

25 November 2019

**Thruvision Group plc**  
**(“Thruvision” or the “Group”)**

**Interim Results for the six months ended 30 September 2019**

Thruvision (AIM: THRU) the specialist provider of people-screening technology to the international security market announces its unaudited results for the six months ended 30 September 2019.

**Key Highlights**

- Revenues for the six months ended 30 September 2019 grew 53% to £4.8 million (H1 2018: £3.2 million)
- Operating loss before tax reduced to £0.4 million (H1 2018: £0.8 million)
- Expanded product range with new higher performance units, targeted at specific market segments, gaining traction
- A total of 64 Thruvision units shipped in the first half across our four target markets (H1 2018: 60 units) with product mix shifting towards higher performance units
- Broad-based success across our market segments, highlights include:
  - Strong progress in the strategically important US market with US Customs and Border Protection and Los Angeles World Airports added as new customers;
  - Morrisons and Sports Direct became our ninth and tenth household name Loss Prevention customers;
  - Macau Customs was added as our seventh international Customs agency customer, with Hong Kong Customs purchasing further units;
  - Ongoing strategic progress made with US Transportation Security Administration.
- Cash at 30 September 2019 of £8.7 million, with cash at 22 November 2019 of £10.0 million

<b>Summary of Results</b>			
	<b>30-Sep-19</b>	30-Sep-18	FY 2019
	<b>Unaudited</b>	Unaudited	Audited
Number of units sold	<b>64</b>	60	109
	<b>£'000</b>	£'000	£'000
Revenue	<b>4,835</b>	3,169	5,981
Gross Profit	<b>2,314</b>	1,243	2,327
Gross Margin	<b>48%</b>	39%	39%
Overheads	<b>(2,740)</b>	(2,083)	(4,440)
Operating (loss)	<b>(426)</b>	(840)	(2,113)

**Commenting on the results, Colin Evans, Chief Executive of Thruvision, said:**

*"We are pleased to report good commercial momentum in the first half of this year. We continued to win new customer orders, especially in the US, demonstrating growing awareness of our technology and its competitive advantages in providing fast and effective security screening of people. With continued demand from existing customers and further strengthening of our brand internationally, we remain confident about the company's prospects for the future."*

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**About Thruvision**

Thruvision is the leading provider of next-generation people-screening technology. Using patented passive terahertz technology, Thruvision is uniquely capable of detecting metallic and non-metallic threats including weapons, explosives and contraband items that are hidden under clothing, at distances up to 10m. Addressing the growing need for fast, safe and effective security, Thruvision has been vetted and approved by the US Transportation Security Administration for surface transportation. Operationally deployed in 20 countries around the world, Thruvision is used for a range of applications including mass transit and aviation security, facilities and public area protection, customs and border control and supply chain loss prevention. The company has offices near Oxford, in Washington DC, and in Sydney.

[www.thruvision.com](http://www.thruvision.com)

## Chairman's Statement

Since April, we have made further significant progress in establishing Thruvision as a leading vendor of people security screening technology. Commercial momentum has been maintained, new flagship customers, particularly in the US, have been added, and repeat orders from existing customers received.

Revenues increased by 53% to £4.8 million (H1 FY19: £3.2 million), based on delivering 64 units to customers (H1 FY19: 60), of which a greater proportion in this period were higher performance units helping to deliver stronger revenues and gross margins than in prior years. This resulted in a halving of the Operating loss to £0.4 million (H1 FY19: £0.8 million). Cash at 30 September 2019 was £8.7 million (31 March 2019: £9.4 million) and remained healthy at £10.0 million as of 22 November 2019.

In the US, we secured important new customer sales to US Customs and Border Protection (CBP) and Los Angeles International Airport, as well as an important follow-on order from the US State Department's Bureau of International Narcotics and Law Enforcement (INL). Taken together, these wins with internationally respected US organisations have further strengthened our brand and are helping to drive increasing levels of awareness of our technology.

We also added two new household names, Morrisons and Sports Direct, to our Loss Prevention customer list. Internationally, we saw good momentum in our Customs market, with further purchasing from Hong Kong Customs and an initial order from Macau Customs.

Working closely under contract to the US Transportation Security Administration (TSA), we made good progress on a range of R&D initiatives which should, in due course, allow us to compete in the air passenger screening market.

### Outlook

International recognition of the Thruvision brand continues to grow and significant progress is being made across the US market, including with the strategically important US Federal Government. We continue to make encouraging progress with next generation products and have made important progress entering the large aviation security market. New flagship customer wins, further purchasing from existing customers, and a growing number of strategic opportunities now in process means the Board remains confident about the prospects for the business, although precise timings remain hard to forecast.

### Strategic update and business review

Thruvision addresses the growing international need to quickly and comprehensively security screen individuals for either weapons or contraband that might be concealed in their clothing, in a safe and respectful manner. As the leading provider of "Detection at Range" security solutions as defined by the TSA, Thruvision addresses shortcomings in existing technology types, namely metal detectors and airport body scanners.

Based on progress made in the period, we have added a fifth market segment, Aviation, to our go-to-market strategy. This is based on the strong interest being shown by US airports looking for solutions to screen their employees and by ongoing work with TSA on airline passenger screening. Progress in this area, along with our four other market segments is as follows:

- **Aviation – screening employees and passengers in airports**

We are seeing growing interest in using Thruvision to improve the daily security screening of the many thousands of employees who work in security-controlled areas. Los Angeles World Airports (including LAX) became our second customer in this area and we are very actively engaged, under TSA auspices, on trials with other "Category X" (i.e. the largest and busiest) airports in the US. Following TSA's contract award to develop a new AI-based image processing software interface, we also remain on track to participate in upcoming air passenger screening trials.

- **Customs - screening individuals at national "ports of entry" for contraband**

Sales momentum was particularly strong in this market segment. Thruvision's combined strengths of safe and non-intrusive technology, along with an ability to reliably detect non-metallic items like drugs and bank notes, is helping to cement the Group's leading position in this international market. During the period, Macau Customs and US Customs and Border Protection became our seventh and eighth customers respectively, while Hong Kong Customs and the US State Department's Bureau of International Narcotics & Law Enforcement Affairs both purchased additional units.

- **Loss Prevention - screening staff for items being stolen from distribution centres (DCs)**

Recent global industry research<sup>1</sup> shows staff theft now accounts for around 0.4% of revenue in businesses that use large DCs and Thruvision's own market research<sup>2</sup> has found that serious crime gangs are now routinely operating in retail DCs. These trends and the rapid return on investment offered by Thruvision, help explain why Morrisons has purchased Thruvision cameras as part of its group-wide security improvement programme and why Sports Direct has become our tenth Loss Prevention customer, along with other household names including Next, Matalan and JD Sports. An increasing number of retailers and logistics companies, in the UK and Europe, are now expressing interest in our capability.

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<sup>1</sup> Sensormatic Global Shrink Index 2018

<sup>2</sup> Retail Risk Distribution Centre Survey

- **Entrance Security - screening visitors for weapons at entrances to high security buildings**

Steady progress has been made in this area with a new high-profile win to equip a National Head of State Residence in Asia. However, progress has been slower in the 'traditional' entrance security market where we are having to break down reluctance to change from the inexpensive 'tried and tested' security guard with metal detector mindset.

- **Surface Transportation - screening individuals for weapons in railways, subways and other public areas**

We have supported a number of operational trials during the period. Most notably, under contract to the UK's Home Office, we worked with the British Transport Police to trial Thruvision in the London Underground as part of its knife crime reduction initiative. Public reaction was reassuringly positive and ongoing activities are planned.

#### *Product Range Expansion and R&D*

The modular design of our Thruvision TAC product, which was developed with and approved by TSA in 2018, has allowed us to accelerate new product releases. The first of these, our new loss prevention product, the Thruvision LPC, was launched in the summer. It offers higher performance loss prevention functionality for retail customers needing to reliably detect smaller, high-value items like stolen watches, or "wearable" electronics. We also launched the more affordable Thruvision TS4-L aimed at detecting larger items like stolen footwear or grocery items.

Since period end, we successfully delivered our new military specification, outdoor screening camera, the Thruvision MFC. Developed under contract to TSA, this new flagship product development has allowed us to make a number of further improvements in hardware performance. These improvements, together with further progress made with our AI-based image processing software, will enable us to launch several new products, each tailored to specific market segments, in the coming months. We have updated our patent portfolio to reflect these most recent developments.

#### *People*

Overall headcount increased from 34 (at 31 March 2019) to 37 (at 30 September 2019) as the Group invested in further pre-sales and engineering resource to support increased demand. Voluntary staff attrition was nil.

**Financial review**

**Financial results**

During the six months ended 30 September 2019, revenues increased to £4.8 million (H1 2019: £3.2 million, FY 2019 £6.0 million), with 64 Thruvision units sold (H1 2019: 60 units, FY 2019: 109 units) resulting in a reduced operating loss of £0.4 million (H1 2019: £0.8) million, FY 2019: £2.1 million).

The gross margin increased to 48% (H1 2019: 39%, FY 2019: 39%) principally as a result of sales of a greater proportion of new higher performance product during the period.

The operating loss of £0.4 million was achieved despite further investment in our sales and engineering activities to support future revenue expansion.

**Key Performance Indicators (“KPIs”)**

The Group considers the following to be the relevant KPIs which track the trading performance and position of the business.

**Financial KPIs**

	<b>30-Sep-19</b>	30-Sep-18	FY 2019
	<b>£'000</b>	£'000	£'000
Revenue	<b>4,835</b>	3,169	5,981
Average revenue per unit	<b>73</b>	52	54
Gross Profit	<b>2,314</b>	1,243	2,327
Gross Margin	<b>48%</b>	39%	39%
Overheads *	<b>(2,724)</b>	(2,030)	(4,247)
Operating (loss)	<b>(426)</b>	(840)	(2,108)

**Non-financial KPIs**

	<b>30-Sep-19</b>	30-Sep-18	FY 2019
No of units sold	<b>64</b>	60	109
Number of staff at end of period	<b>37</b>	27	34

\* Overheads exclude the share based payment charge as well as foreign exchange gains and losses, and the share buyback costs incurred last year. See Overheads table on page 7 for further detail

**THRUVISION GROUP PLC****Half year report (continued)**

for the six months ended 30 September 2019

**Revenue**

Thruvision revenues increased to £4.8 million in the six months to 30 September 2019 (H1 2019: £3.2 million, FY 2019 £6.0 million). Revenues from unit sales contributed £4.7 million (H1 2019: £3.1 million, FY 2019 £5.9 million), and development revenue from the US Transport Security Administration of £140k (H1 2019: £47k, FY 2019 £80k). The growth in revenues over the prior year reflects strong growth in organic unit sales in our main markets, with unit volumes increasing to 64 (H1 2019: 60 units, FY 2019: 109 units).

Revenue	<b>6 months</b> <b>30-Sep-19</b> <b>£'000</b>	6 months 30-Sep-18 £'000	12 months FY 2019 £'000
Units	<b>4,695</b>	3,122	5,901
Development	<b>140</b>	47	80
<b>Total</b>	<b>4,835</b>	3,169	5,981

The principal growth driver for the business is unit sales and, while we expect to continue to be awarded customer funded development contracts, we do not expect this to form a material proportion of revenues in the future.

**Gross Profit Margin**

Gross margin increased to 48% in the year (H1 2019: 39%, FY 2019: 39%). The gross margin attributable to unit revenues increased from 34% (FY 2019) to 50% for the six months ending 30 September 2019 principally as a result of sales of a greater proportion of higher performance product in the period.

Gross Margin	<b>6 months</b> <b>30-Sep-19</b> <b>£'000</b>	6 months 30-Sep-18 £'000	12 months FY 2019 £'000
Unit Revenue	<b>4,695</b>	3,122	5,901
Unit Gross Profit	<b>2,343</b>	1,225	2,337
Gross margin %	<b>50%</b>	39%	40%
Development Revenue	<b>140</b>	47	80
Development Gross Profit	<b>(29)</b>	18	(10)
Gross margin %	<b>(21%)</b>	38%	(13%)
Overall Revenue	<b>4,835</b>	3,169	5,981
Overall Gross Profit	<b>2,314</b>	1,243	2,327
<b>Overall Gross margin %</b>	<b>48%</b>	39%	39%

### Administrative expenses

Overheads in the period increased by 34% to £2.7 million compared to the corresponding period in FY19 as the business invested to accommodate growth. Sales and marketing expenditure increased by £0.2 million to deliver strategic investment in our US market, with this additional investment made to leverage on our “flagship” customer deployments in this key market and was used to increase direct marketing and provide enhanced pre and post-sales capability. Engineering costs include Manufacturing and R&D costs which have increased as a result of focussing on increased production capacity and strengthening our software capability.

Administrative expenses below include allocated depreciation and amortisation of £227k in the six months ended 30 September 2019 (H1 2019: £78k, FY 2019: £181k). The allocation is based upon cost centre asset usage.

Administrative expenses	<b>6 months 30-Sep-19 £'000</b>	6 months 30-Sep-18 £'000	12 months FY 2019 £'000
Engineering	<b>818</b>	529	1,144
Sales and marketing	<b>826</b>	603	1,270
Property and administration	<b>381</b>	285	650
Management	<b>349</b>	312	639
PLC costs	<b>350</b>	301	544
<b>Total administrative expenses</b>	<b>2,724</b>	2,030	4,247
Foreign exchange gains	<b>(138)</b>	(131)	(133)
Share-based payment charge	<b>154</b>	68	207
Share buyback costs	-	116	119
<b>Total overheads</b>	<b>2,740</b>	2,083	4,470

### Loss from continuing operations

Losses from continuing operations in the period were £0.4 million (H1 2019: £0.8 million, FY 2019: £2.1 million) including share based payments. The reduction in loss was principally driven by strong sales growth, offset by an overall overhead increase as detailed above.

Thruvision continues to invest in sales and marketing activities, developing new markets and segments, whilst further investing in our engineering and manufacturing capacity including R&D. Thruvision generated foreign exchange gains of £0.1 million during the period (H1 2019: £0.1 million, FY 2019 £0.1 million), as a result of the movement in the GBP:USD exchange rate.

### Cash Flows

Cash and cash equivalents at 30 September 2019 were £8.7 million (H1 2019: £12.6 million, FY 2019: £9.4 million), with the principal movement in the period being an increase in trade and other receivables of £0.6 million, accounting for the majority of the decrease in cash over the six month period ended 30 September 2019.

**THRUVISION GROUP PLC**  
**Consolidated income statement**  
for the six months ended 30 September 2019

		<b>6 months ended 30 September 2019 Unaudited £'000</b>	6 months ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
	Note			
<b>Revenue</b>	2	<b>4,835</b>	3,169	5,981
Cost of sales		<b>(2,521)</b>	(1,926)	(3,654)
<b>Gross profit</b>		<b>2,314</b>	1,243	2,327
Administration costs		<b>(2,740)</b>	(2,083)	(4,440)
Other income		-	5	5
<b>Operating loss</b>		<b>(426)</b>	(835)	(2,108)
Finance revenue		27	41	78
Finance costs		<b>(14)</b>	-	(30)
<b>Loss before tax</b>		<b>(413)</b>	(794)	(2,060)
Income tax		29	-	23
<b>Loss for the period / year from continuing operations</b>		<b>(384)</b>	(794)	(2,037)
<b>Discontinued operations</b>				
Profit/(loss) from discontinued operation (net of tax)		213	(330)	(233)
<b>Loss for the period / year</b>		<b>(171)</b>	(1,124)	(2,270)
<b>Adjusted loss:</b>				
	3			
<b>Loss before tax from continuing operations</b>		<b>(413)</b>	(794)	(2,060)
Share-based payment		154	68	207
Share buyback costs		-	116	119
<b>Adjusted loss before tax for the period / year from continuing operations</b>		<b>(259)</b>	(610)	(1,734)

**THRUVISION GROUP PLC**  
**Consolidated statement of comprehensive income**  
for the six months ended 30 September 2019

	<b>6 months ended 30 September 2019 Unaudited £'000</b>	6 months ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
<b>Loss for the period / year from continuing operations</b>	<b>(384)</b>	(794)	(2,037)
Profit/(loss) for the period / year from discontinued operations	<b>213</b>	(330)	(233)
<b>Loss for the period / year attributable to owners of the parent</b>	<b>(171)</b>	(1,124)	(2,270)
<b>Other comprehensive (loss)/income from continuing operations</b>			
Other comprehensive income that may be subsequently reclassified to profit and loss:			
Exchange differences on retranslation of foreign operations	<b>4</b>	(5)	6
<b>Total comprehensive loss attributable to owners of the parent</b>	<b>(167)</b>	(1,129)	(2,264)

**THRUVISION GROUP PLC**  
**Consolidated statement of financial position**  
at 30 September 2019

	Note	30 September 2019 Unaudited £'000	30 September 2018 Unaudited £'000	31 March 2019 Audited £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		1,212	387	760
Other intangible assets		6	8	7
		<b>1,218</b>	<b>395</b>	<b>767</b>
<b>Current assets</b>				
Inventories		3,262	2,237	3,349
Trade and other receivables		3,311	1,496	2,690
Current tax recoverable		91	90	114
Cash and cash equivalents		8,657	12,636	9,375
		<b>15,321</b>	<b>16,459</b>	<b>15,528</b>
<b>Total assets</b>		<b>16,539</b>	<b>16,854</b>	<b>16,295</b>
<b>Equity and liabilities</b>				
Attributable to owners of the parent				
Equity share capital	6	1,455	1,618	1,618
Capital redemption reserve		163	-	-
Translation reserve		18	3	14
Retained earnings		12,428	13,452	12,445
<b>Total equity</b>		<b>14,064</b>	<b>15,073</b>	<b>14,077</b>
<b>Non-current liabilities</b>				
Provisions		38	38	38
Lease liabilities		373	-	-
		<b>411</b>	<b>38</b>	<b>38</b>
<b>Current liabilities</b>				
Trade and other payables		1,915	1,743	2,180
Lease liabilities		149	-	-
		<b>2,064</b>	<b>1,743</b>	<b>2,180</b>
<b>Total liabilities</b>		<b>2,475</b>	<b>1,781</b>	<b>2,218</b>
<b>Total equity and liabilities</b>		<b>16,539</b>	<b>16,854</b>	<b>16,295</b>

**THRUVISION GROUP PLC**  
**Consolidated statement of changes in equity**  
for the six months ended 30 September 2019

	Ordinary share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 31 March 2018	1,814	109,078	4,786	8	(96,207)	19,479
Capital reduction	-	(109,078)	(4,786)	-	113,864	-
Share buyback	(196)	-	-	-	(3,149)	(3,345)
Share-based payment credit	-	-	-	-	68	68
Transactions with shareholders	(196)	(109,078)	(4,786)	-	110,783	(3,277)
Loss for the period	-	-	-	-	(1,124)	(1,124)
Other comprehensive income	-	-	-	(5)	-	(5)
At 30 September 2018	1,618	-	-	3	13,452	15,073
Share-based payment credit	-	-	-	-	139	139
Transactions with shareholders	-	-	-	-	139	139
Loss for the period	-	-	-	-	(1,146)	(1,146)
Other comprehensive income	-	-	-	11	-	11
Total comprehensive loss	-	-	-	11	(1,146)	(1,135)
At 31 March 2019	1,618	-	-	14	12,445	14,077
Cancellation of deferred shares	(163)	-	163	-	-	-
Share-based payment credit	-	-	-	-	154	154
Transactions with shareholders	(163)	-	163	-	154	154
Loss for the period	-	-	-	-	(171)	(171)
Other comprehensive income	-	-	-	4	-	4
Total comprehensive loss	-	-	-	4	(171)	(167)
<b>At 30 September 2019</b>	<b>1,455</b>	<b>-</b>	<b>163</b>	<b>18</b>	<b>12,428</b>	<b>14,064</b>

**THRUVISION GROUP PLC**  
**Consolidated statement of cash flows**  
for the six months ended 30 September 2019

	<b>6 months ended 30 September 2019 Unaudited £'000</b>	6 months ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
<b>Operating activities</b>			
Loss before tax from continuing operations	(413)	(794)	(2,060)
Profit/(loss) before tax from discontinued operations	213	(330)	(233)
Loss before tax	(200)	(1,124)	(2,293)
Non-cash adjustment to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	227	77	179
Amortisation of intangible assets	1	1	2
Share-based payment transaction expense	154	68	207
Unrealised (losses) / gains on foreign exchange	(8)	6	(25)
Disposals of property, plant & equipment	37	29	28
Finance income	(27)	(41)	(78)
Finance costs	14	-	-
Working capital adjustments:			
(Increase) in trade and other receivables	(779)	(267)	(1,724)
Decrease / (increase) in inventories	87	(424)	(1,536)
(Decrease) / increase in trade and other payables	(153)	208	545
(Decrease) / Increase in deferred revenue	(20)	82	156
Decrease in provisions	-	(27)	(27)
Cash utilised in operations	(667)	(1,412)	(4,536)
Tax received	23	-	-
<b>Net cash flow from operating activities</b>	<b>(644)</b>	<b>(1,412)</b>	<b>(4,536)</b>
<b>Investing activities</b>			
Purchase of property, plant & equipment	(230)	(213)	(579)
Expenditure on intangible assets	-	(7)	(7)
Interest received	27	41	78
Deferred consideration from disposal of Video Business	209	-	182
<b>Net cash flow from investing activities</b>	<b>6</b>	<b>(179)</b>	<b>(326)</b>
<b>Financing activities</b>			
Repayments of leasing liabilities	(86)	-	-
Share buyback – reduction in share capital	-	(3,345)	(3,345)
<b>Net cash flow from financing activities</b>	<b>(86)</b>	<b>(3,345)</b>	<b>(3,345)</b>
Net (decrease) in cash and cash equivalents	(724)	(4,936)	(8,207)
Cash and cash equivalents at beginning of period / year	9,375	17,587	17,587
Effect of foreign exchange rate changes on cash and cash equivalents	6	(15)	(5)
<b>Cash and cash equivalents at end of period / year</b>	<b>8,657</b>	<b>12,636</b>	<b>9,375</b>

## **THRUVISION GROUP PLC**

### **Notes to the financial statements**

for the six months ended 30 September 2019

#### **1. Accounting policies**

##### **Basis of preparation**

The consolidated interim financial statements include those of Thruvision Group plc and all of its subsidiary undertakings (together "the Group") drawn up at 30 September 2019, and have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as adopted for use in the European Union ("EU"). The consolidated interim financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the consolidated financial statements for the period ended 31 March 2019, with the exception of IFRS 16 Leases as below.

The Group is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

##### **Accounting policies**

The annual consolidated financial statements of the Group are prepared on the basis of International Financial Reporting Standards ("IFRS"). The consolidated interim financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all the disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the most recent Annual Report and Accounts which were approved by the Board of Directors on 21 June 2019 and have been filed with Companies House. The condensed interim financial statements do not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and are unaudited for all periods presented. The financial information for the 12-month period ended 31 March 2019 is extracted from the financial statements for that period. The auditors' report on those financial statements was unqualified and did not contain an emphasis of matter reference and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The half year results for the current period to 30 September 2019 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance of Review of Interim Financial Information.

##### **Adoption of new and revised International Financial Reporting Standards**

The Group's accounting policies have been prepared in accordance with IFRS effective as at its reporting date of 30 September 2019.

##### **Standards Issued**

The standards and interpretations that are issued up to the date of issuance of the Group's interim financial statements are disclosed below. The Group has adopted these standards, if applicable, when these became effective. Further details are disclosed in the 31 March 2019 Annual Report available on the Group's website: [thruvision.com](http://thruvision.com)

##### **Accounting developments - new standards, amendments and interpretations issued and adopted**

IFRS 16 replaces IAS 17 'Leases' and three related interpretations. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 was mandatory for annual reporting periods beginning on or after 1 January 2019, and accordingly the Group has elected to apply IFRS 16 on 1 April 2019.

The impact of adoption of IFRS 16 has mainly affected the following:

- Management has performed a full review of all lease contracts on the Group and classified and valued each leasing obligation in line with the guidance of IFRS 16
- The new Standard has been applied retrospectively without restatement using the modified retrospective approach, effective from 1 April 2019

Further details of the adoption of IFRS 16 are included in note 5.

## **1. Accounting policies (continued)**

### **Going concern**

The Group's loss before tax from continuing operations for the period was £0.4 million (H1 2019: £0.8 million, FY 2019: £2.0 million). As at 30 September 2019 the Group had net current assets of £12.9 million (H1 2019: £14.7 million, FY 2019: £13.3 million) and net cash reserves of £8.7 million (H1 2019: £12.6 million, FY 2019: £9.4 million).

The Board has reviewed cash flow forecasts for the period up to and including 31 December 2020. These forecasts and projections take into account reasonably possible changes in trading performance and show that the Group will be able to operate within the level of current funding resources. The Directors therefore believe there is sufficient cash available to the Group to manage through these requirements.

As with all businesses, there are particular times of the year where the Group's working capital requirements are at their peak. However, the Group is well placed to manage business risk effectively and the Board reviews the Group's performance against budgets and forecasts on a regular basis to ensure action is taken where needed.

The Directors therefore are satisfied that the Group has adequate resources to continue operating for a period of at least 12 months from the approval of these accounts. For this reason, they have adopted the going concern basis in preparing the financial statements.

### **Financial instruments**

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

## **2. Segmental information**

The directors do not split the business into segments in order to internally analyse the business performance and as a result the results of the business are only presented below as continuing and discontinuing. The directors believe that allocating overheads by department provides a suitable level of business insight. The overhead department cost centers comprise of Engineering (manufacturing and R&D), sales and marketing, property and administration, Management and PLC costs, with the split of costs as shown in the Half Year Report on page 7.

Since the disposal of the Video Business on 31 October 2017 it has been reported as a discontinued operation. The profit shown within discontinued operations this period is in relation to further amounts of deferred consideration receivable as a result of the sale of the Video Business.

In accordance with IFRS 8, the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker and supplemented this with additional analysis to assist readers of the Annual Report to better understand the impact of the proposed divestment. The Group has identified the Board of Directors as the Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance.

## 2. Segmental information (continued)

six months ended 30 September 2019

	six months ended 30 September 2019		
	Video Business	Thruvision	Total
	Discontinued	Continuing	
	£'000	£'000	£'000
Total segment revenue	-	4,835	4,835
Depreciation and amortisation	-	228	228
<b>Segmented adjusted operating profit / (loss)</b>	213	(272)	(59)
Share based payment charge	-	(154)	(154)
<b>Segment operating profit / (loss)</b>	213	(426)	(213)
Finance income	-	27	27
Finance costs	-	(14)	(14)
<b>Segment profit (loss) before tax</b>	213	(413)	(200)
Income tax credit	-	29	29
<b>Profit / Loss for the year</b>	213	(384)	(171)

six months ended 30 September 2018

	six months ended 30 September 2018		
	Video Business	Thruvision	Total
	Discontinued	Continuing	
	£'000	£'000	£'000
Total segment revenue	-	3,169	3,169
Depreciation and amortisation	-	78	78
<b>Segmented adjusted operating (loss)</b>	(330)	(767)	(1,097)
Share based payment charge	-	(68)	(68)
<b>Segment operating profit / (loss)</b>	(330)	(835)	(1,165)
Finance income	-	41	41
Finance costs	-	-	-
<b>Segment (loss) before tax</b>	(330)	(794)	(1,124)
Income tax credit	-	-	-
<b>Loss for the year</b>	(330)	(794)	(1,124)

## 2. Segmental information (continued)

Twelve months ended 31 March 2019

	12 months ended 31 March 2019		
	Video Business	Thruvision	Total
	Discontinued	Continuing	
	£'000	£'000	£'000
Total segment revenue	-	5,981	5,981
Depreciation and amortisation	-	181	181
<b>Segmented adjusted operating (loss)</b>	(233)	(1,901)	(2,134)
Share based payment charge	-	(207)	(207)
<b>Segment operating (loss)</b>	(233)	(2,108)	(2,341)
Finance income	-	78	78
Finance costs	-	(30)	(30)
<b>Segment (loss) before tax</b>	(233)	(2,060)	(2,293)
Income tax credit	-	23	23
<b>Loss for the year</b>	(233)	(2,037)	(2,270)

### Analysis of revenue by customer

There have been three (H1 2019: two, FY 2019: two) individually material customers (each comprising in excess of 10% of revenue) during the period. These customers individually represented £1,878,000, £1,397,000 and £824,000 of revenue (H1 2019: £1,018,000 and £808,000, FY 2019: £2,310,000 and £808,000).

	30 September 2019 Unaudited £'000	30 September 2018 Unaudited £'000	31 March 2019 Audited £'000
UK and Europe	190	504	1,338
Americas	3,692	364	975
Asia Pacific	934	2,287	3,640
Middle East and Africa	19	14	28
	<b>4,835</b>	<b>3,169</b>	<b>5,981</b>

The Group's non-current assets by geography are detailed below:

	30 September 2019 Unaudited £'000	30 September 2018 Unaudited £'000	31 March 2019 Audited £'000
United Kingdom	1,014	369	737
United States of America	204	26	30
	<b>1,218</b>	<b>395</b>	<b>767</b>

The above analysis includes right-of-use assets capitalised in the period under IFRS 16 which are shown in more detail in note 5. For the six months ended 30 September 2019 £343,000 (United Kingdom) and £174,000 (USA) of the above net book value relates to leases capitalised in the period under IFRS 16.

### 3. Adjusted loss before tax

An adjusted loss before tax measure has been presented as the Directors believe that this is a more relevant measure of the Group's underlying performance. Adjusted loss is not defined under IFRS and has been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. It may not be comparable with similarly titled measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit. The net adjustments to loss before tax from continuing operations are summarised below:

	<b>6 months ended 30 September 2019 Unaudited £'000</b>	6 months ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
Share-based payment (i)	<b>154</b>	68	207
Share buyback costs (ii)	-	116	119
<b>Total adjustments</b>	<b>154</b>	184	326

- (i) The performance condition associated with LTIP awards made in January 2019 are subject to a non-market based performance measure. Accordingly, should these LTIP awards fail to vest, the share based payment charge will be added back to the income statement. To date the majority of historic LTIP awards have failed to vest. The inclusion provides consistency over time allowing a better understanding of the financial position of the Group.
- (ii) On 24 July 2018 a Special Resolution was passed to allow the Group to repurchase up to 47,000,000 ordinary shares at 17p each. The legal and professional fees incurred in connection with the repurchase of shares have been split out from continuing costs.

#### 4. Loss per share

The following reflects the loss and share data used in the basic and diluted loss per share calculations:

<b>Unadjusted loss per share</b>	<b>6 months ended 30 September 2019 Unaudited £'000</b>	6 months ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
<b>Loss from continuing operations attributable to ordinary shareholders</b>	<b>(384)</b>	(794)	(2,037)
<b>Loss from continuing and discontinued operations attributable to ordinary shareholders</b>	<b>(171)</b>	(1,124)	(2,270)
Weighted average number of shares	<b>145,454,118</b>	160,184,168	152,839,321
<b>Basic and diluted loss per share – continuing operations</b>	<b>(0.26p)</b>	(0.50p)	(1.33p)
<b>Basic and diluted loss per share – continuing and discontinued operations</b>	<b>(0.12p)</b>	(0.70p)	(1.49p)

<b>Adjusted loss per share</b>	<b>6 months ended 30 September 2019 Unaudited £'000</b>	6 months ended 30 September 2018 Unaudited £'000	Year ended 31 March 2019 Audited £'000
<b>Loss from continuing operations attributable to ordinary shareholders</b>	<b>(384)</b>	(794)	(2,037)
Share-based payment	<b>154</b>	68	207
Share buyback costs	-	116	119
<b>Adjusted (loss)/profit after tax</b>	<b>(230)</b>	(610)	(1,711)
Weighted average number of shares	<b>145,454,118</b>	160,184,168	152,839,321
<b>Basic and diluted loss per share</b>	<b>(0.26p)</b>	(0.50p)	(1.33p)
<b>Basic and diluted adjusted (loss)/profit per share</b>	<b>(0.16p)</b>	(0.38p)	(1.12p)

The inclusion of potential Ordinary Shares arising from LTIP awards and EMI Options would be anti-dilutive. Basic and diluted loss per share has therefore been calculated using the same weighted number of shares.

## 5. IFRS 16

Additions to right-of-use asset category reflect the recognition of the Group's leasing obligations under IFRS 16, and are included within the Property, plant and equipment balance included on the Statement of Financial Position on page 10.

### Lease liability

During the period under review the Group adopted IFRS 16 which resulted in lease contracts previously being recognised as operating leases now being recognised as finance leases. In the Statements of Financial Position additional lease liabilities at 30 September 2019 of (£527,000) are offsetting right-of-use assets of £517,000, giving a net liability position of (£10,000).

### Leases

IFRS 16 requires the Group, with the exception of short-term and low value leases, to value all leasing obligations disclosing right-for-use assets and corresponding lease liabilities. As detailed below, all leases of the Group have been considered to have balance sheet leasing obligations.

### Right-of-use assets

	Property £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>			
At 31 March 2019	-	-	-
Additions	558	35	593
Disposals	-	-	-
Exchange movements	3	-	3
<b>At 30 September 2019</b>	<b>561</b>	<b>35</b>	<b>596</b>
<b>Accumulated depreciation</b>			
At 31 March 2019	-	-	-
Charge for the period	72	7	79
Disposals	-	-	-
Exchange movements	-	-	-
<b>At 30 September 2019</b>	<b>72</b>	<b>7</b>	<b>79</b>
<b>Net book value</b>			
<b>At 30 September 2019</b>	<b>489</b>	<b>28</b>	<b>517</b>
At 31 March 2019	-	-	-
Interest charge for the period	13	1	14
Cash outflows for leases in the period	78	8	86

Lease liabilities were calculated as the present value of the future lease obligations of the Group. The future leasing obligations were discounted using relevant UK and US local borrowing rates of 5% respectively.

The lease categories of the Group are made up of:

### Motor vehicles

- One company car is held on a lease expiring on 30 September 2020.
- A further one company car and a company van are held on leases expiring on 23 October 2022 and 24 October 2022.

## 5. IFRS 16 (continued)

### Property

- The Group's US subsidiary has an office and storage facility in Ashburn, Virginia near Washington DC, USA. The operating location has a long-term agreement in place until 31 May 2023.
- The Group's current UK operation is headquartered in a leased premises in Milton Park, Oxfordshire. The lease contract commenced in December 2017 and expires in December 2022.
- The Group also lease a small office in Guildford. The lease contract commenced in April 2018 and expires in March 2023. The contract has a three-year break clause on 31 March 2021, but management does not expect that this break clause will be exercised.

At transition IFRS 16 permits the cumulative effect of adopting the standard to be taken to retained earnings. The Group also elected to value the right-of-use assets in line with lease liabilities at transition. There were no movements taken to retained earnings as a result of transition. If IFRS 16 was not required, operating profit of the Group for the current period would be reduced by £15,000 and profit before tax would be increased by £15,000.

## 6. Issued share capital

As at 30 September 2019, there were 145,454,118 Ordinary Shares in issue (H1 2019 and FY 2019: 145,454,118).

In addition, there were nil deferred Shares in issue (H1 2019 and FY 2019: 163,124). On 22 February 2010, 217,500 Incentive shares were issued to three directors. Of these shares 163,124 failed to vest and were converted to deferred shares with nominal value. Following shareholder approval at the 2019 AGM, 163,124 deferred shares were bought back by the Company for total consideration of £3 and subsequently cancelled on 25 September 2019.

## 7. Share options

There were no share awards granted in the six-month period ended 30 September 2019.

## 8. Financial instruments

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

**Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has no level 2 or level 3 financial instruments (H1 2019: £30k, FY 2019 £nil). The fair values of other financial assets and liabilities, which are short term, are not disclosed as the Directors estimate that the carrying amount of the financial assets and liabilities are not significantly different to their fair value. These financial assets and liabilities are carried at amortised cost.