliver a premium security service is only possible by having a high quality of personnel to do so. To maintain our competitive advantage, we look for new ways to enhance our customer and employee experience and during the year we have invested approximately £0.1m in new payroll software which will enable us to future proof our employee expansion beyond the limits of our existing software which was becoming a constraint to growth.

Contracted revenues over a period exceeding one month were £25.9m being 88.4% (2021: 82%) of income, ensuring that the division continues to have good visibility over the reliability of future revenues. We encourage our existing customer base to sign longer term contracts and also to target new business which gives us the opportunity to invest having the surety of significant revenue streams. Since the year-end, Croma Vigilant has won three major contracts together worth £5.9m per annum all of which will run for a minimum of 3 years.

Approximately £20m of our contracted revenues are on contracts which are due for renewal in the coming year (note 3) and of these approximately £6m of revenue are on contracts where our customer has an option to extend for between 12 and 24 months.

There was a similar split in income to previous years between private and public, of approximately two thirds/one third respectively.

Croma Security Systems

Croma Security Systems including Croma Biometrics recorded sales of £2.6m (2021: £2.5m) and an operating profit before impairment of £0.5m (2021: £0.5m). Prior year profits benefited from government support of 0.2m so this represents a good performance and shows that the business is returning to the level of performance seen pre-pandemic.

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 including CCTV, high security locks to FastVein™ biometrics technology for high-speed human identification.

As our cinema chain customers continue to recover from the COVID pandemic spending on refurbishments of their portfolio has not yet returned to pre-pandemic levels. We are hopeful that during the coming year further refurbishment projects will allow us to increase our offering to them through our expanding network of security centres.

Approximately 17% or our sales were derived from our Cinema customers and 18% from our work with two Southern based NHS trusts. Revenues from maintenance contracts which are renewed on an annual basis account for approximately £0.5m (2021: 0.4m) of the division’s income.

In January 2022, we entered a new strategic partnership with FinGo, a biometric identity authentication and payments platform. The new alliance naturally complements and strengthens each company's leading solutions in the provision of non-invasive biometric technology but has yet to yield any significant revenues to date.

FASTVEIN™ biometrics is deployed across the education and construction sectors, providing customers with a quick, easy to use, accurate and cost-effective access control and identity management systems. working with FinGo enables us to include payments alongside identity and access control offerings.

Largely due to an increase in group WACC to 17% is has been necessary to impair the carrying value of goodwill in this division by £0.6m (2021: £nil) (see note 12).

Croma Locksmiths
Croma Locksmiths, which operates through 13 security centres in the UK and centrally through the Group, delivered sales of £3.2m (2021: £2.6m) and operating profit of £0.4m (2021: £0.3m) which represents a good performance given that the prior year benefitted from government support of 0.3m.

We remain focused on creating a national chain of modern security centres and during the year we expanded our number of freehold premises with spending of £0.8m.

We began the financial year with 10 centres and since then the division has completed two acquisitions. The first acquisition, completed in November 2021 was of Safeguard Ltd, a Manchester based locksmith business servicing the security needs of Cheshire and operating from a retail store in Warrington. The second acquisition, completed in July 2022, was of Southern Stronghold Ltd, a long-standing locksmith business that operates from two freehold premises, one in Coventry and a second near Southampton in Totton. All three stores will in time be converted into the division's security centre format, increasing our national footprint, and taking the number of centres to 13.

Our contracts with a leading mechanical and engineering business and with a cruise business operating out of Southampton were largely dormant during the prior year but in the current year we are pleased to report revenues of £0.5m.

The iLOQ partnership continues to show promise alongside significant investment in training security staff in how to market the product as well as install it nationwide. The benefit of this investment has been shown, in a new contract win, with a major player in the education sector. The initial contract worth £0.3m in revenue was completed in the new financial year. There is potential for a nationwide roll-out.

Trading in the security centres remains positive and we look forward to further expanding our network of centres across the UK.

Group Financials

The Group financials can be summarised as follows:	**2022 £000's**	**2021 £000's**
Revenue	35,165	32,539
Gross profit	6,396	5,385
Gross margin %	18.2%	16.5%
Other operating income	86	764
EBITDA	1,590	1,982
Impairment of goodwill	(627)	-
Operating profit	245	1,251
Earnings per share	0.42p	6.56p
Net assets	12,143	12,378
Cash (used in)/generated from operations	(860)	2,155
Cash and cash equivalents	2,556	5,433
Dividend per share in relation to the year	2.1p	2p

Gross profit increased by £1m however additional spending on overheads and a reduction in COVID support led to a reduction on EBITDA to £1.6m (2021: £2.0m). As noted above we have also made provision for a potential bad debt of £0.1m in our guarding division.

During the year cash generated from operations was negative at £0.9m (2021: £2.2m). This was largely driven by an increase in inventory of £0.3m and our debtor book which was £1.6m higher at £6.8m (2021:£5.1m) with our debtor days up to 54 days (2021: 42 days).

Cash collection has improved post year end and as at 10 November 2022 we have realised approximately £5.7m or 91% of our year end debtor book.

Outlook and future developments

Demand for our services is increasing as evidenced by the excellent new client wins post year end. Our strategy to be the leading British security brand is clear and to that end we are carefully extending our footprint of security stores across the country. We have the financial stability and cash resources to further invest in our development and we believe we are well placed to continue to grow both revenues and profits for the benefit of our shareholders.

Risk management

The Board has put in place a framework of identified risks and risk management processes.

Principal risks and uncertainties

Regulatory environment
The Group operates in a highly regulated sector and is audited and accredited by a number of regulatory bodies including the SIA, NSI, CHAS and the Environment Agency. An inability to respond and adapt to changes in the sector and comply with the regulatory requirements would adversely affect our business.

Controls and mitigating strategies
Our regulatory compliance is monitored by key members of staff who work with external consultants to maintain our processes and procedures at the required standards.

Health and safety environment
Instances of non-compliance with Health & Safety and Environmental regulations could expose our people, the environment and our reputation.

Controls and mitigating strategies
Responsibility for health and safety compliance is delegated to experienced members of staff who work with external consultants. Training is provided to all employees.

Fraud and uninsured losses
A significant fraud or uninsured loss could damage the financial performance of our business.

Controls and mitigating strategies
Systems, policies and procedures are in place to segregate duties and minimise any opportunity for fraud. Timely management reporting exists which can help identify anomalies. Where possible, our insurance strategy minimises other risks.

Cyber Security
Failure of the Group's IT systems and the security of our internal systems, data and our websites can have significant impact to our business.

Controls and mitigating strategies
Responsibility for our IT systems is delegated to our in-house IT and third-party consultants who implement and monitor cyber security across the Group.

Risk management (continued)

Other risks and uncertainties

Customer Service
The failure of our customer services could undermine our business performance.

Controls and mitigating strategies
We undertake regular customer satisfaction surveys with unsatisfactory comments being addressed. Any complaints received at Board level are dealt with on a timely basis by the affected operating division.

Credit Risk
If our customers do not pay within terms, our cashflow and liquidity may be compromised.

Controls and mitigating strategies
Responsibility for credit control is delegated to experienced staff in our operating divisions. Through invoice discounting (when needed) we can obtain funding of up to 90 days on our sales ledger (currently subject to a £1m limit) and while there continue to be instances where customers have settled beyond these terms, this has not caused any difficultly.

Liquidity and funding
The directors regularly review new investment opportunities and capital projects which could compromise working capital if not adequately appraised and costed.

Controls and mitigating strategies
The group finance director is responsible for reviewing our banking covenants and capital structures. Robust budgets and cashflow forecasts are prepared and presented to the Board which are reviewed and updated to ensure new projects and opportunities can be pursued either within existing working capital, or where necessary, external sources such and our banks with who we enjoy a good working relationship.

Covid-19 Pandemic
The crisis caused by the pandemic is now largely behind us and has had little impact on operations during the year.

Controls and mitigating strategies
The directors discuss the Group’s response as part of normally monthly reporting. We continue to provide the capacity and capability for staff to work from home if displaying symptoms and testing positive.

Executive Directors:

S J F Morley – Executive Chairman
Primarily responsible for the overall strategic direction of the Group, for ensuring the Board operates efficiently, for shareholder relations and for Corporate Governance.

R M Fiorentino – Chief Executive
Responsible for overseeing the implementation of the Group's strategy, and for delivering the coordinated service approach. In addition, Mr Fiorentino oversees daily operations of Croma Security, Croma Locksmiths and Croma Biometrics.

R A Juett – Finance Director
Responsible for overall financial strategy and for ensuring timely production of management and statutory information.

P Williamson
Responsible for the daily operations, strategic direction and sales order book of Croma Vigilant.

Non-Executive Directors:

A N Hewson
Chairman of the Audit Committee and a member of the Remuneration Committee.

C N McMicking
Chairman of the Remuneration Committee and a member of the Audit Committee.

Matters reserved for the Board

The Board reserves formulation, dissemination and implementation of strategy to itself. It also handles stakeholder relations, dividend policy, and oversight of cash management.

Other operational matters are devolved to Directors and managers, except for investment-level decisions involving material balances which require Board consideration.

Any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Group.

Board meetings
The Board normally meets formally on a regular basis face to face and by video conference to review and discuss strategy, financial results, business planning, sales, operations, and HR matters.

Directors' attendance at formal Board and Committee meetings during the year was as follows:

	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
S J Morley	9	10	-	-	-	-
R M Fiorentino	10	10	-	-	-	-
A N Hewson	10	10	2	2	2	2
R A Juett	10	10	-	-	-	-
P Williamson	10	10	-	-	-	-
C N McMicking	8	10	2	2	2	2

Internal control and risk assessment
The Board is responsible for maintaining an appropriate system of internal controls to safeguard the shareholders' investment and Group assets.

The Directors continue to review the financial reporting procedures and internal controls of the Group companies to ensure they are robust enough to deliver timely, detailed reporting that will allow accurate monitoring of the Group's performance.

Internal financial control procedures undertaken by the Board include:

- review of monthly financial reports and monitoring performance
- approval of all significant expenditure including all major investment decisions
- review and approval of treasury policy.

In the context of the Group's overall strategy the Board undertakes risk assessment as well as the review of internal controls. The review covers the key business, operational, compliance and financial risks facing the Group. In arriving at its judgement of what risks the Group faces, the Board has considered the Group's operations in the light of the following:

- the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective
- the threat of such a risk becoming a reality
- the Group's ability to reduce the incidence and impact of risk on its performance
- the cost and benefits to the Group of operating the relevant controls.

The Board has reviewed the operation and effectiveness of the Group's system of internal control and risk assessment for the financial year and the period up to the date of approval of these financial statements.

As a result of this review the Board has appointed a firm of external independent forensic accountants to review some past expenses that have been misclassified in the books of a Group subsidiary which might require certain amounts to be repaid by the directors of that subsidiary. The firm has been hired to gauge the extent of any errors, to review and quantify them and to recommend any appropriate corrective action. The misclassifications are not, so far as the Board is aware, material nor likely to undermine the solvency and ongoing viability of the subsidiary in question or the Group.

Relations with shareholders
Communication with shareholders is given a high priority by the Board and the Directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at our Annual General Meeting.

Section 172 statement
Section 172 of the UK Companies Act 2006 requires Directors to act in a way they consider, in good faith, would promote the success of the Group for the benefit of its members as a whole. In doing this the Directors are required to have regard to the interest of the Group's employees and other stakeholders, including the impact of its activities on the community, environment and the Group's reputation, when making decisions. Details on how the Board operates and the way Directors reach decisions, including some of the matters discussed during the year and the key stakeholder considerations that were central to those discussions, are included in the Corporate Governance Report on pages 15 to 23.

The Board considers that the impact of the Group's operations on the community and environment are minimal. However, measures including the regular replacement of company vehicles so that our fleet meets the most up to date emission standards; occupation of modern energy efficient premises; route planning and vehicle tracking to minimise company mileage; and encouraging employees to work from home where possible, so as to reduce their carbon footprint; are all matters which are given consideration.

The Group reports under the Energy Savings Opportunity Scheme (ESOS) and receives reports from its advisors giving further recommendations the Group can take to reduce its environmental impact. For the first time our Greenhouse gas emissions, energy consumption and energy efficiency actions are reported in the Directors report on page 27.

Audit committee matters
The terms of reference of the Audit Committee are to assist the Board in discharging its collective legal responsibility for ensuring that:

- the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position.
- the Group's published financial statements represent a true and fair reflection of this position; and
- the external audit, which the law requires to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

The external auditor may attend Audit Committee meetings.

Key performance indicators

Indicator	Performance
Croma Vigilant	
Sales	Sales were up £1.9m to £29.3m for the year. The division has an active commercial department which prepares bids and tender documents. The promotion of our PROception offering continues to yield new work and helped to retain work from our larger customers, who increasingly demand this service. Performance is monitored by the Operations director and business development manager reporting to the Chairman**.**
Gross margin	Gross profit was up £0.3m to £3.8m and despite increased spending on uniform costs the gross margin improved to 13.1% (2021: 12.6%). The industry remains competitive, and the gross margin performance of each contract is monitored monthly.
Customer retention	Retention of customers nearing the end of their contract is a priority of the operations director and the stability in turnover and margins continues to be testament to our quality service offering. Looking at our top 30 customers we see a 98% retention rate in the current year.
Cash	Croma Vigilant continues to be cash positive with borrowing facilities of £1m which remain unused along with cash resources at the year-end of £1.6m (2021: £3.8m).
Croma Security Systems (including Croma Biometrics)	
Sales	Sales saw a 5% improvement to £2.58m (2021: £2.47m). Our FastVein™ biometric systems delivered turnover of £58k (2021: £152k) We continue to invest in our sales team and actively market our Systems business through our growing chain of security centres.
Customer retention	Customer retention remains high, however during the recovery phase from COVID 19 our two national cinema chains continued to restrict spending and revenues were remained at £0.4m (2021:£0.4m). pre-pandemic revenues were approximately £0.8m per annum.
Engineers	The engineer market remains very active and engineer retention and remuneration is monitored. The business has been impacted by a shortage of engineers but is addressing with its trainee programme.
Cash	At the year-end cash balances are £0.2m (2021:£0.3m).

Croma Locksmiths

Sales and retail performance	Using in-house developed EPOS software, sales and footfall are monitored daily for retail, and monthly for commercial sales. Emphasis is placed on individual performance of the outlets with regular visits remote monitoring and meetings with branch managers. Sales improved 23% to £3.25m (2021: £2.64m) with £0.3m of this growth driven by the acquisition of our new branch in Warrington (see note 11). Our strategy continues to be to develop our existing geographic coverage by expanding our branch network of security centres and to gain more profitable commercial contracts on the back of this.
Cash	Despite further investment in freehold property of £0.8m our Locksmiths division has remained cash positive and at the year-end cash balances are at £0.7m (2021: £1.3m).

R. M. Fiorentino (Nov 10, 2022 08:08 GMT)

Roberto Fiorentino - Chief Executive
10 November 2022

Statement of Corporate Governance

The Company (and thereby its group (the "Group")) is managed by the Board of directors of the Company (the "Directors" or "Board"), who (individually and as a group) are responsible for running the Company for the benefit of its shareholders in accordance with their fiduciary and statutory duties.

The Board comprises, the Executive Chairman; S J F Morley, the Chief Executive Officer; R M Fiorentino, two Executive Directors and two Non-Executive Directors.

The Biographies of the Directors are set in this report on page 24 and on the website at www.cssgplc.com. These show the range of business and financial experience upon which the Board can call. The Board's goal is to ensure that its membership should be balanced between Executives and Non-Executives and have the appropriate skills and experience and knowledge of the business. The Board recognises the special position and role of the Chairman under the QCA ("Quoted Companies Alliance") Corporate Governance Code and has approved the formal division of responsibilities between the Chairman and Chief Executive.

Chairman

The Chairman is responsible for the leadership of the Board, for ensuring its effectiveness and to oversee the adoption, delivery, and communication of the Group's corporate model. The Chief Executive manages the Group and has the prime role, with the assistance of the Board, of developing and implementing business strategy.

Non-Executives

One of the roles of the Non-Executive Directors under the leadership of the Chairman is to undertake detailed examination and discussion of the strategies proposed by the Executive Directors, to ensure that decisions are in the best long-term interests of shareholders and take proper account of the interests of the Group's other stakeholders.

The Chairman ensures that meetings of Non-Executive Directors without the Executive Directors are held.

The QCA guidelines acknowledge for growing companies it may not be possible for boards to meet the definition of "independence" for Non-Executive Directors, however it sets out that it is important for the Board to foster an attitude of independence of character and judgement.

Based on the QCA guidelines the Board concludes that the Non-Executives are independent in terms of character and judgement in how they execute their role as Non-Executive Directors.

The Board is mindful of the threat to independence and actively manages the potential risk to ensure that the Non-Executives provide the independent constructive challenge to help develop the Board's proposals on strategy.

Board Committees

The Board has three standing committees (the "Committees"): the Audit Committee, the Remuneration Committee and the Executive Committee. The Terms of Reference for each of the Committees are available on the Company's website.

The Board does not have a formally established nominations committee. Any nominations are considered and recommended by the full Board (and are subject to a shareholder vote at the next Annual General Meeting).

Rules concerning the appointment and replacement of Directors of the Group are contained in the Articles of Association ("Articles"). Amendments to the Articles must be approved by a special resolution of shareholders. Under the Articles, all Directors are subject to election by shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter at intervals of no more than three years.

Committees of the Board

Executive Committee

The Executive Committee consists of the Executive Directors under the chairmanship of Mr Morley and is responsible for the development of strategy, annual budgets and operating plans linked to the management and control of the day-to-day operations of the Group.

The Executive Committee is also responsible for monitoring key commercial opportunities and relationships, day to day stakeholder engagement and for ensuring that the Board policies are carried out on a Group-wide basis.

Audit Committee

The Audit Committee consists of the Non-Executive Directors; A N Hewson and C N McMicking. The Committee meets at least twice a year under the Chairmanship of Mr Hewson who is a Fellow of the Institute of Chartered Accountants in England and Wales and has relevant financial experience.

Whilst Mr Hewson has been a member of the Board for more than ten years, the Board nevertheless considers that Mr Hewson fulfils the roles of Audit Chair and NED with independence of character and judgment and has concluded that it is appropriate to retain the financial experience, corporate memory and knowledge of the business possessed by Mr Hewson in his role as Chairman of the Audit Committee.

The Audit Committee's duties include monitoring internal controls throughout the Group, approving the Group's accounting policies, and reviewing the Group's interim results and full year financial statements before submission to the full Board. The Audit Committee also reviews and approves the scope and content of the Group's annual risk assessment programme and the annual audit and monitors the independence of the external Auditors.

The Audit Committee acts to ensure that the financial performance of the Group is properly recorded and monitored, and in fulfilling its role it meets annually with the Auditors and reviews the reports from the Auditors relating to accounts and internal control systems.

The Group does not have an independent Internal Audit function, as it is not considered appropriate given the scale of the Group's operations. However, the Group finance director acts largely independently of the operating subsidiaries, with a scope to evaluate and test the Group's financial control procedures and standardise processes around best practice. Any significant issues are reported to the Chairman of the Audit Committee and shared with the external Auditors as appropriate.

The Group Finance Director and the external Auditors attend meetings of the Audit Committee by invitation. The Committee may also hold separate meetings with the external Auditors, as appropriate.

Remuneration Committee
The Remuneration Committee consists of the Non-Executive Directors; Mr McMicking and Mr Hewson. The Committee meets at least twice a year under the Chairmanship of Mr McMicking.

The purpose of the committee is to review the performance of the full time Executive Directors and to set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. In fulfilling this responsibility, the Remuneration Committee is responsible for setting salaries, incentives and other benefit arrangements of Executive Directors and overseeing the Group's employee share scheme. The Remuneration Committee has engaged previously with external advisers to establish a remuneration plan going forward, based on budgets established by management and approved by the Committee, with a plan to remunerate management measured against targets in excess of the budgets. Directors' remuneration is disclosed at note 7.

Members of the Remuneration Committee do not participate in decisions concerning their own remuneration.

Frequency of meetings
Where possible, the Board meets on a formal basis every month. The directors receive financial information and operations and sales reports in advance of the meetings. The Board makes decisions on all material matters including long term and commercial strategy, annual operating and capital budgets, capital structure and financial and internal controls.

The Group has a formal schedule of matters reserved to the Board which is periodically reviewed and approved by the Board.

Evaluating board performance
The Board has a number of sources of information from which it judges its own performance and that of the individual Directors, and these include but are not limited to:

i. financial performance indicators including, revenue, order book (including contract wins and losses), gross margin, net margin, earnings per share and cash flow;
ii. the Company's share price;
iii. reports from external auditors;
iv. shareholder feedback;
v. customer feedback; and
vi. employee feedback.

All these factors are considered, and action taken to improve performance as appropriate.

Communication with shareholders
The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategies and financial position, in addition to having regard to its obligations as a quoted public company and the AIM Rules.

The Group holds meetings with significant shareholders on a regular basis and regards the Annual General Meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

The Group lists contact details on its website should shareholders wish to communicate with the Board. All announcements and results, including those released via RNS and RNS Reach, are available on the Group's website.

Risk management and internal controls
The Board reviews and approves an Annual Budget and Business Plan prior to the start of each financial year. This includes reviewing the key strategic, operational and financial objectives for the year, together with a detailed financial budget.

The Executive Committee is accountable to the Board for delivery of the Annual Business Plan. The Executives report performance against the plan on a monthly basis, which includes detailed analysis of budgetary variances and updated financial projections.

Each Executive Director is responsible for identifying and managing the risks relating to their respective areas of responsibility, including the risks relating to strategy, the Annual Business Plan, and day-to-day business.

To provide a framework for the delivery of the Group's strategy and plans, the Executive Committee has developed an organisational structure with clear roles and responsibilities, and clear lines of reporting.
In addition to day-to-day risk management, the Executive Directors formally assess the major business risks and evaluate their potential impact on the Group.

These risks and the reporting of the risk assessment is included in the annual report and accounts within the Strategic Report.

City code on takeovers and mergers
The Company is subject to the City Code on Takeovers and Mergers

QCA Corporate governance code
In accordance with AIM rule 26 the Company has adopted the QCA code and sets out below how it has adopted and complied with the QCA code.

1. Establish a strategy and business model which promotes long-term value for shareholders

The strategy and business model of the Group is expressed more clearly in the Chairman's Statement and the Strategic Report. In summary, the Group seeks to build a recognised brand that is synonymous with the provision of the highest level of security services. The Group is stringently focused upon delivering outstanding service delivery for all our clients, and in such a way that in time our clients can have all their security needs met by one service provider, ourselves.
The values we adopt are driven by our ex-military ethos, and we pride ourselves on endeavouring to engage employees that can deliver a capable, well trained highly motivated service, with as many as possible with a military background. We continue to believe that this approach delivers market leading full-service security offerings to the top end of the corporate and residential markets, as well as leading public service providers such as utilities, hospitals and schools.
The business has a reasonable appetite for risk and we actively engage in developing new technologies to assist our service provisions even where such new technologies have a long development phase.
Our markets are highly regulated, audited and accredited by a number of regulatory bodies, including the SIA, NSI and CHAS, all of which require our Board and operational employees to be personally regulated, thus adding to the maintenance of the values and standards we operate to.

2. Seek to understand shareholder needs and expectations

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are provided on the Group's website, with copies of the accounts of the Group and other regulatory communications going back to the earliest days of the existence of the company on the AIM market.
Additionally, the Board holds regular one-to-one meetings with larger shareholders and regards the Annual General Meeting as a good opportunity to understand the voting decisions and debate the expectations of shareholders via an open question and answer session.
The Company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate directly with the Board or its advisers.

3. Consider wider stakeholder and social responsibilities and their implications for long-term success

The Board endeavours to create a platform for delivering a high-quality service and this requires us to utilise best in class suppliers (such as Hitachi, ASSA Abloy, Bosch and recently ILOQ), for customers who appreciate and therefore pay for a higher level of service, and a workforce that is trained to the highest standards to always give of its best.

We operate within the ‘high compliance’ segment of the SIA approved contractor scheme (ACS), which ensures that the regulatory standards we set ourselves are rigorous and necessary in a highly fragmented security market, where mistakes are invariably costly in every sense, to all our stakeholders. We expect to get it right first time, because getting it wrong in a security environment can have consequences that far outweigh the cost.

We constantly solicit feedback, some of which is on the website of the Company in terms of customer experiences, and supplier confidence in us and in our operations. Our feedback from our staff is best expressed by our staff turnover which for our industry is exceptionally low.

Our customers are of course pivotal to the success of our business. Through our sales and operations teams, we endeavour to supply a knowledgeable and targeted service. Our security solutions are tailored to exactly meet our client’s requirements. We are well placed to meet our customers security needs by bringing all the skills across our divisions together to provide a one-stop solution.

Where possible we engage with our customers at Board level and this is certainly the case with our operations director and chief executive who regularly monitor and attend meetings with our larger customers.

For our smaller customers we continue to conduct telephone calls following the completion of our services and the results of these are monitored closely to ensure our reputation for excellence is maintained.

Being primarily a service business, our people are our most valuable-asset and are critical to the delivery of our strategy of growth. We currently employ over 1000 people and correct engagement with them is vital. We are fortunate to have a great team of talented and motivated people in our Group and it is important to retain and develop them so that we can attract and inspire new people to join us as we grow our operations.

We operate an open-door policy and employees can speak and engage with senior management or the Board about issues or ideas.

We have a formal induction and appraisal processes for new and existing employees. We have a web-based employee portal primarily used by our guarding and PROception staff, for them to manage their work shifts, holidays, and personal information. This portal undergoes continuous development. We also have a cross company integrated email system and utilise video conferencing software for collaboration between our people internally and between us and our customers and suppliers.

When possible, we hold regular social events for our employees who are also encouraged to engage in charity events such as the three peaks challenge. We encourage our people to have a culture of respect and integrity and we reward long-service. We report our gender pay gap, which is not significant, on an annual basis.

As with many businesses the COVID-19 pandemic caused our employees difficulties and challenges. We continue to support homeworking for administration grades if needed, however in the majority of cases office attendance is the now the norm.

The Directors' Report gives details on the Company's attitude to Employment for disabled persons, employee involvement in Group operations, charitable donations where appropriate, and Group policies on the environment.

The company is an equal opportunities employer. We are committed to equality of opportunity and to providing a service and following practices which are free from unfair and unlawful discrimination. The aim is to ensure that no applicant or member of staff receives less favourable treatment on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy or maternity, race, religion or belief, sex or sexual orientation, or is disadvantaged by conditions or requirements which cannot be shown to be relevant to performance. It seeks also to ensure that no person is victimised or subjected to any form of bullying or harassment and a whistle blowing policy is in the process of development.

We value people as individuals with diverse opinions, cultures, lifestyles and circumstances. All employees are covered by this policy, and it applies to all areas of employment including recruitment, selection, training, deployment, career development, and promotion. Monitoring of these areas is currently being developed and policies and practices will be amended, if necessary, to ensure that no unfair or unlawful discrimination, intentional, unintentional, direct or indirect, overt or latent exists. We are confident that we do reflect the communities we serve in terms of ethnic demographics.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has established an audit committee which also serves as a risk management committee, a summary of which is set out in the Strategic Report and in the Directors' Report, and on the website.

Additionally, we only work with accredited suppliers able to satisfy our customer requirements for locking systems for instance that are best in class, and CCTV equipment that is the highest definition. Additionally, we can only employ security professional who have passed SIA and other regulatory standards and had all the necessary prior history clearances before SIA accreditation for instance can be effective. Added to all this, we aim to employ primarily ex-military personnel and indeed two executive directors are themselves ex-military, trained in the appreciation of and the effective amelioration of risk.

We have further considered areas of single point dependency within our divisions, examining key management positions, infrastructure, political issues including Brexit, loss of major contracts, staffing and supplier failure, technology failure and cyber-attack, health and pandemic risk as well as fire, weather and reputation risk protection.
We provide regular training programmes to support our business continuity plans so that our business is prepared for and resilient to emergency and crisis situations.

Our Guarding division has several ISO accreditations e.g. ISO 22301 and is continues to work towards to achieve accreditation under ISO 27001. These are often a requirement for us to tender for new contracts.

5. Maintain the Board as a well-functioning, balanced team led by the chair

The Board, the identities and biographies, the Board committees and the timing of Board meetings and a detailed summary of attendances at those meetings is considered in the Strategic Report, the Directors' Report and elsewhere in the Accounts.
The Board considers that both its non-executive directors are independent and that they have the time necessary to be able to provide rigorous challenge to the executive directors when necessary as well as support as needed. Nevertheless, guidance on time served by non-executives and the expansion in the business means the Board keep this under review.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board recognises that balance of capabilities and capacities within itself, as well as the necessity for all Board members to remain up to speed on relevant industry changes are vital to the proper functioning of a leadership team in any organisation. The Board are all regulated by the SIA and as such undergo a timely recertification of their appropriateness for such an appointment. Additionally, certain members of the Board are themselves members of other professional bodies which require certain continuing professional development obligations to be complied with. All members of the Board are encouraged to attend management development courses. The Board is rigorous in reviewing the performance of each of its directors and where there are actions that need to be taken, the Board is proactive in carrying out what needs to be done.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board recognises the importance of considering succession planning, and each division has a leader and deputies, who are able, effectively, to step into the shoes of the leader. The Company seeks external advice on specific remuneration matters, externally facilitating the process of managing the strategic goals of the business by division, and the risks and rewards attaching thereto. Discussions between Board members about key development needs of individual directors are encouraged and debated rigorously in a positive atmosphere. The effectiveness review of the Board is considered above and in the Strategic Report.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board wishes to promote a can-do culture across the Group, whereby a customer need can be fulfilled, no customer request is too much, and this is how the Group aims to deliver outstanding service. This is not done at any cost, and the Group is strict on maintaining margin in a low margin industry, where differentiating the offer is key. Our marketing strategy is assertive and where necessary aggressive in a very fragmented industry yet with some entrenched relationships where our future customers have not yet come to appreciate our unique offering.
The Group uses social media where necessary to promote the culture of 'can-deliver', both internally and externally, and monitors the culture and attitude of the staff with regular surveys and staff meetings.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board meets approximately once a month, in person or where necessary by conference call, and considers monthly accounts and operational matters, and in addition the audit and remuneration committees of the Board meet when necessary to consider assurance and risk, and the adequacy of the reward structures of the Group. With a Board of this size, separate Nominations and other committees are not considered necessary, nor is the appointment of any one non-executive director as a Senior Independent Director.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board attaches great importance to providing shareholders with a clear and transparent information on any group activities, strategy, and financial position. Details of all shareholder communications are provided on the group website. The Board holds regular meetings with larger shareholders and regards the annual general meeting as a good opportunity to communicate directly with shareholders via an open question and answer session. The Group lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.

Sebastian Morley - Executive Chairman
Having enjoyed a successful military career, Sebastian worked with organisations in the surveillance and security sector before he joined Vigilant in 2001. Sebastian joined the Board on the acquisition of Vigilant Security (Scotland) Limited in February 2006 and became Group Chairman in 2012.

Roberto Fiorentino - Chief Executive Officer
During his career, Roberto 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, Video Analytics and FastVein™. As a result of this Croma is ideally placed to offer high level security design and consultancy services.

Richard Juett ACA - Finance Director
Richard is a Chartered Accountant and has previously held finance roles in industry with B&Q Plc, KIA Motors and in practice with Ernst & Young and BDO. Richard oversees the financial affairs of the Group and its operating subsidiaries.

Paul Williamson – Executive Director
Paul founded Vigilant Security in 1997 having served in the Army from 1987 to 1992 and worked in several commercial operations thereafter.

Nick Hewson MA FCA - Non-Executive Director
Nick is a Chartered Accountant and has been on the Board of several listed companies since 1986, more recently in a non-executive capacity. He has been an investor in Croma since the very early days of the Group's corporate life. Nick is also Senior Independent Director and Chairman of the Audit and Nominations Committees of Redrow plc, and Chairman of Supermarket Income REIT.

Charles McMicking - Non-Executive Director
Charles is Chairman of RailSimulator.com and director of Coburg Capital and F4G Software. Charles has specialised in financing and developing dynamic fast growth companies and was previously Head of Private Equity at Noble Group.

The Directors submit their report and the audited annual financial statements of Croma Security Solutions Group PLC and its subsidiary undertakings for the year ended 30 June 2022.

Principal activities

The Group's principal activities are the provision of manned guarding, reception services and asset protection services (Croma Vigilant); CCTV security, fire and alarm systems (Croma Security Systems); Locksmithing Keys, Locks and Safes (Croma Locksmiths).

Result for the year

The profit for the year after taxation, was £0.06m (2021: Profit £0.98m)

Directors

The Directors who have held office since 1 July 2021 and up to the date of signing of these financial statements are as follows:

Executive Directors:	**Non-executive Directors:**
S J F Morley	A N Hewson
R M Fiorentino	C N McMicking
R A Juett	
P Williamson	

The Non-Executive Directors sit on the Remuneration Committee and on the Audit Committee.

Including immediate relatives, the Directors in office at 30 June 2022 had the following beneficial interest in the ordinary shares of the Company

	2022	**2021**
S J F Morley	575,000	575,000
R M Fiorentino	3,902,175	3,902,175
R A Juett	12,500	12,500
A N Hewson	203,565	203,565
C N McMicking	65,000	65,000
P Williamson	197,422	197,422

Major shareholdings

Apart from the interests of the Directors referred to above, the Company has received the following notifications of holdings of more than 3 per cent of the ordinary share capital of the Company at 30 June 2022:

Milton UK MicroCap Trust plc	5.87%
Liontrust Investment Partners LLP	5.16%
Francis Erard	3.87%

There are 108,180 (2021:nil) options in issue over the company's shares of which 68,180 (2021: nil) are held by the Directors.

At 30 June 2022, 996,514 shares were held in treasury, being 6.3% of the issued share capital.

Matters covered in the strategic report

Statutory disclosures required under company law within the Directors report are included where relevant within the strategic report.

Financial Risk Management

Details of exposure to price, credit, liquidity and cash flow risk are included in notes 17 and 21.

Research and development

There was no significant research and development expenditure during the year or the prior year.

Employment of disabled persons

The Group considers applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. All necessary assistance with initial training courses is given. Once employed, a career plan is developed to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Environmental policy

The Group recognises the importance of environmental responsibility. The nature of its activities has a minimal effect on the environment but where it does the Group aims to act responsibly and is aware of its obligations at all times.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Group has collected data on its energy consumption and Co2 emissions for the year. This considers all fuel purchased for company vehicles, gas and electricity purchases for company offices and reimbursements to employees who used their own vehicles for business travel. This information was converted to equivalent kilograms of carbon dioxide (kg of Co2) emissions in all cases.

The Group's emissions from energy use during the year were:

- Direct and indirect emissions from transport use were 288 tonnes of Co2
- Direct emissions from the combustion of natural gas were 27 tonnes of Co2
- Indirect emissions from the use of electricity were 26 tonnes of Co2

Total emissions were the equivalent to 0.34 tonnes per employee

The Directors recognise the importance of energy efficiency and during the year have continued to replace the group's vehicle fleet with lower emission and electric alternatives.

Employee involvement
The Group has considerably more than 250 UK based employees and its policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees, especially in the year under review, is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance, and particularly in regard to health and safety at work.

Political and charitable donations
Charitable donations were £4,277 (2021: £1,010). There were no political donations the current year (2021: £2,000).

Dividends
A final dividend for the year ended 30 June 2021 was declared on 21 October 2021 and paid on 26 November 2021 at a cost of £0.298m. Subject to approval at the AGM, the Board recommends a final dividend of 2.1p per share.

Post balance sheet events
On 6 July 2022 the group acquired 100% of the share capital of Southern Stronghold Limited for £0.96m.

Outlook
The outlook for the business remains positive. The Group continues to invest in infrastructure and other opportunities to expand operations and deliver growth.

Auditors

A resolution proposing the reappointment of CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson) will be put to the shareholders at the forthcoming Annual General Meeting.

Statement of disclosure to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

a) so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
b) they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board

Richard Juett

Richard Juett (Nov 10, 2022 08:17 GMT)

R A Juett - Finance Director
10 November 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2022

Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Group and Parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 102, the Financial Reporting Standard applicable in the UK).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company, and Group, and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for the Group's system of internal financial control, safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Signed on behalf of the Board

Richard Juett

Richard Juett (Nov 10, 2022 08:17 GMT)

R A Juett - Finance Director
10 November 2022

evelyn
PARTNERS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC

Opinion

We have audited the group financial statements of Croma Security Solutions Group Plc (the 'group') for the year ended 30 June 2022 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the group financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the group financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

Of the group's nine reporting components, we subjected one to an audit for group reporting purposes and eight to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. The latter were not individually significant enough to require an audit for group reporting purposes but were still material to the group.

The components within the scope of our work covered 100% of group revenue, 100% of group profit before tax, and 100% of group net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Description of risk	How the matter was addressed in the audit
Recoverability of intangibles including goodwill in relation to the group and investment in subsidiaries in relation to the parent company	The group has material goodwill and other intangible assets relating to three cash generating units. The Group's assessment of the carrying value of these cash generating units requires significant judgement regarding cash flows, growth rates, discount rates, and sensitivity assumptions. The parent company has material investments in subsidiaries. The parent company's assessment of carrying value requires significant judgement regarding cash flows, growth rates, discount rates, and sensitivity assumptions.	We challenged the assumptions used in the impairment model for goodwill and other intangible assets as described in notes 12 and 13 of the group financial statements and investments in subsidiaries as described in note E of the parent company financial statements. As part of our procedures we: • assessed actual trading performance in the financial year against budget to determine the reasonableness of using budgets for the impairment model; • assessed budgets for the next financial year against actual current year trading performance, and then reviewed and challenged the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations and historical data; and • considered sensitivity analysis of key variables included within the value in use calculations. In performing our procedures, we used our internal valuation specialists to assess the appropriateness of the impairment model used and discount rate applied.

Our application of materiality

The materiality for the group financial statements as a whole ("group FS materiality") was set at £527,000. This has been determined with reference to the benchmark of the group's revenue, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. Group FS materiality represents 1.5% of the group's revenue as presented in the consolidated statement of comprehensive income.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £290,000. This has been determined with reference to the benchmark of the parent company's total assets as it exists only as a holding company for the group and carries on no trade in its own right. Parent FS materiality represents 3% of the parent company's total assets as presented on the face of the parent company statement of financial position.

Performance materiality for the group financial statements was set at £342,550, being 65% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 65% to reflect the areas of judgement and estimation within the financial statements and our expectations regarding potential audit differences.

Performance materiality for the parent company financial statements was set at £232,000, being 80% of parent FS materiality. It was set at 80% to reflect the fact that few misstatements were expected in the current period and there is little judgement or estimation in the financial statements other than the recoverability of the carrying value of investments in subsidiaries as referred to in our key audit matters above.

Conclusions relating to going concern

In auditing the group financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the group financial statements is appropriate.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial period ending 30 November 2023;
- Considering historical trading performance by comparing recent growth rates of both revenue and operating profit across the group's segments;
- Comparing the forecast results to those actually achieved in the 2023 financial period so far;
- Reviewing bank statements to monitor the cash position of the group post year end, and obtaining an understanding of any significant expected cash outflows in the forthcoming 12-month period;
- Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the group and parent company financial statements and our auditor's reports thereon. The directors are responsible for the other information contained within Report and Financial Statements. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the group financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the group's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the group's industry and regulation.

We understand that the group complies with the framework through:

- Outsourcing tax compliance to external experts.
- Subscribing to relevant updates from external experts and consultants. and making changes to internal procedures and controls as necessary.
- Accreditations from regulatory bodies to ensure its compliance with regulatory requirements in the sectors it operates.
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation, claims or non-compliance with regulations would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and UK-adopted international accounting standards in respect of the preparation and presentation of the consolidated financial statements.
- Accreditations with regulatory bodies such as the Security Industry Authority ("SIA"), the National Security Inspectorate ("NSI"), The Contractors Health and Safety Assessment Scheme ("CHAS") and the Environmental Agency to ensure it continues to meet its regulatory requirements in the sectors it operates.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above

- Examined the results of any regulatory compliance audits available and performed online searches of key regulators to ensure adequate certificates/accreditations were held.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements, especially revenue, via fraudulent journal entries in particular those affecting the recognition of revenue around the year end.

- Estimates and judgements made by management regarding the forecasts and discount rate used in the impairment review of intangible assets including goodwill.
- The group's status as an AIM listed entity which creates an incentive for fraudulent financial reporting to show favourable results to the market.

The procedures we carried out to gain evidence in the above areas included:

- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and journals outside the normal scope of the client business as well as journal entries affecting the recognition of revenue around the year end;
- Substantive testing around whether revenue was recorded in the correct period; and
- Challenging management regarding the assumptions used in the estimates identified above, and comparison to historical data, market data and post-year-end data as appropriate.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the parent company's financial statements of Croma Security Solutions Group Plc for the year ended 30 June 2022.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carl Deane
Carl Deane (Nov 10, 2022 16:09 GMT)

Carl Deane
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Date: 10/11/2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

Continuing operations:

		2022		2021	
	Notes	**£000's**	**£000's**	**£000's**	**£000's**
Revenue	3		35,165		32,539
Cost of sales			(28,769)		(27,154)
Gross profit			6,396		5,385
Administrative expenses			(6,237)		(4,898)
Other operating income			86		764
Operating profit			245		1,251
Analysed as:					
Earnings before interest, tax, depreciation amortisation		1,590		1,982	
Impairment	12	(627)		-	
Amortisation of intangible assets	13	(82)		(166)	
Depreciation	4	(636)		(565)	
		245		1,251	
Financial expenses	5		(45)		(40)
Profit before tax			200		1,211
Tax	8		(137)		(234)
Profit for the year from continuing operations			63		977
Total comprehensive income attributable to owners of the parent			63		977
Earnings per share	9				
Basic and diluted earnings per share (pence) from continuing operations			0.4		6.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £000's	2021 £000's
Assets			
Non-current assets			
Goodwill	12	5,827	6,454
Other intangible assets	13	207	290
Property, plant and equipment	14	1,477	488
Right-of-use assets	15	1,120	997
		8,631	8,229
Current assets			
Inventories	16	1,076	681
Trade and other receivables	17	6,778	5,097
Cash and cash equivalents	27	2,556	5,433
		10,410	11,211
Total assets		**19,041**	**19,440**
Liabilities			
Non-current liabilities			
Deferred Tax	22	(117)	(91)
Lease liabilities	19	(796)	(764)
		(913)	(855)
Current liabilities			
Trade and other payables	19	(5,609)	(5,924)
Borrowings and lease liabilities	19	(376)	(283)
		(5,985)	(6,207)
Total liabilities		(6,898)	(7,062)
Net assets		**12,143**	**12,378**
Issued capital and reserves attributable to owners of the parent			
Share capital	23	794	794
Treasury shares	23	(399)	(399)
Share premium	23	6,133	6,133
Merger reserve	23	2,139	2,139
Capital redemption reserve	23	51	51
Retained earnings	23	3,425	3,660
Total equity		**12,143**	**12,378**

These financial statements were approved and authorised for issue by the Board of Directors on 10 November 2022 and signed on their behalf by

Sebastian Morley (Nov 9, 2022 16:40 GMT)

S J F Morley- Director
Croma Security Solutions Group plc - Company Number: 03184978

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £000's	2021 £000's
Cash flows from operating activities			
Profit before taxation		200	1,211
Depreciation, amortisation and impairment losses		1,345	731
(Profit) on sale of property, plant and equipment		(21)	(19)
Net changes in working capital	26	(2,091)	374
Financial expenses		45	40
Corporation tax paid		(338)	(182)
Net cash (used in)/generated from operations		**(860)**	**2,155**
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired		(94)	-
Purchase of property, plant and equipment		(1,216)	(138)
Proceeds on disposal of property, plant and equipment		31	28
Net cash used in investing activities		**(1,279)**	**(110)**
Cash flows from financing activities			
Payments to reduce lease liabilities		(445)	(408)
Increase in borrowings		5	11
Dividends paid		(298)	(291)
Net cash used in financing activities		**(738)**	**(688)**
Net (decrease)/increase in cash		**(2,877)**	**1,357**
Cash and cash equivalents at beginning of period		5,433	4,076
Cash and cash equivalents at end of period	27	**2,556**	**5,433**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

Attributable to owners of parent

	Share Capital	Capital Redemption Reserve	Treasury Shares	Share Premium	Merger Reserve	Retained Earnings	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 July 2020	794	51	(399)	6,133	2,139	2,974	11,692
Loss for the year	-	-	-	-	-	977	977
Dividends paid	-	-	-	-	-	(291)	(291)
At 30 June 2021	**794**	**51**	**(399)**	**6,133**	**2,139**	**3,660**	**12,378**
Profit for the year	-	-	-	-	-	63	63
Dividends paid	-	-	-	-	-	(298)	(298)
At 30 June 2022	**794**	**51**	**(399)**	**6,133**	**2,139**	**3,425**	**12,143**

The following notes form part of the primary financial statements

1. Accounting policies

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards.

Going concern

The Group financial statements have been prepared on a going concern basis.

The Group's activities are funded by long-term equity capital and by cash generated from trading.

In considering the ability of the Group to meet its obligations as they fall due, the Board has considered the expected trading and cash requirements of the Group until the end of November 2023.

The Board continues to be positive about the retention of customers and the outlook of its trading operations. Profit and cash flow projections support the Board's view that the Group will meet its obligations as they fall due with the use of cash surpluses from trading and from existing borrowing facilities.

Basis of consolidation

Where the Company has power over the investee; has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns, the investee is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Segment reporting

The Directors consider there to be three operating segments namely 'Croma Vigilant' which comprises the business of Vigilant Security (Scotland) Limited; 'Croma Security Systems' which includes Croma Biometrics and comprises the business of CSS Total Security Limited; and 'Croma Locksmiths', which comprises the business of Croma Locksmiths & Security Solutions Limited and of Safeguard (NW) Limited. The business of Basingstoke Locksmiths Limited was fully transferred to Croma Locksmiths & Security Solutions Limited during the prior year.

The operating segments identified above are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors collectively.

Revenue recognition

Revenue is measured at the transaction price of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's performance obligations, as described below.

1. Accounting policies (continued)

- Revenue in respect of security personnel services is recognised over the term of the contract or, where sales contracts are on a "cost plus" basis, at the point at which manpower services have been provided.
- Sale of goods is recognised at the point that the goods are delivered to a client on signature of a goods received note or to a customer in one of our retail outlets which is the point that control of over the asset is transferred.
- Installation income is recognised straight line over the period of the installation.
- Maintenance and service fees are recognised when the service has been provided, which is typically a period of three to four months from invoice date, leading to contract liabilities which is held under 'Accruals and contract liabilities' being part of 'Trade and other payables' in the consolidated statement of financial position.
- Monitoring income is recognised over the term of the contract, leading to contract liabilities which is also held under 'Accruals and contract liabilities' being part of 'Trade and other payables' in the consolidated statement of financial position.

Cost of sales
Cost of sales are the direct costs relating to customer generated revenue and comprise direct labour payroll costs, other costs associated with direct labour, stock purchases, installation and subcontracted costs all sold on to customers.

Intangible assets
(a) Goodwill
Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

(b) Other intangible assets
Intangible assets acquired separately are carried initially at cost. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful life as follows

- Customer relationships – 10 years
- Brand royalties – 4 years
- Research & development – 3 years

1. Accounting policies (continued)

(c) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development activity is recognised only if all of the conditions of IAS 38 are met.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment testing
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included separately in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Business combinations
The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement 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.

Government grants
Grants are accounted for under the accruals model under IAS20. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

Grants awarded to provide financial support or assistance rather than relating to specific expenditure are recognised in the Consolidated Statement of Comprehensive Income in the period which they become receivable.

Grant income, which is presented gross, has been recognised as other operating income in the Consolidated Statement of Comprehensive Income.

1. Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment are stated at costs less depreciation. 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;

Freehold property	-	4% on cost
Leasehold property	-	Over the term of the lease
Plant, computer and office equipment	-	Between 10% and 35% on cost
Motor vehicles	-	Between 20% and 35% on cost

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.

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 AGM.

Taxes
Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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
- investments in subsidiaries and jointly controlled entities where the 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.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/ (assets) are settled/(recovered).

1. Accounting policies (continued)

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

Leased assets

A right of use asset and a lease liability has been recognised for all leases except leases of low value assets, which are considered to be those with a fair value below £4,500, and those with a duration of 12 months or less. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, right-of-use assets have been disclosed separately from property, plant and equipment.

Share capital

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

Share-based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the profit or loss within the consolidated statement of comprehensive income.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant.

At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non- market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the profit or loss within the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

1. Accounting policies (continued)

Fair value is measured by the use of a Black- Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. When share options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Financial assets
Financial assets are trade receivables and other receivables.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Where the Group has transferred trade receivables under invoice discounting arrangements and it retains substantially all the risks and rewards of ownership of the transferred trade receivables, the Group continues to recognise the trade receivables and also recognises a liability for the proceeds received.

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 premiums 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.

Capital management
The Group manages capital to safeguard its ability to continue as a going concern with the aim of strengthening its capital base to provide returns to shareholders. Excluding credit card and lease liabilities the Group has no short or long-term debt.

The Group considers its capital to comprise its ordinary share capital, share premium, merger reserve, and accumulated retained earnings.

Cash and cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1. Accounting policies (continued)

New and amended standards adopted by the group and company

There are no new standards or amendments to standards which are mandatory for the first time for the financial year ended 30 June 2022 which have a material impact on the Group.

Standards, interpretations, and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2022 or later periods and have not been early adopted. The effect on the consolidated financial statements of the Group for these new standards, interpretations and amendments has not yet been assessed. These new and amended standards and interpretations include:

- Amendments to IAS1: 'Classification of Liabilities as Current or Non-current'
- Amendment to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction'
- IAS 8: Definition of accounting estimates
- IAS 1: Disclosure initiative – accounting policies
- IAS 37: Onerous contracts – cost of fulfilling a contract
- IAS 16: PPE: Proceeds before intended use

2. Critical Accounting Estimates and Judgements

The Group makes certain estimates and judgements 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:

Impairment of goodwill. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cashflows expected to arise from the cash generating unit. In order to derive the present value, the discount rate that has been calculated is 17% (2021: 12.7%).

The carrying amount of goodwill at the consolidated statement of financial position date was £5,919k. Details relating to the allocation of goodwill to cash generating units are given in note 12.

The Directors do not consider there to be any key areas of judgement.

3. Segmental reporting

	Croma Vigilant (Guarding)	Croma Security Systems (Electronic)	Croma Locksmiths (Locks)	Central	Total
2022 Business Segments	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	29,334	2,579	3,252	-	35,165
Gross profit	3,838	1,215	1,343	-	6,396
Administrative expenses	(2,835)	(637)	(646)	(795)	(4,913)
Amortisation	-	-	(82)	-	(82)
Depreciation	(318)	(104)	(214)	-	(636)
Profit/(loss) on disposal	9	9	3	-	21
Other operating income	30	15	41	-	86
Operating profit/(loss) before impairment	724	498	445	(795)	872
Impairment of goodwill	-	(627)	-	-	(627)
Operating profit/(loss)	724	(129)	445	(795)	245
Segment assets	8,421	4,276	5,527	817	19,041
Segment (liabilities)	(4,425)	(826)	(1,598)	(49)	(6,898)
Segment net assets	3,996	3,450	3,929	768	12,143
Additions to non-current assets	404	255	1,100	-	1,759
2021 Business Segments	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Segment revenues	27,454	2,447	2,638	-	32,539
Gross profit	3,473	982	934	(4)	5,385
Administrative expenses	(2,389)	(568)	(505)	(724)	(4,186)
Amortisation	-	(47)	(119)	-	(166)
Depreciation	(252)	(79)	(234)	-	(565)
Profit/(loss) on disposal	2	11	6	-	19
Other operating income	258	243	263	-	764
Operating profit/(loss)	1,092	542	345	(728)	1,251
Segment assets	8,297	4,673	4,931	1,539	19,440
Segment (liabilities)	(4,751)	(956)	(1,298)	(57)	(7,062)
Segment net assets	3,546	3,717	3,633	1,482	12,378
Additions to non-current assets	235	35	28	-	298

3. Segmental reporting (continued)

An analysis of revenue by type is shown below:

Revenues from UK sources	**2022 £000's**	**2021 £000's**
Security Personnel Services	29,140	27,244
Sale of Goods & Installation Services	5,298	4,497
Monitoring Maintenance and Service fees	475	436
Biometric Installation and Maintenances fees	58	152
Keyholding income	194	210
	35,165	**32,539**

The following is an estimate of future revenues arising from unsatisfied performance obligations based on contract renewal dates and projected monthly billing:

	2022 £000's	**2021 £000's**
To be satisfied in the next financial year	20,232	20,208
To be satisfied in subsequent financial years	6,623	11,505
	26,855	**31,713**

There were three customers where revenue was greater than 10% of the total (2021: three). Revenue from these customers was derived from Security Personnel Services.

Significant customer analysis:

	Total revenue		**Total revenue**	
	2022 £000's	**2022 %**	**2021 £000's**	**2021 %**
Customer 1	4,507	13%	5,155	16%
Customer 2	4,398	13%	4,399	14%
Customer 3	5,315	15%	4,807	15%

Revenue of £254k (2021: £235k) which was included in contract liabilities at 1 July 2021 was recognised during the year. At 30 June 2022, contract liabilities totalled £259k (2021: £254k).

4. Expenses	**2022 £000's**	**2021 £000's**
Amount of inventory expensed as cost of sales	2,373	2,063
Write (up)/down of inventories	-	(3)
Lease rentals - low value assets	5	5
Impairment loss	627	-
Depreciation - owned assets	239	215
Depreciation - right of use assets	398	350
Amortisation	83	166
Auditors' remuneration:		
Audit of parent company and consolidated financial information payable to CLA Evelyn Partners Limited	53	44
Fees paid to the auditor in respect of tax compliance services	-	5

5. Financial expenses	**2022 £000's**	**2021 £000's**
Interest on lease liabilities	**45**	**40**

6. Staff and staff costs

The average monthly number of persons (including Directors) employed by the Group during the period was:	**2022 No.**	**2021 No.**
Management and administration	48	49
Service and product provision	968	938
	1,016	**987**
Staff cost (for the above persons):	**£000's**	**£000's**
Wages and salaries	25,543	24,241
Pension	485	461
Social security costs	2,452	2,303
	28,480	**27,005**

7. Directors' and key management personnel remuneration

2022	Salary and bonus £000's	Estimated value of benefits £000's	Pension £000's	Total £000's
S J F Morley	186	7	4	197
R M Fiorentino	241	4	-	245
P Williamson	180	4	1	185
R A Juett	73	2	14	89
A N Hewson	30	2	-	32
C McMicking	30	-	-	30
	740	**19**	**19**	**778**

68,180 share options were issued to directors during the year and are not exercised at 30 June 2022.

Two directors received certain benefits and expenses estimated to be £27k which are repayable to the Group at 30 June 2022.

2021	Salary and bonus £000's	Estimated value of benefits £000's	Pension £000's	Total £000's
S J F Morley	178	10	4	192
R M Fiorentino	241	4	-	245
P Williamson	167	2	1	170
R A Juett	73	2	14	89
A N Hewson	25	2	-	27
C McMicking	25	-	-	25
	709	**20**	**19**	**748**

Key management personnel compensation

Key management personnel compensation payable to the Directors including employers National Insurance, comprises short-term employee benefits which total £855k (2021: £799k) and long-term employee benefits which total £19k (2021: 19k).

8. Taxation	**2022 £000's**	**2021 £000's**
Analysis of the tax charge in the year		
Current year tax charge		
UK corporation tax charge on profit for the year	123	280
Adjustments for prior periods	(11)	(9)
Total current tax	112	271
Deferred tax (note 22)		
Current year	25	(41)
Adjustments for prior periods	-	4
Total deferred tax	25	(37)
Tax on profit on ordinary activities	**137**	**234**

Factors which may affect future tax charges

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

Factors affecting the tax charge for the year

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The fully anticipated effect of these changes is reflected in the above deferred tax balances

	2022 £000's	**2021 £000's**
Profit before taxation	200	1,211
Profit multiplied by the standard rate of taxation of 19% (2021: 19%)	38	230
Effects of:		
Expenses not deductible for tax purposes	110	9
Adjustment to tax charge for previous periods	(11)	(5)
Total tax charge for the year	**137**	**234**

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders, from continuing operations, divided by the weighted average number of shares in issue during the year, calculated on a daily basis.

The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares and the post-tax effect of dividends and interest on the assumed conversion of all other dilutive options and other potential ordinary shares.

	2022	**2021**
	£000's	**£000's**
Numerator		
Earnings for the year on continuing operations and used in basic and diluted EPS	63	977
Denominator		
Weighted average number of shares used in basic and diluted EPS (000’s)*	14,902	14,902
	Pence	**Pence**
Basic and diluted earnings/(loss) per share	0.4	6.6

* Share options granted in the year have an average exercise price of £0.9 (note 23) and are not dilutive at 30 June 2022

10. Dividends

A final dividend for the year ended 30 June 2021 was declared on 21 October 2021 and paid on 26 November 2021 at a cost of £0.298m. Subject to approval at the AGM, the Board recommends a final dividend of 2.1p per share.

11. Business Combinations (Acquisitions)

As part of the group strategy to expand the network of security centres, on 11 November 2021 the Group purchased a business comprising 100% of the share capital of Safeguard (N/W) Limited a business trading out of a Locksmiths branch in Warrington.

The fair value of net assets acquired is set out below:

	£000's
Purchase consideration (satisfied entirely by cash)	269
Less: the fair value of assets acquired	
Property plant and equipment	(23)
Inventories	(136)
Trade and other receivables	(48)
Cash and cash equivalents	(175)
Add: the fair value of liabilities	
Trade and other payables	113
Goodwill	-

During the period after acquisition, the new business contributed £235k to Group revenue and £45k to Group profits. If the acquisition had been completed on the first day of the financial year, it is estimated Group revenues would have increased by £353k and that Group profits would have increased by £68k.

12. Goodwill

Cost	**£000's**
At 1 July 2021 & 30 June 2022	7,311
Accumulated impairment losses	
At 1 July 2021	857
Arising in the year	627
At 30 June 2022	1,484
Net book value	
At 1 July 2021	6,454
At 30 June 2022	**5,827**

Impairment testing

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". An impairment charge of £627k (2021: £nil) occurred as a result of this review. For this review goodwill was allocated to individual cash generating units (CGU) on the basis of the group's operations.

The carrying value of goodwill by each CGU is as follows:	**2022 £000's**	**2021 £000's**
Croma Security Systems	2,279	2,906
Croma Locksmiths	2,152	2,152
Croma Vigilant	1,396	1,396
	5,827	**6,454**

12. Goodwill (continued)

Forecasts, growth and discount rates
The recoverable amount relating to Croma Vigilant, Croma Security Systems and Croma Locksmiths was determined based on value-in-use calculations, covering a detailed forecast for the five-year period to 30 June 2027, followed by extrapolation of expected cashflows for the remaining useful lives using a 2% growth rate. The present value for the expected cashflows was determined using a pre-tax discount rate of 17% (2021: 12.7%) which is based on a number of factors including the risk-free rates in the UK (using the yield from 20 year British Government Securities, with a nominal zero coupon, as at 30 June 2022), the Group's estimated market risk premium, the anticipated future rates of corporation tax and a premium to reflect the size of the Group and the current uncertain economic environment.

Cashflow assumptions

Croma Vigilant
For the year to 30 June 2023 turnover is forecast to increase by 10% through the growth of the existing customer portfolio and contract wins. Direct costs are forecast to increase proportionately and overheads by approximately 7%.

For the period from 1 July 2023 to 30 June 2027 the following assumptions have been made

- Revenue to grow by 4.25% per annum (2021: 3%)
- Direct wages and costs to rise in proportion to revenue
- Indirect costs to increase at 3.11% per annum (2021: 2%)

For the year ended 30 June 2028 onwards, revenues less costs are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is considerably more than the carrying value of goodwill.

Croma Security Systems including Croma Biometric
As noted above for the year ended 30 June 2022 sales continued to be impacted by the pandemic and we have retained all our major customers, whilst also gaining new work during this period. Despite this we did not achieve our growth forecasts for the 2022 and so we forecast only 5% increase in turnover for the year ending 30 June 2023.

For the period from 1 July 2023 to 30 June 2027 the following assumptions have been made:

- Revenue growth of 4.25% (2021: 3.14%)
- Direct cost growth of 3.69% (2021: 2.6%)
- Overheads growth of 3.26% (2021: 2.17%)

For the year ended 30 June 2027 onwards, revenues less costs are assumed to increase by 2% per annum.

Primarily driven by the increase in the discount rate applied and based on these assumptions the net present value of future cashflows is £3,777k which when compared to the carrying value of goodwill and net assets has resulted in an impairment loss of £627k.

Croma Locksmiths

During the year to 30 June 2022 sales increased by 23% due to acquisition and organic growth. For the year ended 30 June 2023 we continue to forecast positive growth of 13% in sales from our existing locksmith businesses and from iLOQ for which we continue to receive strong customer interest.

For the period from 1 July 2023 to 30 June 2027 the following assumptions have been made:

- Revenue growth of 4.25% (2021: 3.14%)
- Direct cost growth of 3.69% (2021: 2.6%)
- Indirect costs growth of 3.07% (2021: 2.14%)

For the year ended 30 June 2027 onwards, revenues less costs are assumed to increase by 2% per annum.

Based on these assumptions the net present value of future cashflows is £208k more than the carrying value of goodwill.

Sensitivities

The discount rate which increased by 4.3% during the year, is determined largely by factors outside of the director’s control, and this been the most significant factor in the impairment charge in Croma Systems.

The Directors have applied sensitivity analysis to future cashflows to estimate the likelihood of future impairment.

For Croma Vigilant our cashflow forecasts are not sensitive to any foreseeable changes in the discount rate or to long term revenue growth rates.

The cashflow forecasts for Croma Locksmiths and Croma Systems are sensitive to changes in the discount rate and to long term revenue growth. For example, for each 0.1% increase in the discount rate, the value of future cashflows reduces by approximately £54K and for each 0.1% decrease in the long term revenue growth rate the value of future cashflows reduces by approximately £32k.

13. Other intangible assets

	R&D	Customer relationships	Brands	Software licences	Brand Royalties	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 30 June 2021 & 2022	**86**	**1,727**	**295**	**224**	**31**	**2,363**
Amortisation						
At 30 June 2020	**86**	**1,326**	**242**	**222**	**31**	**1,907**
Charge for the year	-	137	29	-	-	166
At 30 June 2021	**86**	**1,463**	**271**	**222**	**31**	**2,073**
Charge for the year	-	59	24	-	-	83
At 30 June 2022	**86**	**1,522**	**295**	**222**	**31**	**2,156**
Carrying Value at 1 July 2021	**-**	**264**	**24**	**2**	**-**	**290**
Carrying Value at 30 June 2022	**-**	**205**	**-**	**2**	**-**	**207**

R&D was developed internally. The other intangible assets were acquired with the business of CSS Total Security Limited, CSS Locksmiths Limited, Croma Locksmiths & Security Solutions Limited and Basingstoke Locksmiths Limited.

The amortisation expense of £83k (2021:£166k) has been categorised as an administrative expense in the consolidated statement of comprehensive income.

At the year end the Directors reviewed intangible assets for impairment.

Customer relationships
Customer relationships extant at the date of acquisition were considered. A forecast was prepared of future gross revenues from the relationships after giving due consideration to historic attrition rates. A discount rate of 17% (2021: 12.70%) was then applied to give the present value of these future cashflows.

No impairment adjustment has been found to be necessary against the carrying value of customer relationships acquired with the business of Croma Locksmiths & Security Solutions Limited. The useful lives as noted in the accounting policies were considered appropriate. Customer relationships with a net book value of £205k have a remaining life of less than 3.5 years.

Brands
Brands were fully written down in the year ending 30 June 2022.

14. Property, plant and equipment

	Property	Plant and office equipment	Motor vehicles	Total
	£000's	£000's	£000's	£000's
Cost				
At 30 June 2020	**315**	**887**	**352**	**1,554**
Additions	-	107	31	138
Disposals	-	-	(15)	(15)
At 30 June 2021	**315**	**994**	**368**	**1,677**
Additions	810	181	248	1,239
Disposals	-	(6)	(49)	(55)
At 30 June 2022	**1,125**	**1,169**	**567**	**2,861**
Accumulated depreciation				
At 30 June 2020	**110**	**619**	**251**	**980**
Charge for the year	27	142	46	215
On disposals	-	-	(6)	(6)
At 30 June 2021	**137**	**761**	**291**	**1,189**
Charge for the year	22	154	63	239
On disposals	-	(2)	(42)	(44)
At 30 June 2022	**159**	**913**	**312**	**1,384**
Carrying amount				
At 30 June 2022	**966**	**256**	**255**	**1,477**
At 30 June 2021	**178**	**233**	**77**	**488**

15. Right-of-use assets

	Property	Motor vehicles	Total
	£000's	£000's	£000's
Cost			
At 30 June 2020	1,282	200	1,482
Additions	67	160	227
Eliminated on expiry	-	(78)	(78)
At 30 June 2021	**1,349**	**282**	**1,631**
Additions	441	80	521
Eliminated on expiry	(184)	(10)	(194)
At 30 June 2022	**1,606**	**352**	**1,958**
Accumulated depreciation			
At 30 June 2020	283	79	362
Charge for the year	257	93	350
Eliminated on expiry	-	(78)	(78)
At 30 June 2021	**540**	**94**	**634**
Charge for the year	302	96	398
Eliminated on expiry	(184)	(10)	(194)
At 30 June 2022	**658**	**180**	**838**
Carrying amount			
At 30 June 2022	**948**	**172**	**1,120**
At 30 June 2021	809	188	997

16. Inventories

	2022	2021
	£000's	£000's
Raw materials and consumables	862	665
Work in progress	214	16
	1,076	**681**

17. Trade and other receivables	2022 £000's	2021 £000's
Trade receivables	6,328	4,643
Allowance for bad debts	(107)	-
Net trade receivables	6,221	4,643
Other receivables	259	17
Prepayments	298	437
Total trade and other receivables	**6,778**	**5,097**

Owing to the short-term nature of the trade receivables, their fair value is the same as the book value. A provision for impairment of trade receivables is established using an expected loss model. Expected loss is calculated from a provision matrix based on the expected lifetime default rates and estimates of loss on default. There was a provision for impairment of trade receivables at 30 June 2022 of £107k (2021:£nil).

In the view of the Board the level of credit risk remains low, due to a wide mix of clients in different trade sectors. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above. As noted below there has been an increase in our trade debtor book with both debtor days and overdues up on the prior year. This was largely because of a change in the managing agent for one of our London property clients which led to some of our debtor receipts being held in transit. We are pleased to report that the situation has largely been resolved and that 91% of our year end debtor book has now been collected.

Age profile	2022 £000's	2021 £000's
Debts past due but not paid		
Under 60 days	412	382
60-90 days	640	103
Over 90 days	205	47
	1,257	**532**
Debtor days	54	42

18. Categories of financial asset	**2022 £000's**	**2021 £000's**
Loans and receivables		
Trade and other receivables	6,480	4,660
Cash at bank and in hand	2,556	5,433
	9,036	**10,093**

19. Trade and other payables	**2022 £000's**	**2021 £000's**
Trade payables	815	511
Other payables	174	174
	989	**685**
Other taxes and social security	2,015	2,290
Corporation tax liability	40	255
Accruals and contract liabilities	2,565	2,694
Total trade and other payables, excluding borrowings and lease liabilities	**5,609**	**5,924**

Interest bearing borrowings and lease liabilities due within 1 year	**2022 £000's**	**2021 £000's**
Lease liabilities (due in less than 1 year)	345	257
Credit card liabilities	31	26
	376	**283**
Lease liabilities due after 1 year	**796**	**764**

Lease liabilities are secured against the assets to which they relate.

20. Leases

The Group has lease contracts for property, vehicles and other assets which have lease terms varying between 1 and 10 years. The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value; these leases have been expensed in accordance with the practical expedients permitted under IFRS 16.

Contracts may contain both lease and non- lease components. The Group allocates consideration between lease and non-lease components based on the price a lessor, or similar supplier, would charge to purchase that component separately.

The lease term begins at the commencement date and includes any rent-free periods provided by the lessor. Lease terms vary between contracts and depend on the individual facts and circumstances of the contract.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 30 June 2022. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rate applied was 3.5%. The Group has taken advantage of the practical expedient permitted under IFRS 16 to apply a single discount rate to a portfolio of leases with similar characteristics.

	2022	**2021**
	£000's	**£000's**
Minimum lease payments fall due as follows:		
Gross obligations repayable:		
Within one year	373	278
Between one and five years	746	604
Over five years	124	239
Net obligations repayable:		
Within one year	345	257
Between one and five years	677	540
Over five years	119	224
Amounts recognised in the consolidated statement of comprehensive income:		
Interest on lease liabilities	45	40
Amounts recognised in the consolidated statement of cashflows:		
Payments to reduce lease liabilities	445	408

21. Interest rate and liquidity risk

2022	Weighted average effective interest rate	Less than one month or on demand	1-12 months	After 1 year	Total
	%	£000's	£000's	£000's	£000's
Fixed rate					
Trade and other payables		815	174	-	989
Lease obligations	3.50%	-	345	796	1,141
Accruals		1,648	917	-	2,565
Floating rate					
Credit card liabilities	2.80%	-	31	-	31
Total		**2,463**	**1,467**	**796**	**4,726**

2021	Weighted average effective interest rate	Less than one month or on demand	1-12 months	After 1 year	Total
	%	£000's	£000's	£000's	£000's
Fixed rate					
Trade and other payables		511	174	-	685
Lease obligations	3.50%	-	257	764	1,021
Accruals		1,425	1,269	-	2,694
Floating rate					
Credit card liabilities	2.80%	-	26	-	26
Total		**1,936**	**1,726**	**764**	**4,426**

22. Deferred tax	**2022 £000's**	**2021 £000's**

The movement on the deferred tax account is shown below

At 1 July	92	128
Charged to the statement of comprehensive income	25	(37)
At 30 June	**117**	**91**

The deferred tax provision at 30 June comprises the following temporary differences:

Capital allowances in advance of depreciation	95	53
Arising on fair value adjustments recognised on business combination	36	52
Other short term temporary differences	(14)	(14)
	117	**91**

At 30 June 2022 deferred tax has been provided at a rate of 25% (2021: 19%)

The Group has tax losses of approximately £1.8m (2021: £1.8m) to carry forward which could not be utilised against trading profits. The potential deferred tax asset arising on these tax losses of £450k (2021: £324k) has not been recognised as it is doubtful that it will be utilised in the foreseeable future.

23. Share capital	**2022 £000's**	**2021 £000's**
Authorised, allotted, called up and fully paid:		
Ordinary shares of 5 pence each	794	794
	Number 000's	**Number 000's**
Issued and fully paid		
Ordinary shares of 5 pence at the start and end of the year	15,899	15,899

23. Share capital (continued)

The Group operates the CSSG Share Option Scheme 2014 (the Scheme), which is a share option scheme approved by HMRC.

The Board keep the scheme under review, and consider new options to motivate, retain and recruit high calibre employees and with regard to the contribution that such employees are expected to make in achieving the Group's objectives.

Details of share options outstanding during the year for the Group's share option scheme are as follows:

	Number of share options	Weighted average exercise price (£)
Options outstanding at 1 July 2020	-	-
Options outstanding at 30 June 2021	-	-
Granted during the year	108,680	0.9
Exercised during the year	-	-
Options outstanding at 30 June 2022	108,680	0.9

Share options exercisable at the end of the year were:

	Number of share options	Weighted average exercise price (£)
Options exercisable at 1 July 2020	-	-
Options exercisable at 30 June 2021	-	-
Options exercisable at 30 June 2022	-	-

The share options outstanding at 30 June 2022 had a weighted average remaining contractual life of 4.3 years (2021: 0 years).

There were no share options exercised during the year (2021: none).

23. Share capital (continued)

During the year, the 108,180 share options were issued. The details of these options and their fair value at the grant date is detailed below. The fair value of the options at the grant date was calculated using the Black-Scholes model

	02-Nov-21	26-Nov-21
Share price at grant date (£)	0.8855	0.92
Exercise price (£)	0.88	0.935
Expected volatility	30%	30%
Expected option life	3 years	3 years
Risk-free interest rate	2.42%	2.42%
Fair value at grant date (£)	0.07	0.09

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The closing price of the Company's shares at the year end was £0.705

The charge to the statement of comprehensive income would be trivial and has not been recognised during 2022 (2021: £Nil).

24. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share Premium	Amount subscribed for share capital in excess of nominal value less related professional and regulatory fees.
Merger Reserve	The merger reserve arose on the acquisition of the CSS Group to the extent that this was funded by the issue of new shares.
Retained Earnings	Cumulative net gains and losses recognised in the statement of comprehensive income less amounts distributed to shareholders.
Capital Redemption Reserve	The capital redemption reserve arose on the purchase and cancellation of own shares.
Ordinary Shares	Amount subscribed for share capital at nominal value.
Treasury Shares Reserve	Arose on the purchase of own shares

25. Related party transactions

Identity of related parties

The Parent Company has a controlling related party relationship with its subsidiary companies. The Group has a related party relationship with its directors, executive officers, pension funds and trusts, who with their immediate relatives control 33% of the voting shares.

Rental of Premises

R M Fiorentino and his family are beneficiaries of the County Access Systems Limited Retirement Benefits Scheme from which the Group leases trading and ex-trading premises. The total rental on these premises was £103k (2021: £117k) and in respect of these leases, £305k (2021: £383k) is included in lease liabilities on 30 June 2022.

Salaries paid to close family members

During the year salaries totalling £96k (2021: £66k) were paid to close family members of key management personnel.

Other services

A director exercises a certain level of managerial control over a supplier to the Group from which it has received cleaning services totalling £21k (2021: £11k) and other services of cleaning and stewarding which were recharged to customers of £58k (2021:£15k). At 30 June 2022 £10k was payable to the supplier (2021: £2k). The director has no financial interest in the business although a family member is a part-time employee.

26. Notes supporting the cash flow statement	2022 £000's	2021 £000's
Net changes in working capital		
(Increase)/decrease in inventories	(259)	83
Increase in trade and other receivables	(1,633)	(562)
(Decease)/increase in trade and other payables	(199)	853
	(2,091)	**374**

27. Cash and cash equivalents	2022 £000's	2021 £000's
Cash at bank and in hand	2,556	5,433

28. Reconciliation of liabilities arising from financing activities

	Lease liabilities £000's	Invoice discounting and credit card liabilities £000's	Total £000's
At 30 June 2020	**1,162**	**15**	**1,177**
New lease liabilities	227	-	227
Cash flows	(368)	11	(357)
At 1 July 2021	**1,021**	**26**	**1,047**
New lease liabilities	520	-	520
Cash flows	(400)	5	(395)
At 30 June 2022	**1,141**	**31**	**1,172**

29. Contingent liabilities

There are no contingent liabilities either at the year-end or up to the date of signing the financial statements.

30. Subsidiary audit exemption

The wholly owned subsidiaries of Croma Security Solutions Group Plc: Vigilant Security (Scotland) Limited, CSS Total Security Limited, CSS Locksmiths Limited, Croma Locksmiths and Security Solutions Limited, Safeguard (N/W) Limited and Basingstoke Locksmiths Limited are exempt from the requirements of Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A.

31. Post balance sheet event

As part of the continuing strategy to expand the network of security centres, on 6 July 2022 the company purchased a business comprising 100% of the share capital of Southern Stronghold Limited, a business trading out of Locksmiths branches in Coventry and Totton.

The estimated fair value of net assets acquired is set out below:

	£000's
Purchase consideration (satisfied entirely by cash)	965
Less: the fair value of assets acquired	
Freehold property	(420)
Plant and equipment	(50)
Inventories	(250)
Trade and other receivables	(95)
Cash and cash equivalents	(116)
Add: the fair value of liabilities	
Trade and other payables	46
Goodwill and intangible assets	80

evelyn PARTNERS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROMA SECURITY SOLUTIONS GROUP PLC

Opinion

We have audited the financial statements of Croma Security Solutions Group Plc (the 'parent company') for the year ended 30 June 2022 which comprise the statement of financial position, the statement of cash flows, the statement of changes in equity and the parent company notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2022;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the parent company financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is appropriate.

Our evaluation of the directors' assessment of the parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the financial period ending 30 November 2023.
- Considering historical trading performance.
- Comparing the forecast results to those actually achieved in the 2023 financial period so far.
- Reviewing bank statements to monitor the cash position of the parent company and wider group post year end, and obtaining an understanding of significant expected cash outflows in the forthcoming 12-month period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the group and parent company financial statements and our auditor's reports thereon. The directors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the parent company financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained a general understanding of the parent company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the parent company's industry and regulation.

We understand that the company complies with the framework through:

- Outsourcing tax compliance to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the parent company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the parent company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the parent company's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements via fraudulent journal entries.

The procedures we carried out to gain evidence in the above areas included:

- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and journals outside the normal scope of the client business.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the group financial statements of Croma Security Solutions Group Plc for the year ended 30 June 2022. This separate auditor's report on the group financial statements includes the key audit matters and other audit planning and scoping matters that relate to the parent company audit.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carl Deane
Carl Deane (Nov 10, 2022 16:09 GMT)

Carl Deane
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants
4th Floor Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Date: 10/11/2022

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £000's	2021 £000's
Assets			
Fixed assets			
Investments	E	8,337	8,498
		8,337	8,498
Current assets			
Debtors	F	1,180	1,712
Cash and bank and in hand		3	19
		1,183	1,731
Current liabilities			
Creditors: Amounts falling due within one year	G	(417)	(257)
Net current assets		766	1,474
Total assets less current liabilities		**9,103**	**9,972**
Issued capital and reserves attributable to owners of the parent			
Share capital	H	794	794
Capital redemption reserve		51	51
Treasury shares		(399)	(399)
Share premium		6,133	6,133
Merger reserve		2,139	2,139
Profit and loss account	C	385	1,254
Total equity		**9,103**	**9,972**

The company loss for year totalled £570k (2021 profit: £558k)

These financial statements were approved and authorised for issue by the Board of Directors on 10 November 2022 and signed on their behalf by

Sebastian Morley (Nov 9, 2022 16:40 GMT)

S J F Morley
Director
Croma Security Solutions Group plc - Company Number: 03184978

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

Cash flows from operating activities	**Notes**	**2022 £000's**	**2021 £000's**
(Loss)/profit before taxation		(570)	558
Net changes in working capital	J	691	(323)
Impairment losses		161	-
Net cash generated from operations		**282**	**235**
Cash flows from financing activities			
Dividends paid		(298)	(291)
Net cash used in financing activities		**(298)**	**(291)**
Net decrease in cash		(16)	(56)
Cash and cash equivalents at beginning of period		19	76
Cash and cash equivalents at end of the period		**3**	**19**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Share Capital £000s	Capital Redemption Reserve £000s	Treasury Shares £000s	Share Premium £000s	Merger Reserve £000s	Retained Earnings £000s	Total Equity £000s
At 1 July 2020	794	51	(399)	6,133	2,139	987	9,705
Profit for the year	-	-	-	-	-	558	558
Dividends paid	-	-	-	-	-	(291)	(291)
At 30 June 2021	**794**	**51**	**(399)**	**6,133**	**2,139**	**1,254**	**9,972**
Profit for the year	-	-	-	-	-	(570)	(570)
Dividends paid	-	-	-	-	-	(298)	(298)
At 30 June 2022	**794**	**51**	**(399)**	**6,133**	**2,139**	**385**	**9,103**

The following notes form part of the primary financial statements

A. Significant accounting policies

Croma Security Solutions Group Plc is a public limited company incorporated and domiciled in England and Wales and is AIM listed.

The address of the registered office is Unit 7&8 Fulcrum 4, Solent Way, Whiteley, Fareham, Hampshire PO15 7FT

Basis of accounting
The separate financial statements of the Company have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Going Concern
These financial statements have been drawn up on the going concern basis.

The Company made an operating loss for the year of £570k (2021: £558k). Dividends of £nil were received from its subsidiary undertakings (2021: £0.9m).

The Company's activities are funded by long term equity capital and by profits and cash generated from the activity of a holding company.

The financial statements do not reflect the adjustments that would be necessary were the performance of the Company to deteriorate and the Group’s funding from invoice discounting to become unavailable. However, the Directors have considered expected cash requirements of the Company until 30 November 2023 and these projections suggest that the Company will meet its obligations as they fall due at least until this date.

Investments
Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provision of the instrument.

A. Significant accounting policies (continued)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets after deducting all of its financial liabilities.

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument they are classified as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity are debited direct to equity.

Taxes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

B. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. 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:
Impairment of investments in subsidiaries
Primarily driven by an increase in the discount rate applied to future cashflows, an impairment adjustment of £161k (2021:£nil) against fixed assets investments has been recorded. At the year end the carrying value of investments totalled £8,337k (2021:£8,498k).

The directors do not consider there to be any key areas of judgement.

C. Profit attributable to ordinary shareholders
The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The loss dealt within the financial statements of the Company was £570k (2021: profit £558k).

D. Staff costs	**2022 No.**	**2021 No.**
The average monthly number of persons (including Directors) employed by the company during the period was:		
Management and administration	6	6
Staff costs (for the above persons):	**£000's**	**£000's**
Wages and salaries	559	554
Pension	18	18
Social security costs	73	69
Estimated value of benefits	15	18
	665	**659**

	Shares in subsidiary undertakings
E. Fixed asset investments	**£000's**
Cost	
At 1 July 2021 and 30 June 2022	9,059
Impairment	
At 1 July 2021	561
Arising in the year	161
At 30 June 2021	722
Net book value	
At 30 June 2022	8,337
At 30 June 2021	8,498

The principal fixed asset investments are as follows:

Company	% Ordinary shareholding	Nature of business
Vigilant Security (Scotland) Limited	100% directly	Asset protection and guarding
CSS Total Security Limited	100% directly	CCTV and security systems
Croma Locksmiths & Security Solutions Limited	100% directly	Locksmithing, Keys and Safes
Safeguard (N/W) Limited	100% indirectly	Locksmithing, Keys and Safes
Basingstoke Locksmiths Limited	100% indirectly	Dormant
CSS Locksmiths Limited	55% directly 45% indirectly	Dormant
Centre Security Limited	100% indirectly	Dormant
Access Key and Lock Limited	100% indirectly	Dormant

The registered office of all group companies except Vigilant Security (Scotland) Limited is Units 7 & 8 Fulcrum 4, Fareham, Whiteley PO15 7FT.

The registered office of Vigilant Security (Scotland) Limited is 1st Floor Left, 161 Brooms Road, Dumfries, Scotland, DG1 2SH.

F. Debtors	**2022 £000's**	**2021 £000's**
Amounts due from subsidiary undertakings, repayable on demand	1,163	1,689
Prepayments	17	23
	1,180	**1,712**

G. Creditors: Amounts falling due within 1 year	**2022 £000's**	**2021 £000's**
Amounts due to subsidiary undertakings, repayable on demand	369	200
Trade creditors	5	3
Other creditors	19	20
Other taxes and social security	24	34
	417	**257**

H. Share capital

Authorised, allotted, called up and fully paid:	**2022 £000's**	**2021 £000's**
Ordinary shares of 5 pence each	794	794

Issued and fully paid	**2022 Number 000's**	**2021 Number 000's**
Ordinary shares of 5 pence at the start and end of the year	15,899	15,899

Rights attaching to shares
The holders of the ordinary shares of 5 pence each are entitled to receive dividends and a return of capital on liquidation as well as attend and vote at a general meeting of the Company.

Share option scheme
In 2014 the Group instigated an Approved Company Share Option Scheme. Details are in Note 23 of the consolidated accounts.

I. Related party transactions

Identity of related parties
The Parent Company has a controlling related party relationship with its subsidiary companies. The Group has a related party relationship with its directors, executive officers, pension funds and trusts, who with their immediate relatives' control 33% of the voting shares.

Full details of compensation to Key Management Personnel of the parent company are included in note 7 to the financial statements of the Group.

J. Notes supporting the cash flow statement	2022 £000's	2021 £000's
Net changes in working capital		
Decrease/(increase) in trade and other receivables	531	(168)
Increase/(decrease) in trade and other payables	160	(155)
	691	**(323)**