

Interim results for the six months to 31 December 2011

Croma Group PLC (“Croma”, the “Group” or the “Company”) the AIM listed asset protection specialist, announces its interim results for the six months to 31 December 2011.

Highlights

- Revenues increased to £4.32M (2010 - £4.28M)
- Gross profits rises 2.5% to £818K (2010: £798K)
- Net trading profit £29,116 (2010: profit £36,839)
- Award of Supply Partner of the Year from GVA West End Management
- ISO9001 accredited in addition to SIA and Investors in People Bronze

Post Period End Summary

- Significant contract win delivering over £1.15 million further revenue per year and further consolidating the Group’s position in London and the South East
- Proposed acquisition of CSS Group Companies and conditional placing of £5 million gross

Extracts of the Interim Results appear below with a full version available on the Company’s website www.cromagroup.co.uk

Further Information:

Croma Group PLC:

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Chairman’s Statement

I am pleased to be able to report the financial results for the six months to 31 December 2011 which demonstrate improvement in revenue and gross profit for the first half despite the continuing effect of reduced spending nationally.

During the six months Group turnover was £4.32M (2010: £4.28M), and we continue to win attractive and prestigious contracts in the face of stiff competition. We decided to end a contract in the period as the terms no longer met our strict margin criteria, but I can report that since the period end we have won business valued in excess of this contract, including a larger contract at an improved margin, commencing in April 2012. During the period gross margin was maintained at 19% (2010: 19%) and the management team is focused on increasing profitability by capitalising on our respected, premium security offering and actively pursuing higher margin business.

The Company has repaid £600K of its existing loan notes during the period, with further loans due to be repaid before the end of 2012 as detailed in note 1 below. We continue to enjoy the full support of the loan note holders.

The Group’s activities in the security industry cover many aspects from manned guarding to biometric access controls. We continue to win significant contracts in manned guarding in our chosen areas and we were awarded Supply Partner of the Year by GVA West End Management. This, together with the work undertaken in achieving ISO9001 accreditation, has led to a further award of a contract worth over £1 million per annum in the West End of London which starts in April 2012.

The company also announces today a £5 million placing and the acquisition of CSS Total Security Limited, CSS Locksmiths Limited and Alarm Bell Company Limited. The completion of this transaction, which is conditional on shareholder approval, is the culmination of a significant effort by the Board over the past year as Croma continues to develop a total security services offering, building on the joint venture announced on 6 April 2011. I believe that this transaction will give the enlarged group a unique position within the security market and will enable us to deliver sustained growth to shareholders.

Recent significant contract awards and this transformational acquisition together underpin the prospects for the Group and I anticipate the Group will be able to report further progress in the second half of the year to 30 June 2012.

I will be standing down as Chairman from the date of our General Meeting after four years in the position and I am confident that my successor, Sebastian Morley, will lead the Group effectively through its next stages of development. I would like to thank the Directors and staff of the Group for their continued efforts to deliver results in a tough economic climate.

Nicholas Hewson
Non-executive Chairman

29 February 2012

CROMA GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		6 months ended 31 December 2011	6 months ended 31 December 2010	Year Ended 30 June 2011
	Notes	unaudited & unreviewed £	unaudited & unreviewed £	£
Revenue	1	4,321,980	4,286,176	8,457,665
Cost of sales		(3,503,701)	(3,488,600)	(6,840,379)
Gross profit		<u>818,279</u>	<u>797,576</u>	<u>1,617,286</u>
Administrative expenses		(735,850)	(680,551)	(1,295,426)
Operating profit		82,429	117,025	321,860
Finance expense costs		(53,313)	(80,186)	(179,358)
Profit/(loss) before tax		<u>29,116</u>	<u>36,839</u>	<u>142,502</u>
Tax		-	-	(26,031)
Profit/(loss) for the year from continuing operations		<u>29,116</u>	<u>36,839</u>	<u>116,471</u>
(Loss)/profit from discontinued operations		-	9,101	(742,672)
(Loss)/profit and total comprehensive (loss)/profit for the year attributable to owners of the parent		<u><u>29,116</u></u>	<u><u>45,940</u></u>	<u><u>(626,201)</u></u>
Earnings per share	3			
Basic earnings per share (pence)				
- Earnings from continuing operations		0.00	0.02	0.06
- (Loss)/earnings from discontinued operations		0.00	0.00	(0.39)
- Total		<u>0.00</u>	<u>0.02</u>	<u>(0.33)</u>
Diluted earnings per share (pence)				
- Earnings from continuing operations		0.00	0.02	0.08
- (Loss)/earnings from discontinued operations		0.00	0.00	(0.39)
- Total		<u>0.00</u>	<u>0.02</u>	<u>(0.31)</u>

CROMA GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Notes	Six months ended 31st December 2011		Six months ended 31st December 2010		Year ended 30th June 2011	
		£	unaudited & unreviewed £	£	unaudited & unreviewed £	£	£
Assets							
Non-current assets							
Property, plant and equipment			191,268		203,315		182,945
Investments			1,396,390		2,148,650		1,396,390
			<u>1,587,658</u>		<u>2,351,965</u>		<u>1,579,335</u>
Current assets							
Inventories		54,264					
Trade and other receivables		2,801,456		1,565,276		2,231,912	
Cash and cash equivalents		42,607	2,898,327	100,509	1,665,785	597,119	2,829,031
			<u>2,898,327</u>	<u>100,509</u>	<u>1,665,785</u>	<u>597,119</u>	<u>2,829,031</u>
Discontinued Operation			-		970,319		-
Total assets			<u>4,485,985</u>		<u>4,988,069</u>		<u>4,408,366</u>
Liabilities							
Non-current liabilities							
Convertible loan notes		(287,718)		(400,128)		(398,371)	
Deferred tax		(7,223)		-		(7,223)	
Trade and other payables		(19,919)		(32,162)		(26,826)	
Provisions		(23,120)	(337,980)	(28,900)	(461,190)	(23,120)	(455,540)
			<u>(337,980)</u>	<u>(28,900)</u>	<u>(461,190)</u>	<u>(23,120)</u>	<u>(455,540)</u>
Current liabilities							
Convertible loan notes		(504,760)		(965,068)		(1,000,000)	
Trade and other payables		(479,155)		(710,438)		(333,288)	
Current income tax liabilities		(733,164)				(385,273)	
Accruals and deferred income		(203,917)		(170,288)		(164,001)	
Bank overdrafts and loans		(1,011,402)	(2,932,398)	(622,348)	(2,468,142)	(883,773)	(2,766,335)
			<u>(2,932,398)</u>	<u>(622,348)</u>	<u>(2,468,142)</u>	<u>(883,773)</u>	<u>(2,766,335)</u>
Discontinued Operation			-		(200,105)		-
Total liabilities			<u>(3,270,378)</u>		<u>(3,129,437)</u>		<u>(3,221,875)</u>
Net assets			<u>1,215,607</u>		<u>1,858,632</u>		<u>1,186,491</u>
Issued capital and reserves attributable to owners of the parent							
Share capital			189,338		189,338		189,338
Share premium			247,123		247,123		247,123
Retained earnings			168,743		811,768		139,627
Undistributable Reserves			422,322		422,322		422,322
Other reserves			188,081		188,081		188,081
			<u>188,081</u>		<u>188,081</u>		<u>188,081</u>
Total equity			<u>1,215,607</u>		<u>1,858,632</u>		<u>1,186,491</u>

**This interim financial information was approved by the Board of Directors on
29 February 2012**

J L Dunion
Finance Director

CROMA GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Cashflows from operating activities	Six Months to 31 Dec 2011	Six Months to 31 Dec 2010	Year ended 30 June 2011
	unaudited & unreviewed	unaudited & unreviewed	
Profit before taxation	29,116	45,940	142,502
Adjustments	108,904	138,287	294,835
Net changes in working capital	(295,336)	(38,456)	(620,731)
Taxes paid	-	-	(23,209)
Net cash (used)/from continuing operations	(157,316)	145,771	(206,603)
Net cash (used) in discontinued operations	-	-	(83,001)
Net cash (used)/generated in operating activities	(157,316)	145,771	(289,604)
Cash generated from operations			
Investing activities			
Purchase of property, plant and equipment	(63,914)	(46,994)	(115,284)
Proceeds on disposal of property, plant and equipment	-	-	15,953
Cash proceeds from disposal of subsidiary net of cash disposed	207,903	-	677,409
Net cash generated/(used) in investing activities	143,989	(46,994)	578,078
Cash flows from financing activities			
Hire purchase payments	(4,857)	(9,669)	(4,123)
Net advances on invoice discounting facility	158,878	91,086	227,587
Repayment of borrowings	(600,000)	-	-
Issue of share capital – cash issue	-	-	-
Interest paid	(63,957)	(59,914)	(125,911)
Net cash (used) in financing activities	(509,936)	21,503	97,553
Net increase/(decrease) in cash and cash equivalents	(523,263)	120,280	386,027
Cash and cash equivalents at beginning of period	511,344	95,802	125,317
Cash and cash equivalents at end of year	(11,919)	216,082	511,344
	Six Months to 31 Dec 2011	Six Months to 31 Dec 2010	Year ended 30 June 2011
	unaudited & unreviewed	unaudited & unreviewed	
	£	£	£
Cash at bank and in hand	42,607	216,117	597,119
Bank overdraft	(54,526)	(35)	(85,775)
Total	(11,919)	216,082	511,344

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

1. Accounting policies

Basis of preparation

The financial information in the half yearly report has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the half yearly report are those the group expects to apply in its financial statements for the year ended 30 June 2012. The principal accounting policies in this half yearly report are unchanged from those applied in the 2011 financial statements. The financial information for the six months ended 31 December 2011 and the six months ended 31 December 2010 is unaudited and unreviewed. The comparative financial information for the full year ended 30 June 2011 was derived from audited statutory financial statements and was originally published in compliance with IAS 1. It has been restated here to be in compliance with IAS 1 (Revised). This effects presentation only. A copy of these statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, but did include a reference to matters to which the auditors drew attention by way of emphasis without qualifying their report. The auditors' report did not contain a statement under sections 498(2) and 498(3) of the Companies Act 2006.

While the financial information included in this half yearly report is consistent with the recognition and measurement principles of adopted IFRS, it does not comply with the requirements of IAS34 Interim Financial Reporting.

Going concern

The Group's activities are funded by a combination of long term equity capital, convertible loan notes, 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 directors have considered the following matters: the expected trading and cash requirements of the group, the level of overheads likely to accrue, repayment of creditors and the potential cash outflows associated with the convertible loan notes which are payable between December 2012 and February 2013.

The Directors have considered a range of scenarios in respect of each of these variables. Most of these scenarios indicate that the Directors will have to raise some additional finance during the year, although the level of funding required is highly dependent on the assumptions within each scenario. At the date of signing these financial statements the additional finance has not been secured. The Directors have had discussions with potential funders and believe they will be able to secure the necessary finance.

From a trading perspective, whilst there are inevitable pressures from the current general economic climate, the Board remains positive about the retention and outlook of its main trading operations. The full year effect of recent contract wins have been factored into the Board's profit and cash flow projections. The invoice discounting and overdraft facilities fall due for review on 30th September 2012.

In consideration of the potential cash outflows associated with the convertible loan notes, the holders of the loan notes have the option to either convert their debt into equity in the Group or repayment in cash on the due dates. Given the current share price the Directors consider it is unlikely that the debt will be converted into shares. The redemption profile is as follows:

- £520,000 on 20 December 2012
- £100,000 on 8th February 2013
- £200,000 on 22nd February 2013

The Board maintain a close working relationship with the holders of these loans and expect to discuss maturity options with the loan note holders in the near future and have obtained indications of a willingness to enter into such negotiations from the note holders.

The Directors are confident that adequate funds will be raised to fund the creditors repayments, redemption or redemption dates deferred; however, there can be no guarantee that these funds will be raised or redemption dates deferred.

The interim financial statements do not reflect the adjustments that would be necessary were the trading performance of the Group to deteriorate and/or the funding available from invoice discounting and the overdraft was not available. Furthermore, the reliance by the Group to raise additional funding to finance the loan note redemption or to successfully negotiate the redemption date of its loan notes indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2. Taxation

Taxation has been provided for at 25% (2010: 28%) although no taxation has been charged due to the availability of tax losses brought forward.

3. Earnings per share

The earnings per share is based on the profit/ (loss) for the period and the weighted average number of ordinary shares in issue and ranking for dividend.

	6 months ended 31 December 2011 unaudited & unreviewed	6 months ended 31 December 2010 unaudited & unreviewed	Year Ended 30 June 2011
<i>Numerator</i>			
Profit/(loss) for the year on continuing operations and used in basic EPS	29,116	36,839	(5,604)
(Loss)/Profit for the year on discontinuing operations and used in basic and diluted EPS	-	9,101	95,831
	<u>29,116</u>	<u>45,940</u>	<u>90,227</u>
<i>Denominator</i>			
Weighted average number of shares used in basic EPS	189,337,815	189,337,815	189,337,815
Effects of:			
- convertible debt	12,400,000	25,233,333	25,233,333
	<u>201,737,815</u>	<u>214,571,148</u>	<u>214,571,148</u>
Basic earnings per share (pence)			
- (loss)/Earnings from continuing operations	0.02	0.02	0.00
- (Loss)/earnings from discontinued operations	0.00	0.00	0.05
- Total	<u>0.02</u>	<u>0.02</u>	<u>0.05</u>
Diluted earnings per share (pence)			
- Earnings from continuing operations	0.00	0.02	0.03
- (Loss)/earnings from discontinued operations	0.00	0.00	0.04
- Total	<u>0.00</u>	<u>0.02</u>	<u>0.07</u>

4. Cash and cash equivalents

	Six Months to 31 Dec 2011	Six Months to 31 Dec 2010	Year ended 30 June 2011
	unaudited & unreviewed	unaudited & unreviewed	
	£	£	£
Cash at bank and in hand	42,607	216,117	597,119
Bank overdraft	(54,526)	(35)	(85,775)
Total	(11,919)	216,082	511,344

5. Cash flow statement

Cashflows from operating activities	Six Months to 31 Dec 2011	Six Months to 31 Dec 2010	Year ended 30 June 2011
	unaudited & unreviewed	unaudited & unreviewed	
Profit before taxation	29,116	45,940	142,502
Adjustments	108,904	138,287	294,835
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Bank overdraft	<u>(54,526)</u>	<u>(35)</u>	<u>(85,775)</u>
Total	<u><u>(11,919)</u></u>	<u><u>216,082</u></u>	<u><u>511,344</u></u>

6. Financial information

The Board of Directors approved the interim report on 29 February 2012. The financial information in respect of the six months to 31 December 2011 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. A copy of this report can be obtained from Security House, 23 Loganbarns, Dumfries, DG1 4BZ or is available on our website at www.cromagroup.co.uk.