

CROMA SECURITY SOLUTIONS GROUP PLC
REPORT AND FINANCIAL STATEMENTS
30 June 2014

CONTENTS

	Page
Company information	1
Chairman's statement	2
Strategic Report	3
Board of Directors	12
Directors report	13
Statement of directors' responsibilities	16
Independent auditor's report	17
Consolidated statement of comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of cash flows	21
Consolidated statement of changes in equity	22
Notes to the financial statements	23
Independent auditors' report for the parent company	48
Parent company financial statements	50

COMPANY INFORMATION

Directors	S J F Morley (Executive Chairman) R M Fiorentino (Group Chief Executive) A Tetley FCA (Finance Director) C N McMicking (Non-Executive) Lord J W E Percy (Non-Executive) A N Hewson MA FCA CF (Non-Executive)
Secretary	A Tetley
Registered office	Unit 6 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 auditors	Grant Thornton UK LLP 95 Bothwell Street Glasgow G2 7JZ
Solicitors	Shepherd & Wedderburn LLP 1 Exchange Crescent Edinburgh EH3 8UL
Registrars	Neville Registrars Limited 18 Laurel Lane West Midlands B63 3DA
Principal Bankers	Lloyds Banking Group plc PO Box 1000 London BX1 1LT Svenska Handelsbanken AB 3 Thomas More Square London E1W 1WY
Website	http://www.cssgroupplc.com/

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

I have pleasure in reporting the Group's final results for the year to 30th June 2014 which has seen the Group exceed expectations.

The strategy of the Group remains to deliver an integrated security offering with emphasis on high service levels, seamless management of diverse security requirements and an overall focus on quality. We deliver a total security service to individuals and corporations who demand the best.

Integration of services is a work in progress, some clients of our ex-military guarding arm do not require a systems solution and vice versa, but nevertheless each component of the Group has delivered record levels of turnover and we have exceeded our internally budgeted sales and profits.

Our financial year has undoubtedly been helped by our successful bid for the provision of security services to the Commonwealth Games 2014 in Glasgow. This was a profitable project which greatly enhanced our profile. We were one of few contractors who delivered a flawless performance and earned high praise from our client.

The UK guarding market is competitive but we are finding that customers are moving away from lowest cost providers, a model we have rigorously avoided, and are recognising that security officers are more than just a presence. Our ex-military security service delivers everything from a reception service to a robust crime deterrent often all in one building. Well recruited, well trained and pragmatically managed security officers under an ex-military banner are commanding an increasingly large market place in the UK.

Alarms and Locks are pursuing a similar strategy, providing high quality high specification systems for clients who see their security as being more than just a commodity. High levels of service, time and effort devoted to surveying and planning, and well executed installation and ongoing maintenance have all helped us to show 18% topline growth. The market is large and we believe is continuing to grow, and amongst our key assets are the engineers who produce such high quality work.

Fastvein™ is now bearing fruit, repaying the years of investment in this exciting new technology. We have secured contracts with schools and a police force in the UK, and we have active proposals going forward in the UK, in Europe, and in the Middle East and Africa. We are all enormously excited by the opportunities that FastVein™ offers, and we are putting in place the necessary corporate architecture to ensure we can deliver the anticipated demand.

I would like to thank our previous Finance Director Richard Juett who left us at Christmas, and to welcome his successor Alexander Tetley. Richard gave sterling service to the Group in his time here and we wish him well for the future.

The focus of the Group remains that of delivering sustained organic growth by concentrating on our specialist offering to the security market. Our aim is to offer a total, vertically integrated security service to clients who demand the most exacting service and technology. The security market remains fragmented and presents a clear opportunity for an integrated provider.

Finally, I am delighted to be able to inform shareholders that our performance this year leads the Board to believe it is time to pay a dividend, and I look forward to making an announcement regarding an interim dividend for next year very soon.

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2014

Strategy and Objectives

The Business Model

2013/14 has seen a strong performance across the Group, with all key constituents showing growth in turnover and profitability. Across the piece the Group is delivering profitability close to the forecasts prepared at the time of the acquisition, which is pleasing given the amount of reorganisation required in 2012/13.

Since the acquisition of Total Security Limited and County Locksmiths Limited in 2012, which resulted in the formation of the current Croma Group, the Board and management teams have been successfully integrated. Likewise the security service offerings have integrated into a joined up and simple proposition. However, growth in cross selling between divisions has been slower than initially anticipated due to the constraints of existing contracts and geographical separation.

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

Croma Vigilant

Croma Vigilant has had a particularly successful year; Turnover has grown by 12%, and profit after tax has increased to £3.26m (2013: £2.88m). This is due to a more proactive approach to business development, an awareness on the part of clients that there is value in a premium offering, and in no small part to the Commonwealth Games 2014. Croma Vigilant was able to demonstrate its suitability to be part of the overall security offering for the Games, and the organisers have recognised the excellent service the company provided. Whilst it is essentially a one-off contract it has certainly increased the standing and profile of the company to the point where it is being invited to more, and more profitable, tender opportunities.

Croma Vigilant continues to operate in the upper echelon of the manned guarding market with the delivery of its manned guarding, key holding and commissionaire services and it is the largest revenue contributor to the Group.

On top of its healthy retained client base, which has seen high levels of retention in the year, Croma Vigilant was part of the security provider team for Commonwealth Games Glasgow 2014. This contract lasted from May until August and generated revenues of £800 m at very good margin. Importantly, the service delivery was found to be faultless and Croma Vigilant was the only operator amongst a total pool of ten companies that incurred no penalties or fines for poor or non-performance.

Croma Vigilant continues to enjoy strong relationships with its long term customers, and revenues from retained clients are growing. The company's firm belief is that a client retained is worth three clients won, and great effort goes into ensuring we are meeting and exceeding client expectations at all levels.

The ex-military ethos is also bearing fruit, and there is a strong and capable team of guards and supervisors. The company has inherited many guards through TUPE (Transfer of Undertakings (Protection of Employment)), and the first priority is always to ensure that new arrivals understand and share this approach.

Croma Security Systems

Croma Security Solutions has seen an even more marked growth in turnover and profits, coming back to the pre-acquisition levels of performance. Sales have grown 20% to £2.57m and profit has increased to £0.41m. The company is concentrating on delivering high value systems to private and corporate clients, with the emphasis being on access control and intruder alarm.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

National contracts have been renegotiated and are now performing satisfactorily, and high value security installations continue to allow the company to demonstrate its high levels of service and technical expertise.

Croma Security Systems have been working with Croma Vigilant in the support of one of the former's major clients, and opportunities to increase security services to existing clients by cross selling continue to be identified. This remains a challenging approach, but both Croma Vigilant and Security Systems are investing in sales and marketing resource to improve target market penetration.

The company is currently addressing an industry – wide issue of a shortage of trained engineers; during the recent recession the industry spent less time and money on training, resulting in a skills gap. Croma Security Systems are taking on trainees to ensure it is able to field a full engineering team.

Croma Security Systems has been pushing its new products, FastVein™ and Vehicle Impact Protection System (VIPS). Both of these products are gaining traction. VIPS has secured good sales with COLAS and AOne plus, and is looking to expand into Europe as well as the UK. FastVein™ is attracting very strong interest in the UK and Europe, as well as the Middle East. Both FastVein™ and VIPS have been the subject of successful claims for Research and Development Tax Credits.

The Board is clear that the core revenue streams of the Group; that of manned guarding and security systems and locks, will continue to drive results to the forecast numbers and beyond. The main effort will remain there, and new products will form the basis of incremental revenues and earnings.

In CSS Locksmiths there has been a shift in the nature of business away from consumers and towards commercial clients. The high street market is highly competitive and margins are being eroded, whereas the commercial sector tends to recognise the Master Locksmith expertise more readily. This shift inevitably impacts on credit risk and working capital absorption but builds stronger more defensible relationships.

The opportunities for expansion are twofold; increase our geographical footprint by acquisition or franchise, and expand the range of services beyond locksmithing. Of these, the former is preferable as it plays to the core strengths of technical expertise and reputation.

Fastvein®

Development of the Fastvein™ suite of products is ongoing, and some modules are now being deployed whilst others are being finalised. FastVein™ is attracting very strong interest in UK and Europe, as well as the Middle East. The Group has created a team to manage the brand development and to generate sales leads. Inevitably with a new technology there is considerable inertia to overcome, but the board are hopeful of confirmed orders before Christmas.

VIPS

The roll-out of VIPS by COLAS to its UK fleet of motorway maintenance vehicles has gone ahead successfully, and the executive team is working with COLAS to expand the technology into Europe. The potential market for VIPS is considerable, and the company is determined to push this life saving product to emergency services, roadside assistance and breakdown vehicles and buses and other Public Service Vehicles.

Outlook and Priorities

All Group entities are looking to pursue an active strategy for organic growth in the coming year, with increased sales effort and active cost control.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

Vigilant are clear that their emphasis on quality of service is giving them a marked edge and will allow them to target higher margin clients. The directors feel that the company has the right assets and people in place to drive significant growth, and the evidence of the first quarter of 2014/15 shows this to be working.

CSS Total Security is investing in an increased sales and marketing resource and will use that, with strong reputation and industry referral to continue to grow. The key limitation will be the availability of skilled engineers, and to address that the company is training more and more of its own staff to the required standard. The company will continue to deliver differentiated high quality service, and additionally is going to expand into the broader market with a lower cost offering for customers who feel their security needs are less pressing. This is a market that they have avoided in the past, but market research shows that there is an appetite for a reputable low – cost option.

FastVein™ and VIPS continue to be developed, and the Board look forward to briefing its stakeholders on exciting new contracts for each of these in the first half of this year. Overseas opportunities appear every bit as promising as those in the UK, and the Board is reviewing all options for accessing an export market.

The Board views the coming year with optimism, and welcomes the great progress made in the last eighteen months. The Group is resourced and ready to move forward, and has sufficient interest and sales pipeline to view the coming year with confidence.

Group Financials

The financial results of the Group are pleasing and demonstrate that it has settled in to the new structure and is delivering the anticipated results.

Group turnover increased broadly ahead of expectations from £13.2m to £14.8m. Importantly, margin has improved and has resulted in operating profits of £0.34m (2013: £0.09m) after amortisation and impairment charges of £0.28m. This represents a fivefold increase in profitability and is ahead of expectations. These results go a long way to confirming the board's confidence in the fundamentals of the acquisition and put the Group back on track with their long term projections. Sales pipelines are encouraging and the board is confident that it will be able to maintain margins and thus see a continued growth in operating profits for the coming year.

	2014	2013
	£'000	£'000
Revenue	14,813	13,251
Gross Profit	3,663	3,269
EBITDA	621	340
EPS	2.16	0.55
Net Assets	8,879	8,555
Operating Cashflow	666	392

Revenue

Revenue growth has been delivered by all group companies. Vigilant has seen a 12% growth in revenue, in part due to the Commonwealth Games but not exclusively. Croma Security Systems has grown revenue by 20%, and Locksmiths by 7%.

Gross Margin

Group Gross Margin was steady at 24.7% (2013; 24.7%). Whilst Vigilant was able to increase 1 percentage point to 12.8%, Total and Locksmiths saw some slight erosion in an increasingly competitive market. The ability to

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

pass on price increases from suppliers has been constrained by the increase in low cost operators, and has encouraged both Total and Locksmiths to target higher value clients.

Overheads

Group overheads have increased by 5% to £3.35 m (2013: £3.20 m). Whilst overall cost control has been effective, the increased level of activity in Vigilant has required an increase in the administrative set up, and there has been a ramp up in sales and marketing spend.

Included in overheads is £143 m (2013: £124 m) of research and development expenditure which is the subject of Research and Development Tax Credit claims.

Risk Management

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

Area of Risk

Specific Risk Management Process

Economic & Regulatory

The Group operates in a highly regulated sector and must at all times adhere to the highest levels of best practice.

The Group is impacted by prevailing economic conditions.

The Group is actively involved in research and development of new security technologies which will need to comply with legislative requirements. Internal review of processes monitors ongoing compliance.

The annual NSI audit permits external validation of our control procedures.

Operational Risk

There is a risk of a shortfall of trained engineers/planners, and a subsequent risk of subcontractors not maintaining the high standards of the group.

We maintain an ongoing review of staffing and manning levels and we conduct regular audits of sub-contractors

Financial

The Group has set policies which mitigate financial risk without impacting on competitiveness and flexibility.

The Group's financial position is reviewed by the Board each month to assess the following key areas:

Credit Risk

The risk that clients will not pay on time, increasing our cash requirements.

All clients are subject to initial and ongoing credit checks, and ongoing credit control.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

Area of Risk	Specific Risk Management Process
Liquidity Risk	The risk that the Group has insufficient cash to meet obligations as they fall due.
Fair Value Risk	<p>The risk that assets and liabilities on the Group's Balance sheet are misstated.</p> <p>All new clients are subject to credit checks and debtor days are monitored.</p> <p>The Group maintains sufficient cash or cash equivalents to meet 45 days of forecast liabilities.</p> <p>The Group keep the Fair Value of all long term assets and liabilities under review to identify any potential alterations required.</p>

Statement of Corporate Governance

The directors recognise the importance of sound corporate governance. As a company whose shares are traded on the London Stock Exchange (Alternative Investment Market) (AIM), the Company is not obliged to comply with the corporate governance regime as set out in the UK Corporate Governance Code, but it does support the principles of the Code. It intends to comply with the Quoted Companies Alliance's Corporate Governance Guidelines for Smaller Quoted Companies insofar as it is reasonably practicable for a public company of its size and nature. The directors have adopted a code of conduct for dealings by directors and employees which complies with the AIM Rules and are committed to maintaining the highest standards of corporate governance.

The company is subject to the UK City Code on Takeovers and Mergers.

Information Summary

CSSG is governed by the Board of Directors, comprising The Chairman, The Chief Executive, Finance Director, and three Non-Executive Directors.

The Board meets monthly in person or by telephone to review monthly management accounts, sales and operations developments and personnel and HR matters. In addition, the Board will review strategy and the business plan on a half yearly basis.

Roles

The Group adheres to the requirements of the Code to keep the roles of Chairman and Chief Executive separate,

Chairman – Sebastian Morley. Mr Morley is responsible for the overall direction of the Group, for ensuring the Board operates efficiently, and is responsible for shareholder relations and for Corporate Governance.

In addition, Mr Morley oversees the daily operations of Vigilant Security Limited, the Group's manned guarding arm.

Chief Executive – Roberto Fiorentino. Mr Fiorentino is responsible for overseeing the implementation of the Group's strategy, and for delivering the coordinated service approach which is the Group's USP.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

In addition, Mr Fiorentino oversees daily operations of Cromia Security and Cromia Locksmiths, and is leading the development and launch of the Group's biometric identity product FastVein™.

Finance Director – Alexander Tetley. Mr Tetley is responsible for overall financial strategy and for ensuring timely production of management and statutory information.

In addition, Mr Tetley is company secretary and implements all matters of corporate governance as directed by the Chairman.

Non-Executive Directors

Mr Nicholas Hewson. Chairman Audit Committee, member of the remuneration committee.

Mr Charles McMicking. Chairman Remuneration Committee, member of the audit committee.

Lord James Percy. Member of the audit committee and the remuneration committee.

Matters Reserved for the Board

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

Other operational matters are devolved to directors and managers, with the exception of investment – level decisions involving material balances which require Board consideration.

All directors have access to the Group Secretary and any director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Group.

Board Meetings

Directors' attendance at Board and committee meetings during the year to 30 June 2014 was as follows:

	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
SJ Morley	9	10	–	–	–	–
RM Fiorentino	10	10	–	–	–	–
R Juett (resigned 31.1.2014)	5	5	–	–	–	–
A Tetley (appointed 1.2.2014)	5	5	–	–	–	–
AN Hewson	9	10	2	2	1	1
CN McMicking	8	10	2	2	1	1
Lord James Percy	6	10	1	2	1	1

Internal control

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.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

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.

The Board in the context of the Group's overall strategy undertakes risk assessment and 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 and is satisfied with the operation and effectiveness of the Group's system of internal control for the financial year and the period up to the date of approval of these financial statements.

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 the Annual General Meeting during which the Board is available to discuss issues affecting the Group.

Corporate governance committee

The Board meet regularly and cover audit and remuneration committee matters as they arise from time to time.

Audit committee matters

The terms of reference of the Audit Committee are to assist themselves as directors in discharging their individual and collective legal responsibilities 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 in order to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

The external auditors attend the audit committee meeting and as such it provides them with a direct line of communication to the directors.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

Key Performance Indicators

Indicator	Performance
Croma Vigilant	
Sales	Sales were on or slightly above budget for the first nine months of the year, and then significantly exceeded budget with the award of the Commonwealth Games contract. Performance is monitored by the Operations director and business development manager reporting to the Chairman.
Gross margin	Gross Margin remains a highly relevant measure in a low margin industry. Margin held at 12% for the year, rising above 14% at the year end. The directors have targeted 13.5% for 2014/15.
Customer retention	The company managed to retain all bar one customer during the year, which is a testament to good service and value. Retention of customers nearing the end of their contract is a priority of the operations director.
Cash	Croma Vigilant has been cash generative for the year, showing cash inflows of £144,000. This was very pleasing given the increase in turnover and resultant rise in working capital.
Croma Security	
Sales	Croma Security have seen a very encouraging 20% growth in revenue. This has been achieved through the year, and has been helped by good larger contracts with Odeon and Hilton Group. The directors have improved sales lead generation, which should allow sales growth to continue in 2014/15.
Customer retention	Customer Retention rate is monitored monthly. The company monitors client satisfaction through surveys and website feedback.
Engineers	The Engineering pool is now settling down after a period of transition. The engineer market is very active and engineer retention and remuneration is constantly monitored.
Cash	Croma Security has continued to generate cash and has been cash positive throughout the year.
Croma Locksmiths	
Sales	CSS Locksmith sales are monitored weekly for shop sales, and monthly for commercial sales. The year has seen a shift towards the latter, set against an overall turnover growth of 7%
Shop footfall	Shop footfall is slowing down as competition increases. The company is employing active sales techniques to meet this change in consumer practice.

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2014 (continued)

Competitive environment

The company has seen a steady increase in relatively low skilled competitors, and is focussing on higher skilled higher value work.

Croma Biometrics

Order pipeline

Some modules of FastVein™ are developed and marketable, and these are attracting considerable interest. The main markets being investigated are in the UK, towards public sector and larger financial institutions, and also the Middle East.

Module development

The development of a series of web-based modules is ongoing, with the intention of making a standardised suite of products with little or no requirement for specialist client tailoring. This development is considered to be on schedule.

S J F Morley
Chairman

5 November 2014

BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2014

Sebastian Morley – Executive Chairman

Having enjoyed a successful military career, Sebastian worked with organisations in the surveillance and security sector before he established 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

Roberto has been involved in the security industry for over 30 years and has been responsible for a number of ground breaking technological advances within the electronic security sector, including the installation of High Security Master Key Locking systems, Vehicle Alarm Systems, Access Control, CCTV with transmission systems, CCTV and, most recently, Video Analytics.

Alexander Tetley- Finance Director

Alexander is a fellow of the Institute of Chartered Accountants in England & Wales. He was in practice with Grant Thornton and Baker Tilly, and before that served in the Scots Guards. Alexander oversees the financial affairs of the Group and its operating subsidiaries.

Nick Hewson MA FCA CF – Non-Executive Director

Nick has been on the Board of a number of listed companies since 1986, more recently in a non-executive capacity. Nick has concentrated on grooming and growing smaller businesses in the public and private arenas, and has a particular interest in low carbon and carbon reduction initiatives in business. He has been an investor in Croma since the very early days of the Group's corporate life. Nick is also a Non-Executive Director of Redrow plc.

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.

Lord Percy – Non-Executive Director

Lord James is a published author with previous experience in the shipping industry and the manufacture and sale of super yachts, and now works with J Barbour and Sons. Lord James is Colonel of the 5th Battalion Royal Regiment of Fusiliers and a member of the Moorland Association, as well as former Chairman of the Countryside Foundation for Education

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

Principal activity

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

Results and dividends

The profit for the year after taxation, was £320,557 (2013: £79,796). The directors do not recommend the payment of a dividend, for the current or prior year.

Directors

The directors who have held office since 1 July 2013 and up to the date of signing of these financial statements are as follows:

Executive directors:

S J F Morley
R M Fiorentino
R A Juett (resigned 31 January 2014)
A Tetley (appointed 1 February 2014)

Non-executive directors:

A N Hewson
C McMicking
Lord James Percy

The non-executive directors sit on the remuneration committee and on the audit committee.

The directors in office at 30 June 2014 had the following beneficial interest in the ordinary shares of the Company:

	2014	2013
S J F Morley	535,000	535,000
R M Fiorentino	3,750,000	3,711,053
R A Juett (resigned 31 January 2014)	–	–
A Tetley	–	–
A N Hewson	189,855	171,355
C McMicking	46,000	46,000
Lord James Percy	279,500	279,500

During the year the Board approved the creation of an HMRC approved Company Share Option Scheme. This scheme is not open to directors. Further details can be found at Note 23.

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2014

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 as at 30 June 2014:

State Street Nominees Limited	9.6%
Fitel Nominees Limited	9.4%
Giltspur Nominees Limited	5.1%
HSBC Global Custody Nominee (UK) Limited	6.3%
Chase Nominees Limited	3.4%
Vidacos Nominees Limited	5.4%
The Honourable Robert Anthony Rayne	3.0%

Research and development

Research and development expenditure, including the element of wages and salaries relating to research and development, amounted to £143,043 (2013: £125,042).

Employment of disabled persons

The Group gives full consideration to 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 so as 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.

Employee involvement

The Group's 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 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.

Political and charitable donations

The Group made no charitable or political donations during the year (2013: £nil).

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.

Dividends

No interim dividend payments have been made and the directors do not recommend the payment of a final dividend.

Auditors

A resolution proposing the re-appointment of Grant Thornton UK LLP will be put to the shareholders at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2014

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 in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

A Tetley

Secretary

5 November 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2014

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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

A Tetley

Director

5 November 2014

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2014**

We have audited the group financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18 the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Other matter

We have reported separately on the parent company financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2014.

Andrew Howie

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
GLASGOW

5 November 2014

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

Continuing operations:

	Notes	2014 £	2013 £
Revenue	3	14,813,444	13,250,699
Cost of sales	4	(11,150,460)	(9,981,692)
Gross profit		3,662,984	3,269,007
Administrative expenses		(3,347,618)	(3,195,790)
Other operating income	4	21,453	20,400
Operating profit		336,819	93,617
Analysed as:			
Earnings before interest, tax, depreciation, amortisation and impairment		620,863	339,518
Depreciation	13	(99,172)	(108,491)
Amortisation of intangible assets	12	(184,872)	(210,780)
Impairment of intangible assets	12	–	(84,362)
Reduction in contingent consideration	18	–	157,732
Operating profit		336,819	93,617
Finance expenses	5	(32,235)	(50,241)
Profit before tax		304,584	43,376
Tax	8	15,973	36,420
Profit for the year from continuing operations		320,557	79,796
Total comprehensive Profit for the year attributable to owners of the parent		320,557	79,796
Earnings per share	9		
Basic and diluted earnings per share (pence)			
- Earnings from continuing operations		2.16	0.55
- Diluted Earnings per share (pence)		2.16	0.55

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 £	2014 £	2013 £	2013 £
Assets					
Non-current assets					
Goodwill	11	5,866,961		5,866,961	
Other Intangible assets	12	1,141,290		1,326,162	
Property, plant and equipment	13	329,356		385,915	
			<u>7,337,607</u>		<u>7,579,038</u>
Current assets					
Inventories	14	222,958		220,202	
Trade and other receivables	15	2,485,885		2,651,009	
Cash and cash equivalents		899,693		677,858	
			<u>3,608,536</u>		<u>3,549,069</u>
Total assets			<u>10,946,143</u>		<u>11,128,107</u>
Liabilities					
Non-current liabilities					
Deferred tax	22	(299,474)		(368,447)	
Trade and other payables	18	(5,263)		(27,091)	
Provisions	20	–		(4,119)	
			<u>(304,737)</u>		<u>(399,657)</u>
Current liabilities					
Trade and other payables	18	(1,596,053)		(1,648,326)	
Borrowings	18	(166,682)		(524,789)	
			<u>(1,762,735)</u>		<u>(2,173,115)</u>
Total liabilities			<u>(2,067,472)</u>		<u>(2,572,772)</u>
Net assets			<u>8,878,671</u>		<u>8,555,335</u>
Issued capital and reserves attributable to owners of the parent					
Share capital	23		743,307		743,307
Share premium	24		5,230,276		5,230,276
Merger reserve	24		2,139,454		2,139,454
Retained earnings	24		340,533		19,976
Undistributable Reserves	24		422,322		422,322
Share Options	24		2,779		–
Total equity			<u>8,878,671</u>		<u>8,555,335</u>

These financial statements were approved and authorised for issue by the Board of directors on 2014 and signed on their behalf by

S J F Morley
Director

Croma Security Solutions Group plc – Company Number: 03184978.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2014 £	2013 £
Cash flows from operating activities			
Profit before taxation		304,584	43,376
Depreciation, amortisation and impairment		284,044	403,633
Loss/(Profit) on sale of plant and equipment		8,103	(1,432)
Movement on provisions		–	(5,350)
Net changes in working capital	27	37,286	(95,751)
Financial expenses		32,235	50,241
Corporation tax paid		–	(2,718)
Net cash generated from operations		<u>666,252</u>	<u>391,999</u>
Cash flows from Investing activities			
Purchase of property, plant and equipment		(49,589)	(85,097)
Proceeds on disposal of property, plant and equipment		14,100	26,163
Net cash used in investing activities		<u>(35,489)</u>	<u>(58,934)</u>
Cash flows from financing activities			
Hire purchase loan repayments		(23,742)	(43,722)
Repayments of invoice discounting facility		(358,107)	(7,264)
Repayment of borrowings		–	(243,710)
Interest paid		(27,079)	(46,235)
Net used from financing activities		<u>(408,928)</u>	<u>(340,931)</u>
Net increase/(decrease) in cash and cash equivalents		221,835	(7,866)
Cash and cash equivalents at beginning of period		<u>677,858</u>	<u>685,724</u>
Cash and cash equivalents at end of the period	27	<u><u>899,693</u></u>	<u><u>677,858</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

Attributable to Owners of the Parent

	Share Capital £	Share premium £	Merger Reserve £	Retained earnings £	Undistri- butable reserve £	Other Reserves £	Total Equity £
At 1 July 2012	725,127	5,176,644	2,139,454	(78,605)	422,322	18,785	8,403,727
Profit for the year	–	–	–	79,796	–	–	79,796
Loan note redemption	–	–	–	18,785	–	(18,785)	–
Issue of share capital	18,180	53,632	–	–	–	–	71,812
At 30 June 2013	743,307	5,230,276	2,139,454	19,976	422,322	–	8,555,335
Profit for the year	–	–	–	320,557	–	–	320,557
Share Option scheme Issuance	–	–	–	–	–	2,779	2,779
At 30 June 2014	743,307	5,230,276	2,139,454	340,533	422,322	2,779	8,878,671

The following notes form part of the primary financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Accounting Policies

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

Going concern

The Group's activities are funded by a combination of long term equity capital, and short term invoice discounting and bank overdraft facilities. The day to day operations are funded by cash generated from trading and primarily invoice discounting facilities.

In considering the ability of the Group to meet its obligations as they fall due, the Board have considered the expected trading and cash requirements of the Group until November 2015.

The Board remains positive about the retention of customers and outlook of its main trading operations. The Board's profit and cash flow projections suggest that the Group will meet its obligations as they fall due with the use of existing uncommitted invoice discounting facilities. The invoice discounting and overdraft facilities were reviewed in June 2014 and were renewed until June 2015 when the Board are confident the facility will be continued based on current and forecast trading of the Group.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it 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

At 30 June 2014 the directors consider there to be four operating segments namely 'Croma Vigilant' which comprises the business of Vigilant Security (Scotland) Limited; 'Croma Security Systems' which comprises the business of CSS Total Security Limited; 'Croma Locksmiths', which comprises the business of CSS Locksmiths Limited and Croma Biometrics which comprises the business of Photobase Limited. During the year the business of the Alarm Bell Company Limited was transferred to CSS Total Security Limited, and Alarm Bell Company Limited was wound up.

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.

Revenue recognition

Revenue is measured at the fair value 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 activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. Accounting Policies (continued)

- Keyholding income is recognised in equal instalments over the period of the contract.
- Sale of goods is recognised at the point that they are delivered to client's premises on signature of a goods received note.
- Maintenance fees are recognised over the term of the contract. Where a maintenance fee is not itemised in the contract but is still provided as part of the contractual arrangement, an apportionment is taken as the maintenance amount, based upon its fair value. The value of this amount is held as deferred income under 'Accruals and deferred income' in the balance sheet.
- The fair value of any revenues associated with the sale of software licences is recognised over the period of the licence.

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

- licenses – over the duration of the legal agreement
- customer relationships – 3-8 years
- royalty income – 3 years

(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 IAS38 are met.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. Accounting Policies (continued)

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. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Contingent consideration

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 13 in the consolidated statement of comprehensive income.

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
Plant and equipment	–	25% on cost
Computer equipment	–	33% on cost
Office equipment	–	15% on cost
Motor vehicles	–	25% on cost

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. Accounting Policies (continued)

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 balance sheet 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 balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

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.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. Accounting Policies (continued)

Leased assets

• *Finance leases*

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially. See property, plant and equipment accounting policy for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

• *Operating leases*

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

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.

Finance cost

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

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments depending on the terms and conditions of the grant. Management are also required to use certain assumptions in determining the most appropriate inputs to the valuation model including expected life of the option, volatility, risk free rate and dividend yield. The assumptions and models used are fully disclosed in note 23.

All share-based remuneration plans are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to 'other reserves.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. Accounting Policies (continued)

Financial assets

Financial assets are loans, trade receivables and other receivables.

Loans and receivables assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently

carried at amortised cost using the effective interest rate method, less provision for impairment. The provision at 30th June 2014 was £20,277 (2012: £47,871). The effect of discounting on these financial instruments is not considered to be material. Trade receivables are analysed at Note 15.

Trade receivables are recorded at their amortised cost less any provision for doubtful receivables. Where relevant, trade receivables due in more than one year are discounted to their present value. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable the amount of such provision being the difference between the net carrying amount and the present value of the future expected cashflows associated with the impaired receivable. For trade receivables which are reported net, such provisions are reported in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Cash equivalents are deemed to be deposits that we hold with a maturity of under 3 months. Cash and cash equivalents include cash in hand, deposits held at call with banks with an original maturity of less than 3 months, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial Liabilities

- (a) Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.
- (b) Trade payables and other short-term monetary liabilities, are initially recognised at their fair value and subsequently at their amortised cost.
- (c) All other financial instruments issued by the 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. The Group considers its capital to comprise its ordinary share capital, deferred share capital, share premium, merger reserve, and accumulated retained earnings.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. Accounting Policies (continued)

Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Capital management

The Group manages capital so as to safeguard its ability to continue as a going concern with the aim of strengthening its capital base so as in due course to provide returns to shareholders. The Group currently assigns a part of its Vigilant Security Scotland Limited debtor book as a means of funding short term working capital, and has some lease funding secured over selected tangible assets, but otherwise has no short term or long term debt. the Group has a net cash position of £733,015 (2013: £153,069)

	2014	2013
	£	£
Net (cash)		
Bank, Bank overdrafts, invoice discounting and loans	(733,015)	(153,069)
Total	(733,015)	(153,069)
Equity	8,822,718	8,555,335

Exceptional items

Exceptional items are those significant items that are separately disclosed by virtue of their size and nature to enable a full understanding of the Group's financial performance.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Accounting Policies (continued)

Changes in accounting policy and disclosures

There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year. The following standard and amendments were effective in the year but had no material impact on the Group's financial statements:

- IFRS 13 (May 2011) Fair Value Measurement (effective 1 January 2013).
- Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income (effective 1 July 2012).
- Amendments to IAS 19 (June 2011) Employee Benefits (effective 1 January 2013).

New standards and interpretations not yet effective

The International Accounting Standards Board has issued the following standards and interpretations with an effective date after the date of these financial statements:

IFRS 9 will eventually replace IAS 39 in its entirety and is intended to simplify the classification and measurement requirements for financial instruments. The process has been divided into three main phases, classification and measurement; impairment; and hedge accounting.

In addition the following new amendments and interpretations of existing standards that are not yet effective and have not been adopted early by the Group are not expected to have any material impact on the Group's consolidated financial statements:

- IFRS 10 (May 2011) Consolidated Financial Statements.
- IFRS 11 (May 2011) Joint Arrangements.
- IFRS 12 (May 2011, updated January 2012) Disclosures of Interests in Other Entities.
- Amendments to IAS 19 (November 2013) Defined Benefit Plans: Employee Contributions (effective 1 July 2014).
- Amendments to IAS 32 (December 2011) Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).
- IAS 27 (May 2011) Separate Financial Statements (effective 1 January 2014) for EU.
- IAS 28 (May 2011) Investments in Associates and Joint Ventures (effective 1 January 2014) for EU.
- Amendments to IFRS 10, 12 & 27 Investment Entities (effective 1 January 2014).

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 and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was £5,866,961. Details relating to the allocation of goodwill to cash generating units are given in note 11.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

3. Segmental Reporting

The directors consider the following four business segments best represent the business segments of the Group.

	Croma Vigilant (Guarding)	Croma Security Systems (Alarms)	Croma Biometric (FastVein™)	Croma Locksmiths (Locks)	Plc Consolidation adjustments	Total
2014 Business segments £						
Segment revenues	10,958,448	2,572,616	48,337	1,283,362	(49,319)	14,813,444
Gross profit	1,407,792	1,545,311	39,863	655,205	14,813	3,662,984
Administrative expenses	(951,232)	(1,100,189)	(56,950)	(527,234)	(435,975)	(3,071,580)
Amortisation	–	–	–	–	(184,872)	(184,872)
Depreciation	(48,790)	(38,710)	(768)	(11,792)	–	(99,172)
Profit/(loss) on disposal	8,006	–	–	–	–	8,006
Other operating income	–	–	–	21,453	–	21,453
Segment operating profit/(loss)	415,776	406,412	(18,125)	137,632	(604,876)	336,819
Segment assets 2014	935,200	500,274	(80,216)	714,504	6,808,909	8,878,671
	Croma Vigilant (Guarding)	Croma Security Systems (Alarms)	Croma Biometric (FastVein™)	Croma Locksmiths (Locks)	Plc Consolidation adjustments	Total
2013 Business segments						
Segment revenues	9,823,749	2,180,716	81,009	1,205,071	(39,846)	13,250,699
Gross profit	1,157,380	1,433,664	44,995	632,968	–	3,269,007
Administrative expenses	(782,592)	(1,125,838)	(140,250)	(524,590)	(220,539)	(2,793,809)
Amortisation	–	–	–	(76,477)	(134,303)	(210,780)
Impairment	–	–	–	–	(84,362)	(84,362)
Depreciation	(47,313)	(44,950)	(2,796)	(13,212)	–	(108,271)
Profit/(loss) on disposal	2,089	(657)	–	–	–	1,432
Other operating income	–	–	20,400	–	–	20,400
Segment operating profit/(loss)	329,564	262,219	(77,651)	95,166	(515,681)	93,617
Segment assets/(liabilities) 2013	584,258	346,770	(80,216)	587,194	7,117,329	8,555,335

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

3. Segmental Reporting (continued)

	2014	2013
	£	£
Segment and Group revenues	14,813,444	13,250,699
Segmental operating profit	941,695	314,155
Group head office costs not allocated	(418,418)	(568,038)
Reduction in contingent consideration	–	157,732
Elimination of inter-segment charges	186,679	189,767
Group operating profit	336,598	93,617
Finance costs	(32,235)	(50,241)
CSOP cost	(2,779)	–
Group profit before tax	304,584	43,376
Assets		
Total reportable segment assets	1,823,223	1,438,005
Other assets	7,055,448	7,117,330
	8,878,671	8,555,335
Revenues		
Security personnel services	10,842,312	9,536,856
Keyholding income	109,334	62,815
Sale of goods & Installation Services	2,944,738	2,799,112
Monitoring Services	160,453	162,864
Maintenance & Service fees	703,058	630,119
Other income	53,549	58,933
	14,813,444	13,250,699

4. Expenses

	2014	2013
	£	£
Auditors' remuneration:		
Audit of parent company and consolidated financial statements	31,500	26,300
Audit of company's subsidiaries pursuant to legislation	12,000	18,200
Tax compliance	–	–
Other services	–	–
Research and development	143,043	125,392
Amount of inventory expensed as cost of sales	1,611,354	1,366,669
Operating lease expense	109,635	136,191
Depreciation	99,172	108,491
Amortisation	184,872	210,780
Impairment charge	–	84,362
(Profit)/loss on disposal of property, plant and equipment	(8,300)	(1,432)

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

5. Finance Income and Expense

	2014	2013
	£	£
Finance Income		
Interest on cash deposits	619	532
Finance Expense		
Interest paid on bank overdraft	–	7
Interest paid on factoring arrangements	26,107	22,197
Loan note interest on convertible loans	–	22,321
Interest on hire purchase agreements	6,747	6,249
	<u>32,235</u>	<u>50,241</u>

6. Staff and Staff Costs

	2014	2013
	No.	No.
The average monthly number of persons (including directors) employed by the Group during the period was:		
Management and administration	25	24
Service and product provision	416	369
	<u>441</u>	<u>393</u>
	2014	2013
	£	£
Staff costs (for the above persons):		
Wages and salaries	9,743,393	9,366,028
Pension	23,352	–
Social security costs	946,069	892,187
	<u>10,712,814</u>	<u>10,258,215</u>

The average monthly number of persons (including directors) employed by the Parent Company during the period was:

	No.	No.
Management and administration	4	4

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

7. Directors' and key management personnel remuneration

	Salary £	Estimated value of benefits £	Fees £	Pension £	Total £
2014					
S J F Morley	97,910	–	–	–	97,910
R M Fiorentino	120,636	10,000	–	–	130,636
R A Juett (resigned 31 January 2014)	25,000	–	–	–	25,000
A Tetley (appointed 1 February 2014)	36,250	–	–	–	36,250
A N Hewson	–	–	18,000	–	18,000
Lord James Percy	11,500	–	–	–	11,500
C McMicking	–	–	18,000	–	18,000
	<u>291,236</u>	<u>10,000</u>	<u>36,000</u>	<u>–</u>	<u>337,296</u>

	Salary £	Estimated value of benefits £	Fees £	Pension £	Total £
2013					
S J F Morley	77,090	504	–	–	77,594
R M Fiorentino	143,690	1,400	–	–	145,090
R A Juett	33,327	–	–	–	33,327
A N Hewson	–	–	13,500	–	13,500
Lord James Percy	18,750	–	18,750	–	37,500
C McMicking	–	–	15,250	–	15,250
	<u>272,857</u>	<u>1,904</u>	<u>28,750</u>	<u>–</u>	<u>303,511</u>

No share based payments were made to directors in 2014 or 2013

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

8. Taxation

	2014	2013
	£	£
Current year tax		
UK corporation tax	96,000	30,295
Adjustments for prior periods	(43,200)	8,288
	<u>52,800</u>	<u>38,583</u>
Deferred tax (Note 22)		
Current year	(40,624)	(61,228)
Adjustments for prior periods	(28,149)	(13,775)
	<u>(15,973)</u>	<u>(36,420)</u>
Factors affecting the tax charge for the year		
Profit before taxation	<u>317,604</u>	<u>43,376</u>
Profit multiplied by the standard rate of taxation of 22% (2012: 23.75%)	69,873	10,302
Effects of:		
Disallowed expenditure	5,448	2,422
Non-taxable income	(26,063)	(37,461)
Depreciation in excess of capital allowances	(22,031)	–
Adjustment to tax charge for previous periods	(43,200)	(5,487)
Marginal relief	–	(6,195)
Total tax (credit) for the year	<u>(15,973)</u>	<u>(36,420)</u>

9. Earnings per share

The calculation of the 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.

	2014	2013
	£	£
<i>Numerator</i>		
Earnings for the year on continuing operations and used in basic and diluted EPS	320,557	79,796
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	14,866,138	14,556,326
Weighted average number of shares used in diluted EPS	14,872,100	14,556,326

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

9. Earnings per share (continued)

	Pence	pence
Basic earnings per share	2.16	0.55
Diluted earnings per share:	2.16	0.55

10. Dividends

The directors do not recommend a payment of a dividend (2013: £Nil)

11. Goodwill

	Goodwill £
Cost	
At 30 June 2013 & 30 June 2014	9,105,140
Impairment	
At 30 June 2013 & 30 June 2014	3,238,179
Net book value	
At 30 June 2013 & 30 June 2014	5,866,961

During the year, goodwill was reviewed for impairment in accordance with IAS 36 “Impairment of Assets”. No impairment charge occurred in the current year (2013: £84,593) 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:

	Carrying value 2014 £
Impairment testing	
Croma Security Systems	3,338,813
Croma Locksmiths	1,131,758
Croma Vigilant	1,396,930
Total	5,866,961

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the board for the next 5 years.

The assumptions used for the CGU included within the impairment reviews are as follows, the growth rates do not exceed the average long term growth rates for the areas the CGUs operate in

- **Long term growth rate of 2.5%**
- **Pre-tax discount rate of 13.5%**

Having considered the above sensitivities, the Board are of the opinion that the forecasts have been prepared on a prudent basis with sufficient headroom to indicate that no impairment adjustment is required at 30 June 2014.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

12. Other intangible assets

	Customer relationships	Brands	Software Licences	Brand Royalties	Total
Fair value	£	£	£	£	£
At 30 June 2012, 30 June 2013 & 30 June 2014	1,126,000	295,000	222,000	31,000	1,674,000
Amortisation					
At 1 July 2012	37,833	7,375	5,550	1,938	52,696
Charge for the year	151,332	29,496	22,200	7,752	210,780
Impairment charge	84,362	–	–	–	84,362
At 30 June 2013	273,527	36,871	27,750	9,690	347,838
Charge for the year	125,424	29,496	22,200	7,752	184,872
At 30 June 2014	398,951	66,367	49,950	17,442	532,710
Carrying value at 30 June 2013	852,473	258,129	194,250	21,310	1,326,162
Carrying value at 30 June 2014	727,049	228,633	172,050	13,558	1,141,290

The other intangible assets additions relate to the acquisition of CSS Group in March 2012 and arose following a fair value assessment which was undertaken at the time.

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 13.50% (relating to market risk, specific risk factors and weighted average cost of capital) 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 CSS Total Security Limited not the business of CSS Locksmiths Limited. The useful lives as noted in the accounting policies were considered appropriate.

Brands

The brand of Croma Locksmiths is enduring within its locality. An assessment of the brand value was made by applying a comparable third party royalty rate of 7.5% to forecast turnover using a nil rate growth model. After-tax revenues of the remaining estimated useful life of 8 years were then valued using the same discount factor noted above and no impairment adjustment to the carrying value of the brand was considered necessary. The useful life of the asset as noted in the accounting policy note was considered appropriate.

Software licences

The software licence continues to be valued using an estimate of the costs which would be necessary to re-create the software if it had to be re-written. The directors have considered the future revenue streams which might derive from fully exploiting the software licence and consider the carrying value of the licence not to be impaired at 30 June 2014. The useful life of the asset as noted in the accounting policy note was considered appropriate.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

12. Other intangible assets (continued)

Royalties

An assessment was made of the brand royalties (franchise fees) receivable using the same discounted cashflow methods described above. No impairment triggers were identified. The useful life of the asset as noted in the accounting policy note was considered appropriate.

13. Property, plant and equipment

	Freehold property £	Plant and equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 July 2012	67,327	146,994	116,499	340,038	670,858
Additions	–	21,666	–	95,561	117,227
Disposals	–	(4,304)	–	(47,513)	(51,817)
At 30 June 2013	67,327	164,356	116,499	388,086	736,268
Additions	–	9,678	16,977	22,934	49,589
Disposals	–	–	–	(56,503)	(56,503)
At 30 June 2014	67,327	174,034	133,476	354,517	729,354
Depreciation					
At 1 July 2012	26,921	83,648	76,205	82,174	268,948
Charge for the year	2,361	27,594	2,891	75,646	108,491
On disposals	–	(3,685)	–	(23,401)	(27,086)
At 30 June 2013	29,282	107,557	79,096	134,419	350,353
Charge for the year	2,241	13,904	9,564	73,463	99,172
On disposals	–	–	–	(49,527)	(49,527)
At 30 June 2014	31,523	121,461	88,660	158,355	399,998
Carrying value at 30 June 2013	38,045	56,799	37,403	253,668	385,915
Carrying value at 30 June 2014	35,804	52,573	44,816	196,163	329,356

Motor vehicles includes the following amounts where the assets are held under a hire purchase agreement:

	2014 £	2013 £
At 30 June – Cost	90,519	161,853
Accumulated depreciation	(35,647)	(84,535)
Net book value	54,872	77,319

The Group leases various vehicles and machinery under non-cancellable hire purchase agreements. Their lease terms are up to four years, and ownership of the assets lie with the Group.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

14. Inventories

	2014	2013
	£	£
Raw materials and consumables	222,958	220,202

Raw materials and consumables of £1,611,354 (2013: £1,366,669) were expensed through the comprehensive income statement during the year.

15. Trade and other receivables

	2014	2013
	£	£
Trade receivables	2,333,971	2,486,690
Allowance for doubtful debts	(20,277)	(47,871)
Net trade receivables	<u>2,313,694</u>	<u>2,438,819</u>
Other receivables	16,931	1,967
Corporation tax repayable	–	24,367
Prepayments	155,260	185,856
Total trade and other receivables	<u>2,485,885</u>	<u>2,651,009</u>

Owing to the short term nature of the trade receivables, their fair value is the same as the book value. An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount.

	2014	2013
	£	£
Bad debts written off during the year	20,048	35,998

The level of credit risk is, in the view of the Board, generally low, due to a wide mix of clients in different trade sectors. During the year credit control procedures were strengthened further with the employment of a new member of staff primarily dedicated to this role. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above. No interest is charged on receivables within agreed credit terms. Thereafter, interest may be charged. There are only immaterial debts due in excess of credit terms. The directors of the Group and the subsidiaries review debt collection rates at each Board meeting and close attention is paid to collection of debt and credit control.

Sensitivity analysis

	2014	2013
Current average debtor days	47	53
	£	£
Effect on working capital if debtor days increased by 10%	221,647	248,669
Effect on working capital if debtor days increased by 25%	554,118	621,672

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

15. Trade and other receivables (continued)

With the availability of invoice discounting facilities to Croma Vigilant of up to 120 days it is anticipated that the Group could continue to trade with no impact on cash flow of an increase of over 100% of debtor days. In the opinion of the Board, such a large increase is unlikely.

There is one customer of Croma Vigilant whose turnover exceeds 10% (2013 – one).

Age Profile	2014	2013
	£	£
Under 60 days	1,992,269	1,552,089
60- 90 days	234,846	484,025
Over 90 days	86,579	402,704
	<u>2,313,694</u>	<u>2,438,819</u>

16. Financial Risk Management Objectives

The Group's financial instruments comprise investments designated at Fair Value, cash, and various items such as trade and other receivables and trade and other payables which arise from normal operations.

The carrying values of all the Group's financial instruments approximate their fair values at 30 June 2014 and 30 June 2013. Note 2 above outlines measurement techniques.

An analysis of the statement of financial position, relevant to an analysis of risk management, is as follows:

	Loans and Receivables	Non-financial assets	Total
	£	£	£
2014			
Trade and other receivables	2,330,625	155,260	2,485,885
Cash	899,693	–	899,693
Total	<u>3,230,318</u>	<u>155,260</u>	<u>3,385,578</u>
2013			
Trade and other receivables	2,465,153	185,856	2,651,009
Cash	677,858	–	677,858
Total	<u>3,143,011</u>	<u>185,856</u>	<u>3,328,867</u>

The Group's policy on management of credit risk is described in the Strategic Report on page 6.

17. Cash and cash equivalents

	2014	2013
	£	£
Cash at bank and in hand	899,693	677,858

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

18. Trade and other payables

	2014	2013
	£	£
Trade payables	275,309	305,602
Other payables	75,437	136,402
Finance lease liabilities (due in less than 1 year)	27,426	33,321
	<u>378,172</u>	<u>475,325</u>
Other taxes and social security	724,377	844,042
Corporation Tax Liability	53,000	–
Accruals and deferred income	440,504	328,959
	<u>440,504</u>	<u>328,959</u>
Total trade and other payables, excluding loans and borrowing classified as financial liability measured at amortised cost	<u>1,596,053</u>	<u>1,648,326</u>

	2014	2013
	£	£
Interest bearing loans and borrowings due within 1 year		
Other short term borrowings	9,912	6,824
Invoice discounting facilities	156,770	517,965
	<u>166,682</u>	<u>524,789</u>

	2014	2013
	£	£
Finance lease liabilities (due in 1 to 5 years)	5,263	27,091

Other payables include deferred consideration of £15,949 (2013: £91,559) payable to the sellers of the CSS Group.

19. Interest rate and liquidity risk

Interest rate sensitivity

Most financing is via confidential invoice discounting. Typically, the invoice discounting facilities available to Croma Vigilant allow a drawdown of 80% – 90% of the value of an invoice including VAT on issue to a customer. A discount charge applies to the value of transactions processed through the facility as well as an interest rate charge on advances until invoices are settled by customers.

The sensitivity analysis has been based on the year-end exposure to floating rate debt during the year.

Liquidity and interest rate risk tables

The following table details the Group's remaining contracted maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

19. Interest rate and liquidity risk (continued)

Based on the level of floating rate debt at the year end a 1% increase in interest rates would result in an increase of approximately £5K in interest charges.

2014	Weighted average effective interest rate %	Less than 1 month or on demand £	1 – 12 months £	1 – 3 years £	Total £
Fixed rate					
Trade and other payables	0.0	402,529	–	–	402,529
Finance lease obligations	10.3	–	27,426	5,263	32,689
Accruals and deferred income	0.0	–	232,654	–	232,654
Floating rate					
Invoice discounting facility	2.8	–	156,770	–	156,770
Credit card borrowings	0.0	9,912	–	–	9,912
Total		412,441	416,850	5,263	834,554

2013	Weighted average effective interest rate %	Less than 1 month or on demand £	1 – 12 months £	1 – 3 years £	Total £
Fixed rate					
Trade and other payables	0.0	442,004	–	–	442,004
Finance lease obligations	10.3	–	33,321	27,901	61,222
Accruals and deferred income	0.0	–	328,959	–	328,959
Floating rate					
Invoice discounting facility	2.8	–	517,965	–	517,965
Overdraft	7.0	6,824	–	–	6,824
Total		448,828	880,245	27,901	1,356,974

20. Onerous lease provision

	2014 £	2013 £
Due in less than one year	–	4,119
Due between one and five years	–	–
	–	4,119

The premises formerly occupied by Photobase Limited were sub-let at a rent lower than the rent being paid to the landlord. As such the lease on these premises was classed as onerous, to the extent of the difference between the rent received from the sub-tenant and the amount paid to the landlord for the remainder of the lease. The lease has now expired.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

21. Contingent Liabilities

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

22. Deferred Tax

The movement on the deferred tax account is shown below:

	2014	2013
	£	£
At 1 July	368,447	443,450
Accelerated capital allowances	(26,175)	(9,125)
Short term temporary differences	1,029	4,750
On amortisation of intangible assets	(41,823)	(70,628)
At 30 June	299,474	368,447

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

Capital allowances in advance of depreciation	257,651	331,133
Arising on intangible assets amortised through the income statement	41,823	37,314
	299,474	368,447

At 30 June 2014 deferred tax has been provided at a rate of 22%. Because of the uncertainty as to when deferred tax timing differences will reverse the Board have decided not to provide for deferred tax using the year end corporation tax rate of 20%.

From 1 April 2014 the main rate of Corporation Tax reduces to 20%. If this rate was applied to timing differences at 30 June 2014 the deferred tax provision would reduce by £27,225 to £272,249.

The Group has tax losses of approximately £1.7m (2013: £1.7m) to carry forward. The potential deferred tax asset arising on these tax losses of £0.37m (2012: £0.41m) has not been recognised as it is doubtful that they will be utilised in the foreseeable future.

23. Share capital

	2014	2013
	£	£
Authorised, allotted, called up and fully paid:		
14,866,142 (2012 – 14,502,532) Ordinary shares of 5 pence each	743,307	743,307
	2014	2014
	Number	£
Issued and fully paid		2013
		Number
Ordinary shares of 5p (2012: 0.1p) each at beginning of year	14,866,142	743,307
New share issue *	–	–
Ordinary shares of 5 pence each at end of year	14,866,142	14,502,536
		725,127
		363,606
		18,180
		743,307

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

23. Share capital (continued)

In 2013, as part of deferred consideration, 363,606 shares were issued to the sellers of CSS Total Security Limited and CSS Locksmiths Limited. This was the last tranche of any such consideration to be satisfied by the issue of shares arising from the sale and purchase agreement.

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.

The Group operates CSSG Share Option Scheme 2014 (the Scheme), which is a share option scheme approved by HMRC. The scheme was initiated on 28 May 2014.

The Scheme is open to all employees.

Options are granted by the Board taking into account the need 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.

Employment Options vest and become exercisable on the fifth anniversary of date of grant, and lapse on the earlier of cessation of employment (or 6 months thereafter if options have vested at cessation date) or the 10th anniversary of date of grant.

During the current year, 64,000 options were granted. During the year ended 30 June 2013 no options were granted.

The current year movement in Share Options is summarised below:

Date of Grant	At 1 April 2013	Weighted Average Exercise Price	No of Options granted in year	No of Options exercised in year	No of Options lapsed in year	At 31 March 2014	Exercise Price	Weighted Average Exercise Price	Date first exercisable	Expiry date
28 May 2014	0		64,000	–	–	64,000	£0.28		28 May 2019	28 May 2024
	0	0	64,000	–	0	64,000	£0.28	£0.28		

Options were valued using a Black-Scholes option pricing model.

The following assumptions have been used in calculating the fair value of share options:

2014	
Valuation method	Black-Scholes
Risk free interest rate	2%
Expected life (average years)	5
Expected volatility	60%
Dividend yield	0%

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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.
Ordinary Shares	Amount subscribed for share capital at nominal value.
Undistributable Reserves	The surplus recognised in 2008 on the conversion of ordinary share capital from 5p shares to 0.1p shares.
Company Share Option Scheme	This represents the change in equity relating to the issue of company share options in the year.

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 31.7% 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 premises. The total rental on these premises, which were transacted at arm's length, was £88,000 (3 months ended 30 June 2012: £88,000).

Loan Notes

In 2013 the Group held convertible loan notes from Westminster Gardens Holdings Limited. A N Hewson is a director of Westminster Gardens Holdings Limited, but holds no beneficial interest therein. The loan notes were repaid in 2013.

Deferred Consideration

During the year deferred consideration of £21,650 (2013: £54,000) was paid to Mr R Fiorentino as deferred consideration for the purchase of Alarm Bell Company Limited. At the balance sheet date the total deferred consideration outstanding was £15,949. This is due to be paid within the year and considered to be the fair value.

No loans to directors subsisted during the year.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

25. Related party transactions (continued)

The following open market purchase of shares by a director occurred during the year.

	5p shares
Mr N Hewson	18,500
Mr R Fiorentino	38,947

26. Operating lease commitments

The Group has annual commitments under non-cancellable operating leases, the most significant of which are detailed below.

CSS Total Security Limited has annual lease rental commitment on leased premises of £31,500 on a 10 year lease renewable in 2018.

CSS Locksmiths Limited has leases on three trading premises with an annual commitment of £56,500. The leases of two premises are held under formal leases with variable renewal terms. The lease on a third property has not been formalised, but it has been assumed that the company will remain in this premises until at least 30 June 2014.

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

	2014	2013
	£	£
Land & Buildings		
No later than 1 year	91,600	111,392
Between 1 and 5 years	186,000	186,900
Over 5 years	66,000	75,000
	<u>343,600</u>	<u>373,292</u>
Other operating leases		
No later than 1 year	21,347	21,347
Between 1 and 5 years	51,596	51,596
Over 5 years	—	—
	<u>72,943</u>	<u>72,943</u>
Total	<u>434,543</u>	<u>446,235</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

27. Notes supporting the cash flow statement

	2014	2013
	£	£
Net changes in working capital		
(Increase) in inventories	(2,756)	(40,459)
Decrease in trade and other receivables	141,548	45,566
Decrease in trade and other payables	(101,506)	(100,858)
	<u>37,286</u>	<u>(95,751)</u>
	2014	2013
	£	£
Cash and cash equivalents		
Cash at bank and in hand	899,693	677,858
Bank overdraft and other borrowings	—	—
	<u>899,693</u>	<u>677,858</u>

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC
FOR THE YEAR ENDED 30 JUNE 2014**

We have audited the parent company financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2014 which comprise the parent company balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014;
- have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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
- 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CROMA
SECURITY SOLUTIONS GROUP PLC (continued)**

Other matter

We have reported separately on the Group financial statements of Croma Security Solutions Group PLC for the year ended 30 June 2014.

Andrew Howie

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

GLASGOW

5 November 2014

**COMPANY BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 £	2014 £	2013 £	2013 £
Assets					
Fixed assets					
Investments	C	7,209,100		7,209,100	
			<u>7,293,462</u>		<u>7,293,462</u>
Current assets					
Debtors	D	1,354,508		1,202,977	
Cash at bank and in hand		<u>4,235</u>		<u>31,663</u>	
		1,358,743		1,234,640	
Creditors:					
Amounts falling due within one year	E	<u>(1,002,470)</u>		<u>(586,738)</u>	
Net current assets			<u>356,273</u>		<u>647,901</u>
Total assets less current liabilities			<u><u>7,565,373</u></u>		<u><u>7,941,363</u></u>
Issued capital and reserves attributable to owners of the parent					
Called-up share capital	F		743,307		743,307
Share premium account	H		5,230,276		5,230,276
Merger reserve	H		2,139,454		2,139,454
Undistributable Reserves	H		422,322		422,322
Other reserves	H		–		–
Profit and loss account	H		<u>(969,986)</u>		<u>(593,996)</u>
Total shareholders' equity			<u><u>7,565,373</u></u>		<u><u>7,941,363</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 5 November 2014 and signed on their behalf by

S J F Morley
Director

Croma Security Solutions Group plc – Company Number: 03184978.

The following notes form part of the primary financial statements

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

A. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the companies Act 2006. They have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and law.

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 a loss for the year of (£375,395) (2013: £(400,591)). The company's activities are funded by long term equity capital. The day-to-day operations are funded by cash generated from trading.

In considering the ability of the company to meet its obligations as they fall due, the directors have considered the expected trading and cash requirements of the company until 31 December 2015.

The Board remains positive about the retention of customers and the outlook for its main trading operations. The Board's profit and cash flow projections suggest that the company will meet its obligations as they fall due .

The financial statements do not reflect the adjustments that would be necessary were the trading performance of the company to deteriorate and funding from invoice discounting to become unavailable. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

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 balance sheet when the Company becomes a party to the contractual provision of the instrument.

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 balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. 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.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014**

A. Significant accounting policies (continued)

Taxes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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. 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 with in the financial statements of the Company was £375,990 (2013 – loss £400,591)

C. Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 30 June 2013 and 30 June 2014	10,958,425
Provision for impairment	
At 30 June 2013	3,664,963
Charge for the year	84,362
At 30 June 2014	<u>3,749,325</u>
Net book value	
At 30 June 2013	7,293,462
At 30 June 2014	7,209,100

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014**

C. Fixed asset investments (continued)

Company	% ordinary shareholding	Nature of business
Vigilant Security (Scotland) Limited	100% directly	Asset protection and security training
Photobase Limited	100% directly	Biometric entry systems
CSS Total Security Limited	100% directly	CCTV & security systems
CSS Locksmiths Limited	55% directly, 45% indirectly	Locksmithing, Keys and Safes

During the year Alarm Bell Company Limited was struck off the company register.

In order to accurately assess any potential impairment of investments, the carrying value of the investment in all companies transferred is considered together against the future cash flows and net asset position of those companies which received the trade and net assets.

D. Debtors

	2014	2013
	£	£
Amounts due from subsidiary undertakings	1,354,508	1,190,925
Prepayments	–	12,052
	<u>1,354,508</u>	<u>1,202,977</u>

E. Creditors: Amounts falling due within 1 year

	2014	2013
	£	£
Amounts due to subsidiary undertakings	957,366	424,520
Trade creditors	–	32,465
Other creditors	15,948	91,598
Other taxes and social security	6,360	1,852
Accruals and deferred income	22,796	36,304
	<u>1,002,470</u>	<u>586,738</u>

F. Share Capital

	2014	2013
	£	£
Authorised, allotted, called up and fully paid:		
14,866,142 (2013 – 14,866,142) Ordinary shares of 5 pence each	743,307	743,307
	2014	2013
Issued and fully paid	Number	Number
Ordinary shares of 5p (2012: 0.1p) each at beginning of year	14,866,142	743,307
New share issue *	–	–
Ordinary shares of 5 pence each at end of year	14,866,142	743,307

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014**

F. Share Capital (continued)

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 options

During the year the Group instigated an Approved Company Share Option Scheme. Details are in Note 23 of the consolidated accounts.

G. 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 31.7% of the voting shares.

The services of certain non-executive Directors were provided to the Company and in the following amounts which are also disclosed in note 7 of the Group accounts:

	2014	2013
	£	£
Services provided by Grosvenor Equity Managers Limited for which A N Hewson is a director and which has been accounted for as Directors' remuneration.	18,000	13,500
Services provided by Coburg Capital Limited for which C McMicking is a director and which has been accounted for as Directors' remuneration.	18,000	15,250

During the year the Company provided administrative services to subsidiary undertakings totalling £191,200 (2013 – £189,767)

At 30 June 2014, the Company was owed £155,526 by Vigilant Security Scotland Limited (2013: – £155,526) and £839,240 by Photobase Limited (2013: – £839,240). It owed CSS Total Security Limited £338,198 (2013: – £338,198)

The following open market purchase of shares by a director occurred during the year.

	5p shares
Mr N Hewson	18,500
Mr R Fiorentino	38,947

The Company is exempt from disclosing transactions with the Group under FRS 8.3(c)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2014

H. Reserves

	Share Capital £	Share premium £	Merger Reserve £	Retained earnings £	Undistri- butable reserve £	Other Reserves £	Total Equity £
At 30 June 2012	725,127	5,176,644	2,139,454	(212,190)	422,322	18,785	8,270,142
Loss for the year	–	–	–	(400,591)	–	–	(400,591)
Loan note redemption	–	–	–	18,785	–	(18,785)	–
Issue of share capital	18,180	53,632	–	–	–	–	71,812
At 30 June 2013	743,307	5,230,276	2,139,454	(593,996)	422,322	–	7,941,363
Loss for the year	–	–	–	(375,990)	–	–	(375,990)
At 30 June 2014	743,307	5,230,276	2,139,454	(969,986)	422,322	–	7,565,373

