30 September 2022

**Thruvision Group plc**

**(“Thruvision” or the “Company”)**

**Results for the Year ended 31 March 2022**

Thruvision (AIM:THRU), the leading provider of “safe distance” people-screening technology to the international security market, announces its results for the financial year ended 31 March 2022.

## Headlines

- Revenue of £8.4 million (2021: £6.7 million), with an operating loss before tax of £1.9 million (2021: £2.8 million loss);
- Adjusted loss before tax* of £2.3 million (2021: £2.3 million);
- Gross margin at 47% (2021: 48%) and Overheads** increased to £5.6 million (2021: £4.8 million), with Overheads as a percentage of Revenue falling to 67% (2021: 71%);
- Cash at 31 March 2022 of £5.4 million (31 March 2021: £7.3 million);
- Significant growth in Profit Protection revenue which grew 73% (2021: 49%) to reach 45% of total Group revenues, with 7 new customers including Tesco, European online retailer Zalando and a major US alcohol distributor; and
- Revenues from the Customs sector were in line with the prior year, and we remain heavily engaged with US Customs and Border Protection in upgrading their Thruvision fleet.

* *Adjusted loss before tax is defined as loss before tax from continuing operations after deducting Share-based payment credit, or by adding back the Share-based payment charge.*

** *Total Administration costs excluding Depreciation and amortisation, Share-based payments and Foreign exchange.*

**Commenting on the results, Colin Evans, Chief Executive, said:** *“It is very pleasing to see the Group return to growth this year. Building on steady first half momentum, our second half performance was very strong, driven by significant growth in Profit Protection. We remain focused on this significant market opportunity and have appointed Katrina Nurse to our Board to bolster our retail sector expertise and help add further household names to our growing list of major users.*

*Our relationship with US Customs and Border Protection (CBP) continues to strengthen. Having delivered material revenue in the year to start upgrading CBP’s existing Thruvision cameras, we expect further growth with this key customer over the coming years as it starts a full rollout of our technology.*

*With the broader economic picture looking increasingly challenging, I am confident that our unique offering and diversity of our two core markets, Profit Protection and Customs, will deliver further good growth this coming year.”*

**Notice of Trading Update and Annual report**

The company will provide an update on H1 trading during the week commencing 10th October 2022. The audited accounts for the year ended 31 March 2022 will be sent to shareholders later today and will be available on the Company’s website later this morning.

**For further information please contact:**

| | |
|---|---|
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**About Thruvision**

Addressing the urgent need for “safe distance” people security screening in the COVID era, Thruvision is uniquely capable of detecting metallic and non-metallic items including weapons, explosives and contraband items that are hidden under clothing, at distances between 3 and 10m. Using patented passive Terahertz technology, Thruvision completely removes the need for physical “pat-downs” and 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 aviation security, retail supply chain loss prevention, customs and border control, and public area security. The company has offices near Oxford and Washington DC.

www.thruvision.com

## Chairman’s statement

*Introduction*

As the many pandemic-related restrictions were progressively lifted through the year, our business performance improved, and I am very pleased to report that the Group returned to growth in the year. Driven by a very strong second half, with Profit Protection performing particularly well, the Group grew overall revenues by 25% to £8.4 million (2021: £6.7 million). We supported this growth from our own cash resources and, at 31 March 2022, cash in hand was £5.4 million (2021: £7.3 million).

As with last year, Profit Protection and Customs delivered over 90% of revenue and, for different reasons, these markets proved to be resilient to the ongoing effects of the pandemic. They remain the key future growth drivers for the Group and their complementary characteristics should provide a resilient platform for continued growth even in the more challenging macro-economic environment.

*Profit Protection*

Our Profit Protection business has benefited significantly from the trend towards online retail and home delivery, which was accelerated by the pandemic. Our technology is used successfully by market leaders including Next, Tesco, The Hut Group and CEVA to screen many thousands of employees every day to detect and deter theft from the large number of Distribution Centres (‘DCs’) that lie at the heart of their online delivery infrastructure. Comprising a large number of retailers and home delivery partners, who operate (by our estimates) in excess of 20,000 DCs across the UK, US and Europe, the Profit Protection market represents our single biggest strategic opportunity although short-term prospects here are inevitably dependent on the health of the broader retail market. We recorded revenue growth in Profit Protection of 73% in the period, increasing Profit Protection to some 45% of total Group revenue (2021: 32%), and since the end of the year have secured our first sale with another global Third-Party Logistics provider (3PL).

*Customs*

International Customs agencies have historically been our largest market, and 9 different national agencies use our equipment globally to detect drugs, cash and other contraband being smuggled as travellers cross international borders. Our biggest end-customer is US Customs and Border Protection (‘CBP’) which in prior years has purchased a significant fleet of cameras. These were fully deployed on the Southern Border during the summer of 2021 to enable management of the very high levels of migration experienced there. This close engagement proved the significant value of our solution, in terms of actual seizures of drugs and cash, and the very positive feedback from front-line officers. As a result, we delivered material revenue in the second half to start the process of upgrading CBP’s existing 8-channel cameras to the latest 16-channel model. We expect this upgrade process to deliver further revenue in FY23.

In addition, CBP has made public its intentions to purchase additional “passive pedestrian scanners” and we expect this process to commence at some point during FY23. With other international Customs agencies now restarting procurements which were delayed by the pandemic, we remain optimistic about our prospects in this market.

*Other markets*

Our other markets, Aviation and Entrance Security, remained subdued due to the on-going effects of pandemic related restrictions. Some further progress has been made through the US Government’s Transportation Security Administration (‘TSA’) aviation accreditation process, although this was significantly delayed by the pandemic, and we started a similar process with the Israeli Government. As confirmed recently by US Congress, contactless aviation security remains an important post-COVID priority. With the global aviation market continuing to recover we will maintain our focus on gaining appropriate accreditations to enter this regulated market fully.

*Supply chain*

Like other technology and manufacturing businesses, the combined effect of the pandemic and Russia's invasion of Ukraine has negatively impacted supply chains. While this has had little effect on our mostly UK-based Terahertz specialist suppliers, we have had to redesign aspects of our cameras to accommodate various substitute commercial components. We forward-purchased these where necessary during late FY22 and early FY23 in order to protect production capacity and drew on our cash reserves accordingly. We have seen some raw material price inflation starting to feed through but at this stage we are confident this can be managed. Overall, whilst supply chain issues consumed significant effort by our team, they did not affect our production capacity or schedules.

*Board changes*

I was delighted to announce the addition of another Independent Non-Executive Director, Katrina Nurse, to our Board with effect from 1 April 2022. Katrina is a highly experienced CFO from the retail sector with a track record in growing businesses including Selfridges, Pentland Group, Arcadia Group and most recently Asda. Katrina joined the Audit and Nomination Committees and will chair the Remuneration Committee from the conclusion of the forthcoming AGM.

After three years with the business, Adrian Crockett, our CFO, left the Company in April 2022. He will be replaced on the Board by Victoria Balchin who starts in October 2022 with an interim currently fulfilling this role. Victoria brings significant relevant experience to the Group. She qualified as a chartered accountant with PwC and has held a number of finance roles with British Sky Broadcasting Group plc, SABMiller plc, Spectris plc and Brüel & Kjær Vibro, a Spectris business headquartered in Germany.

*Outlook*

The Group operates in markets which are subject to different macro-economic pressures and, as demonstrated through the pandemic, this diversity has given our performance a good level of resilience. With the broader economic outlook looking challenging, we continue to see this diversification as a strength.

The Board therefore believes that the Group is well positioned to deliver good growth this year and into the future. We expect this growth to move us materially towards our short-term objective of breaking even in both profit and cash generation terms, and we continue to manage our investments and cost base to match our anticipated growth with this objective in mind.

The first half of the new year has been challenging for the Profit Protection segment as retailers reacted to the changing economic climate. However, activity levels in this area are picking up as retailers identify the significant benefits of our solution to a number of the challenges they are facing. With revenue from both the Profit Protection and Customs markets expected to continue growing, the Board is confident that the Group is well positioned to deliver good growth this year and into the future.

## Strategic Update

***Business focus and competitive differentiation***

Thruvision addresses the growing international need to safely, quickly and comprehensively security-screen individuals for weapons, contraband or other illicit metallic and non-metallic items that might be concealed in or under their clothing. The two most widely deployed existing technologies, metal detectors and airport body scanners, do not meet this need. Critically, both these technologies require close-proximity physical searches to resolve alarms and, in the former case, detect only metallic objects. These intrusive body searches have always been undesirable, but the COVID pandemic forced security organisations globally to re-evaluate the safety implications of such 'pat down' searches and many are now looking for new capabilities to deliver contactless security.

Thruvision comprehensively solves this problem. By allowing a security guard to see concealed items of any material, as small as 3cm by 3cm, and from a safe distance of 3 metres, Thruvision completely removes the need for physical search. This combination of safe distance, contactless operation with reliable, high-throughput and comprehensive detection is unique to Thruvision and we have not yet identified a competing solution with comparable performance.

***Macro-economic update***

The broader economic climate changed significantly through the course of the year. The negative effects of COVID started to recede in spring 2021 and by Christmas had broadly disappeared. The aviation sector started opening up, albeit seriously under-staffed, and major in-person events restarted. Offsetting these positive developments were the wide-ranging supply-chain shortages caused by the pandemic and prolonged lock-downs in China. The Russian invasion of Ukraine in February 2022 sent a fresh set of shockwaves through the global economy and further exacerbated global supply-chain issues. The surge in inflation, driven in large part by higher energy costs, is impacting consumer confidence and the retail sector.

***Specific market sector updates***

*Profit Protection*

As a result of the pandemic, we have seen continued strong interest and a growing uptake from a wide range of retailers and their third-party logistics partners in this market. Our customers use our technology to detect and deter theft in their Distribution Centres ('DCs') where typically many millions of pounds of stock are held, and many hundreds of employees work on each shift. We estimate there are in excess of 20,000 DCs across the UK, US and Europe, meaning Profit Protection represents our single biggest market opportunity.

Almost all items being stolen from DCs by employees are non-metallic. This means normal exit security comprising guards with either walk-through or handheld metal detectors are completely ineffective, in addition to being slow and unpopular with employees. COVID safety concerns resulted in a fresh push towards "contactless" security and more recent economic headwinds have both driven up theft levels and emphasised the need for faster, less intrusive security procedures which is a significant differentiator in a highly competitive market for scarce staff.

Despite the worsening economic situation, a number of our key customers continue to expand and upgrade their fleets of Thruvision cameras on the strength of the deterrent effect, to counter increasing levels of employee theft, and consequent faster return on investment. Although currently harder, we are still able to win new customers, with a major global Third-Party Logistics ('3PL') provider which is headquartered in Germany, the latest organisation to invest in Thruvision as part of its DC security capability.

*Customs*

This is a well-established market for Thruvision, where we screen travellers at border checkpoints for predominantly non-metallic, prohibited items such as cash and drugs. We saw the pandemic-induced slowdown extend through much of calendar year 2021 as Customs agencies operations continued to be affected by various lock-downs, sickness and other factors.

The exception to this trend was US Customs and Border Protection ('CBP') where we were very active throughout the year in deploying cameras they had previously purchased and in training many hundreds of officers in their use along the Southern Border. Operational feedback was very strong and Thruvision has since been used highly successfully by CBP to detect on-person smuggling of prohibited substances and cash. The process of upgrading CBP's Thruvision fleet to our latest model is now well underway and future order flow is expected to further expand the CBP fleet.

*Aviation*

We continued the process to obtain TSA accreditation to allow Thruvision to enter the regulated international aviation security market. However, pandemic-related after-effects have caused some major challenges in getting the aviation sector back to anywhere close to full effectiveness. This problem has extended into US equipment accreditation where a combination of TSA COVID-related safety controls in US Government facilities, followed by delays in passing the US Federal Government spending bills, caused major delays to the restarting of all equipment testing. We also started a similar process with the Israeli Government. Despite these challenges, we remain engaged with TSA and, should we be successful in obtaining accreditation, this will open the door to the regulated aviation security market to those countries that require TSA accreditation for their airport security equipment.

*Entrance Security*

This sector focuses on checking that people entering facilities are not carrying prohibited items which, in most cases, means weapons of various types. Such facilities include public and private buildings, entertainment venues, places of worship, prisons, and this sector now includes surface transport hubs which we previously reported on separately.

Geographically, our customers have tended to be mostly located in Asia and the Middle East and demand has remained suppressed due to the effects of the pandemic. However, a number of enquires have recently been received in respect of several dormant opportunities in these regions.

*Global supply-chain issues*

The after-effects of the pandemic and the subsequent supply chain issues caused by the war in Ukraine are well documented. We have worked hard with our specialist Terahertz component suppliers to maintain surety of supply for the very specific and even unique components we require. Like others, we have been fully exposed to global shortages of more mainstream electronics but have managed this situation effectively by holding higher than normal levels of inventory to mitigate delivery risk.

**Summary**

As reported last year, our strategy remains to ensure we commit sufficient resources to Profit Protection sales & marketing to capitalise on the opportunity this very large, international and growing market presents. We are mindful of the strengthening economic headwinds in which our customers operate and the impact that could have on investment decisions in the short term. However, we believe our solution offers a very real and rapid return on investment by reducing theft and supporting employee retention which can help our customers manage their profitability in difficult times.

Equally, we are seeing a recovery in interest from a broader range of international government customers and believe we are very well placed to achieve real scale with CBP over the coming years. With this in mind, we will continue to concentrate on the international Customs agency market, work with Asian and Middle Eastern government agencies as programmes remobilise and respond quickly to aviation accreditation testing as it restarts.

## Business review

### Summary

Our revenue grew by 25% to £8.4 million (2021: £6.7 million) in the period, with new equipment sales growing at 35% to £7.7 million (2021: £5.7 million). Within this, Profit Protection grew very strongly and Customs remained flat, but together again accounted for 92% of Group revenue (2021: 92%). Support and Development revenues remained healthy at £0.7 million (2021: £1.0 million).

*Profit Protection*

Performance in our Profit Protection sector was very strong and continued to be driven by a shift to online sales and home delivery, accelerated by the pandemic. We added 7 new customers in the period, and our revenues grew by 73% to £3.8 million (2021: £2.2 million and 49%), and now represents some 45% of total revenue (2021: 32%).

After an extended and ultimately very successful trial, Tesco became the second major UK grocer to purchase our technology and we completed the rollout of that significant order late in the period. Other new customers included the large European online retailer, Zalando, and a large US alcohol distributor.

Another feature of the year saw long-standing customers such as Next and Boots start to replace their older Thruvision cameras with our latest products to be used in either single camera configurations, or in pairs as part of new, high-throughput screening lanes. This latter “walk through” capability, incorporating our new AI-based detection algorithm, allows customers to screen 100% of employees at shift change without causing exit delays. This maximises the theft deterrence, without inconveniencing staff, the benefits of which rapidly exceed the additional investment.

CEVA, a global Third-Party Logistics (‘3PL’) provider, has adopted Thruvision as a standard element in its security offering for its potential new customers. In FY23, we have added a major global 3PL, which is headquartered in Germany, as an additional customer. Adding such large organisations to our customer list is an important part of our sales strategy as, once we are established in such businesses, we are able to cross-sell to new sites more easily, reducing sales cycle times and overall cost of sale, and seeding our geographic expansion.

We continued to work with industry bodies including the US Loss Prevention Foundation, the Transported Asset Protection Association (‘TAPA’) in Europe, and an increasing number of large-scale security integrators including Securitas in the UK and Europe, and Vector Security in the US.

*Customs*

Despite the prolonged impact of COVID through much of 2021 affecting a broader set of international Customs agency opportunities, we still delivered revenues of £3.9 million from our Customs sector (2021: £4.0 million). These revenues were almost entirely derived from CBP.

As mentioned in the Strategic update, we provided significant training support to CBP once lock-down restrictions lifted on the Southern Border and received positive operational feedback as the 8-channel cameras that CBP had previously purchased were rolled-out under a newly approved Department of Homeland Security "Pedestrian Detect-at-Range" Privacy Impact Policy. This rollout generated operational seizures of drugs and cash and significant interest in our latest higher definition 16-channel camera running our new AI-based detection algorithm.

This led to the commencement of a programme in Q4 FY22 to upgrade CBP's 8-channel fleet to our latest model which delivered the revenues, via our US Government contracting partner, set out above. This programme continues and will deliver further revenue in FY23. In addition, CBP has made public its intentions to purchase additional "passive pedestrian scanners" and we expect this to commence at some point during FY23.

It is also the case that several of the delayed Customs opportunities in other countries have started progressing again now that most international travel restrictions have been lifted and this supports our expectation of further sales in the coming year.

*Aviation*

There was minimal sales activity in this sector through the year, with revenues of £0.2 million (2021: £0.3 million). Discussions held with the US aviation sector in particular have revealed that investment in security is currently a low priority as the industry attempts to recover from the financial damage caused by the pandemic and we have low expectations for any meaningful growth in revenue in the short to medium term.

As discussed in the Strategic Update, our focus is ensuring that we respond quickly to the restarting of the TSA accreditation process, and actioning feedback from the Israeli Government preliminary test findings. In the meantime, pre-pandemic opportunities with individual US airports for staff screening are starting to move again.

*Entrance Security*

There was very little sales activity in this sector through the year, with modest revenues of £0.5 million (2021: £0.2 million). Again, this was a direct consequence of our lack of ability to travel during the pandemic and the subdued demand levels from customers, especially in the Middle East and Asia.

As discussed in the Strategic Update, we have started to see renewed interest from organisations in these regions again, and some specific opportunities with retail and logistics customers in the US who are equally interested in both inbound weapons screening and outbound theft prevention.

*Support and Development*

Revenues in this sector were £0.7 million (2021: £1.0 million). Some £0.6 million (2021: £0.8 million) came from support contracts and the balance was from minor customer-funded R&D projects.

**Routes to market**

As previously reported, where we have a geographic presence (predominantly the US and UK), we continue to sell directly to end customers. However, as reported in the Profit Protection update above, we are starting to work more closely with large-scale security system integrators in this sector to increase our market penetration and speed-up sales cycles.

Outside of the UK, Europe and US, we work with a range of smaller Value-Added Resellers across a broader set of international markets. Each of these tends to bring very specific domain expertise and each is typically focused on specific foreign government departments of interest to us.

**New product development**

We have been very encouraged by the uptake of the new range of products launched in 2020.

Our Loss Prevention Camera ('LPC') range is optimised for the needs of the Profit Protection market and customers predominantly bought our standard 8-channel product ('the LPC8'). However, some customers with more demanding detection needs opted for the higher-priced 16-channel variant ('the LPC16') and, towards the end of the period, Next became our first customer for a dual LPC16 camera walk-through screening lane, with both cameras running our new AI detection algorithm to assist operators. We also saw a number of customers upgrade their older generation TS4 cameras for LPC8s.

Customs agencies continued to focus on the Tactical Awareness Camera ('TAC'), which provides the extra flexibility needed for a broader set of operational scenarios. The programme to upgrade CBP's 8-channel TAC8 cameras to 16-channel TAC16s started in the period and we expect will ultimately result in CBP's full fleet comprising TAC16s running our AI algorithm.

Our main Research and Development ('R&D') activities in the year have been aimed at re-architecting our image processing capability in preparation for a series of further significant improvements to our technology. This will not only utilise improvements in our Terahertz imaging capability but will also incorporate the latest IP video camera technology and develop our AI capability. These enhancements will result in higher performance systems which are even easier to operate.

**Competition**

We continue to see limited competitive activity from our competitor set that comprises metal detectors, active millimetre wave airport body scanners, and passive Terahertz cameras. One airport body scanner company has started marketing more to the Profit Protection sector in response to our success and, in a head-to-head competition, our system delivered much higher employee throughput, with excellent detection performance and very few false alarms. In the passive Terahertz field, one small European competitor ceased trading and in China a potential competitor has been marketing a product but we have yet to see any evidence of its deployment anywhere. At this time, we remain very confident that we are the clear market leader in our field.

**Manufacturing and support**

Our manufacturing capability and supply chain has continued to be highly effective. Like many other businesses, we have seen shortages of various types of commercial electronics and that has required some level of redesign and consumed resources. Whilst we remain vigilant, we do not currently foresee any material problem in this area moving forward. However, we have worked very closely with suppliers of the highly specialised Terahertz components we require to guarantee availability moving forwards. In a couple of specific areas we bought components ahead of forecast demand to guarantee availability.

Our post-sales support has now matured and been extended out to partners and we remain confident about the reliability of our equipment.

**IP protection**

We continue to invest in the R&D of the Thruvision product range and, where appropriate, suitable patent protection is put in place. During the year the two patent applications, submitted in 2019, continued to be assessed in accordance with the normal global patent application process. In addition, and post year-end, a provisional patent application was successfully filed in respect of further improvements in software image processing discussed above.

**People**

We increased average headcount from 40 to 43 staff during the year. This increase was again predominantly in Sales and Sales Support but also included a strengthening of our software R&D capability.

## Financial review

**Summary**

During the year ended 31 March 2022, revenues increased by 25% to £8.4 million (2021: £6.7 million), resulting in a reduced operating loss of £1.9 million (2021: £2.8 million loss).

The Directors use Adjusted loss before tax as an important measure of the performance of the business. The Group recorded an Adjusted loss before tax of £2.3 million (2021: £2.3 million loss). This was calculated as follows:

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Loss before tax | **(1,889)** | (2,756) |
| Share-based payments (credit)/charge | (366) | 409 |
| **Adjusted loss before tax for the year** | **(2,255)** | (2,347) |

Further details on the above are provided in note 3.

We continued the trend of selling more high specification products in both our Customs and Profit Protection markets and expect this to continue. Gross profit increased to £3.9million (2021: £3.2million) although gross margin reduced slightly to 47% (2021: 48%) as a result of an increased proportion of revenue from equipment sales relative to support.

During the year, we invested in our Profit Protection sales team to drive further growth, and headcount increased as a result of this. The associated cost impact was mitigated by continued effective control of Overheads (as defined in the section entitled Total Administration costs), which increased to £5.6 million (2021: £4.8 million), but fell as a percentage of Revenue to 67% (2021: 71%).

The Group total average headcount increased by three to 43.

## Key Performance Indicators ('KPIs')

The Board considers the following to be the most effective KPIs for managing and tracking the trading performance of the business.

The performance indicators selected represent the most important determinants of maximising our cash generation and retention, and therefore value creation for the future. Establishing the optimum levels of overhead expenditure and employee numbers is also critical for investing in a robust business and realising our growth potential. Monitoring and maintaining the appropriate amount of inventories ensures we match efficiency of sensible working capital management with the agility to deliver new orders on a timely basis.

| **KPIs** | **2022 £'000** | 2021 £'000 |
|---|---|---|
| **Revenue** | **8,361** | 6,700 |
| **Gross profit** | **3,902** | 3,214 |
| **Gross margin** | **47%** | 48% |
| **Overheads*** | **(5,600)** | (4,764) |
| **Adjusted loss before tax** | **(2,255)** | (2,347) |
| **Average number of employees** | **43** | 40 |
| **Inventories at year end** | **3,868** | 4,419 |

*Excludes Depreciation and amortisation, Share-based payments and Foreign exchange.

**Revenue**

The analysis of total revenue by type and sector is shown in the tables below:

| **Revenue by Type** | **2022 £'000** | 2021 £'000 | **% movement** |
|---|---|---|---|
| Equipment revenue | **7,667** | 5,678 | 35 |
| Support and development revenue | **694** | 1,022 | (32) |
| Total | **8,361** | 6,700 | 25 |
| | | | |
| **Revenue by Sector** | **2022 £'000** | 2021 £'000 | **% movement** |
| Profit Protection | **3,756** | 2,165 | 73 |
| Customs | **3,947** | 4,011 | (2) |
| Aviation | **179** | 299 | (40) |
| Entrance Security | **479** | 225 | 113 |
| **Total** | **8,361** | 6,700 | 25 |

**Gross profit**
The analysis of total Gross profit and Gross margin by revenue type is shown in the table below:

| **Gross margin** | **2022 £'000** | **Gross margin %** | 2021 £'000 | Gross margin % |
|---|---|---|---|---|
| Equipment gross profit | **3,282** | **43%** | 2,416 | 43% |
| Support and development gross profit | **620** | **89%** | 798 | 78% |
| **Total gross profit** | **3,902** | **47%** | 3,214 | 48% |

The small decrease in Gross margin to 47% (2021: 48%) was due to an increased proportion of revenue from equipment sales relative to support.

**Total Administration costs**

Total Administration costs comprising Overheads, Depreciation and amortisation, Share-based payments and Foreign exchange reduced to £5.8 million (2021: £6.0 million).

Overheads increased to £5.6 million (2021: £4.8 million) for the year, although our ratio of Overheads to Revenue fell to 67% (2021: 71%) demonstrating an element of operational gearing in the business. With Property and administration and Management costs remaining flat with the prior year, investment in our cost base was focused on expanding our Profit Protection sales team in the US and Europe, with the additional travel and marketing costs this entails, recruiting a new VP Software Development to lead our ever more important software R&D programme, and adding a Production Technician. Plc costs include £91k of professional costs with regards the liquidation of dormant subsidiaries.

| **Total Administration costs** | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Engineering | **1,690** | 1,403 |
| Sales and marketing | **2,006** | 1,718 |
| Property and administration | **502** | 469 |
| Management | **708** | 642 |
| Plc costs | **694** | 532 |
| **Overheads** | **5,600** | 4,764 |
| Depreciation and amortisation | **561** | 518 |
| Share-based payment (credit)/charge (see note 4) | **(366)** | 409 |
| Foreign exchange (gain)/loss | **(6)** | 329 |
| **Total Administration costs** | **5,789** | 6,020 |

Our expenditure is monitored closely and continually throughout the trading year as we retain the agility to manage costs incurred when reacting quickly to market conditions and opportunities.

**Inventories**

Inventories at 31 March 2022 stood at £3.9 million (31 March 2021: £4.4 million). However, given the already worsening global supply-chain shortages discussed more fully in the Strategic Update, the Board started the process of forward purchasing scarce or long-lead time items towards the end of the reporting period. This was to ensure that production levels could be maintained through the first few months of calendar year 2022 and this policy has continued since 31 March 2022.

**Cash**

The Group's cash and cash equivalents at 31 March 2022 were £5.4 million (2021: £7.3 million).

The overall cash outflow of £1.8 million during the year resulted principally from the operating loss incurred, the impact of which was mitigated by careful working capital management.

**Trade and other receivables**

The £0.5million increase in trade receivables was due to the timing of material sales realised in the final month of the year.

**Deferred revenue**

Deferred revenue decreased from £1.3 million as at 31 March 2021 to £0.7 million at 31 March 2022. This resulted from the monthly recognition of income on two large US governmental support contracts won in previous years.

**Adjusted operating loss before tax**

The Adjusted operating loss for operations before tax and share based payments but including depreciation, foreign exchange and interest, amounted to a £2.3 million loss (2021: £2.3 million loss).

**Taxation**

At 31 March 2022, the Group had unutilised tax losses carried forward of approximately £14.0 million (2021: £13.0 million), of which £7.2 million (2021: £6.7 million) relate to trading losses available indefinitely for offset against future taxable trading profits. The remaining losses are attributable to Thruvision Group plc and, because the Company does not carry out a trade, these losses are only available to offset against future profits of the Company.

Given the uncertainty regarding the expected utilisation of these losses the Group has not recognised any associated deferred tax assets. At 31 March 2022, the Group had no net deferred tax liability (2021: £nil).

The income statement tax credit for the year of £231k (2021: £266k) relates predominantly to a R&D tax credit reclaim.

**Currency impact**

The Group recorded a £6k foreign currency exchange gain (2021: £329k loss) resulting principally from US dollar transactions.

# Consolidated income statement

**for the year ended 31 March 2022**

| | Notes | **Year ended 31 March 2022 £'000** | Year ended 31 March 2021 £'000 |
|---|---|---|---|
| | | | |
| **Revenue** | 2 | **8,361** | 6,700 |
| Cost of sales | | **(4,459)** | (3,486) |
| **Gross profit** | | **3,902** | 3,214 |
| Administration costs | | **(5,789)** | (6,020) |
| Other income | | **1** | 49 |
| **Operating loss** | 3 | **(1,886)** | (2,757) |
| Finance income | | **17** | 22 |
| Finance costs | | **(20)** | (21) |
| **Loss before tax** | | **(1,889)** | (2,756) |
| Income tax | | **231** | 266 |
| **Loss for the year from continuing operations** | | **(1,658)** | (2,490) |
| | | | |
| | | | |
| **Discontinued operations** | | | |
| Profit from discontinued operations after tax | | **-** | 2 |
| **Loss for the year** | | **(1,658)** | (2,488) |
| | | | |
| | | | |
| **Loss per share** | | | |
| Loss per share – basic | 5 | **(1.14p)** | (1.71p) |
| Loss per share – diluted | 5 | **(1.14p)** | (1.71p) |

| | | | |
|---|---|---|---|
| **Adjusted loss:** | | | |
| **Loss before tax from continuing operations** | 4 | **(1,889)** | (2,756) |
| Share-based payment (credit)/charge | 4 | **(366)** | 409 |
| **Adjusted loss before tax on continuing operations** | | **(2,255)** | (2,347) |

# Consolidated statement of comprehensive income

**for the year ended 31 March 2022**

| | **Year ended 31 March 2022 £'000** | Year ended 31 March 2021 £'000 |
|---|---|---|
| **Loss for the year from continuing operations** | **(1,658)** | (2,490) |
| Profit for the year from discontinued operations | **-** | 2 |
| **Loss for the year attributable to owners of the parent** | **(1,658)** | (2,488) |
| | | |
| **Other comprehensive loss from continuing operations** | | |
| Exchange differences on retranslation of foreign operations | **(6)** | (48) |
| **Net other comprehensive expense to be reclassified to profit or loss in subsequent periods** | **(6)** | (48) |
| **Total comprehensive loss attributable to owners of the parent** | **(1,664)** | (2,536) |

# Consolidated statement of financial position

**at 31 March 2022**

| **Assets** | **Year ended 31 March 2022 £'000** | Year ended 31 March 2021 £'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **1,175** | 1,103 |
| Intangible assets | **79** | 48 |
| | **1,254** | 1,151 |
| **Current assets** | | |
| Inventories | **3,868** | 4,419 |
| Trade and other receivables | **1,982** | 1,442 |
| Current tax recoverable | **210** | 378 |
| Cash and cash equivalents | **5,441** | 7,268 |
| | **11,501** | 13,507 |
| **Total assets** | **12,755** | 14,658 |
| | | |
| **Equity and liabilities** | | |
| Attributable to owners of the parent | | |
| Equity share capital | **1,466** | 1,458 |
| Share premium | **201** | 47 |
| Capital redemption reserve | **163** | 163 |
| Translation reserve | **61** | 67 |
| Retained earnings | **7,554** | 9,578 |
| **Total equity** | **9,445** | 11,313 |
| | | |
| **Non-current liabilities** | | |

| | | |
|---|---|---|
| Other payables | **600** | 643 |
| Provisions | **38** | 38 |
| | **638** | 681 |
| **Current liabilities** | | |
| Trade and other payables | **2,494** | 2,489 |
| Provisions | **178** | 175 |
| | **2,672** | 2,664 |
| | | |
| **Total liabilities** | **3,310** | 3,345 |
| **Total equity and liabilities** | **12,755** | 14,658 |

# Consolidated statement of changes in equity

**for the year ended 31 March 2022**

| | Ordinary Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| At 31 March 2020 | 1,455 | – | 163 | 115 | 11,652 | 13,385 |
| Shares issued | 3 | 47 | – | – | – | 50 |
| Share-based payment charge | – | – | – | – | 414 | 414 |
| Transactions with Shareholders | 3 | 47 | – | – | 414 | 464 |
| Loss for the year | – | – | – | – | (2,488) | (2,488) |
| Other comprehensive loss | – | – | – | (48) | – | (48) |
| Total comprehensive loss | – | – | – | (48) | (2,488) | (2,536) |
| At 31 March 2021 | 1,458 | 47 | 163 | 67 | 9,578 | 11,313 |
| Shares issued | 8 | 154 | – | – | – | 162 |
| Share-based payment credit | – | – | – | – | (366) | (366) |
| Transactions with Shareholders | 8 | 154 | – | – | (366) | (204) |
| Loss for the year | – | – | – | – | (1,658) | (1,658) |
| Other comprehensive loss | – | – | – | (6) | – | (6) |
| Total comprehensive loss | – | – | – | (6) | (1,658) | (1,664) |
| **At 31 March 2022** | **1,466** | **201** | **163** | **61** | **7,554** | **9,445** |

# Consolidated statement of cash flows

**for the year ended 31 March 2022**

| | Note | **Year ended 31 March 2022 £'000** | Year ended 31 March 2021 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax from continuing operations | | **(1,889)** | (2,756) |
| Profit before tax from discontinued operations | | **–** | 2 |
| Loss before tax | | **(1,889)** | (2,754) |
| Non-cash adjustment to reconcile loss before tax to net cash flows | | | |
| Depreciation of property, plant and equipment | | **546** | 504 |
| Amortisation of intangible assets | | **15** | 14 |
| Share-based payment (credit) / charge | 4 | **(366)** | 409 |
| Finance income | | **(17)** | (22) |
| Finance costs | | **20** | 21 |
| Working capital adjustments: | | | |
| (Increase)/decrease in trade and other receivables | | **(540)** | 779 |
| Decrease in financial instruments | | **-** | 203 |
| Decrease/(increase) in inventories | | **551** | (748) |
| Increase/(decrease) in trade and other payables | | **317** | (326) |
| Increase in provisions | | **3** | 175 |
| (Decrease)/increase in deferred revenue | | **(683)** | 891 |
| Transfers from fixed assets to inventory | | **70** | 103 |
| Cash utilised in operations | | **(1,973)** | (751) |
| Net tax receipts | | **399** | 184 |
| **Net cash flow from operating activities** | | **(1,574)** | (567) |
| **Investing activities** | | | |
| Property, plant & equipment additions | | **(187)** | (407) |
| Leased property additions | | **(502)** | (84) |
| Intangible asset additions | | **(46)** | – |
| Proceeds from sales of fixed assets | | **–** | 20 |
| Interest received | | **17** | 22 |
| **Net cash flow from investing activities** | | **(718)** | (449) |
| **Financing activities** | | | |
| Proceeds from issue of shares | | **162** | 50 |
| New leases taken out in the year | | **509** | 84 |
| Leasing obligations repayments | | **(180)** | (186) |
| Lease disposals | | **-** | (51) |
| Finance costs | | **(20)** | (21) |
| **Net cash flow from financing activities** | | **471** | (124) |
| **Net decrease in cash and cash equivalents** | | **(1,821)** | (1,140) |
| Cash and cash equivalents at the beginning of the year | | **7,268** | 8,431 |

| | | | |
|---|---|---|---|
| Effect of foreign exchange rate changes on cash and cash equivalents | | **(6)** | (23) |
| **Cash and cash equivalents at end of year** | | **5,441** | 7,268 |

# Notes to the financial information

## 1. Accounting policies

### 1.1 Basis of preparation

The financial information of the Group set out above does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006. The financial information for the year ended 31 March 2022 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 29 September 2022. The accounts will be posted to shareholders and filed at Companies House on 30 September 2022.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board.

Thruvision Group plc transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of Thruvision Group plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Monetary amounts are expressed in Pounds Sterling ('GBP') and are rounded to the nearest thousand (£'000), except where otherwise stated.

The financial statements were authorised for issue by the Board of Directors on 29 September 2022 and the Statement of Financial Position was signed on the Board's behalf by Tom Black and Colin Evans.

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

The consolidated financial statements have been prepared on a historical cost basis, except:

- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### 1.2 Accounting policies

The key accounting policies which apply in preparing the financial statements for the period are set out below. These policies have been consistently applied to all periods presented in these consolidated financial statements.

### 1.3 Basis of measurement

*Going concern*
The Group's loss before tax from continuing operations for the year was £1.9 million (2021: £2.8 million). As at 31 March 2022, the Group had net current assets of £8.8 million (31 March 2021: £10.8 million) and net cash reserves of £5.4 million (31 March 2021: £7.3 million).

The Board has taken the cash flow forecast for the period 1 September 2022 to 30 September 2023, reviewed the key assumptions unpinning the projection, and considered a range of downside scenarios to assess whether the business has adequate financial resources to continue operational existence and to meet liabilities as they fall due for a period of not less than 12 months from the approval of the financial statements.

In completing the above analysis the Board has reviewed the following:

- The current pipeline of potential sales opportunities, differentiating between existing customers and new customers, and smaller sales and large, multi-unit sales. Potential scenarios included a general downgrading of smaller units sales volumes and the removal of larger sales for which confidence of securing an order was not already high based on customer interaction to date
- Market, political and recessionary economic trends that may adversely impact the prospects of revenue realisation from a broad range of customers in all geographical areas of operation
- The potential for supply chain issues to result in higher purchasing costs and reduced margins, or an inability to fulfil all orders received due to raw materials shortages
- An expectation of retaining a materially higher overheads cost base than the prior year, aligned to support a growing business
- General inflationary pressures that may have similar impacts on revenues and costs to those described above
- The availability of manufacturing facilities and the impact of unforeseen outages

Reverse stress testing has been performed to identify and analyse the circumstances under which the Group's business would no longer be viable without recourse to new funding throughout the period reviewed. The testing undertaken applied various stresses simultaneously even though it would not be considered reasonable to expect all downsides to occur concurrently.

However, despite this assertion, the above modelling demonstrates that cash generation is sufficient for the business to remain a going concern, without recourse to alternative sources of finance, for the period to 30 September 2023.

Furthermore, it should be noted that in adverse circumstances various mitigating actions, not accounted for in the testing process, could be taken to maximise liquidity including, for example, a reduction of inventory levels and discretionary spend.

Overall, 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 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.

## 2. Segmental information

The business is run as one segment although we sell our products into a number of sectors with differing needs as disclosed in the Finance review. The employees of the business work across both our geographical and market sectors, with the assets of the business being utilised across these sectors as well, and it is not possible to directly apportion these costs between these sectors.

As such, the Directors do not split the business into segments in order to internally analyse the business performance, and consequently the results of the business are only presented as continuing (and discontinued last year). Given the contingent consideration which had been received historically (sale of Digital Barriers inventory) ceased in year ended 31 March 2021 the discontinued results have now ceased. Last year the discontinued activities were not material to the business results.

The Directors believe that allocating overheads by department provides a suitable level of business insight. The overhead department cost centres comprise :

- Engineering (manufacturing and R&D);
- Sales and marketing;
- Property and administration;
- Management; and
- Plc costs.

with the split of costs as shown on page 12.

Whilst, as noted in the Strategic report, the Group sells into multiple sectors, there is only considered to be one operating segment in line with IFRS 8 based on the information reviewed by the Chief Operating Decision Maker. 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 Group's current trading performance. 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.

Following its disposal on 31 October 2017, the Video Business has been reported as a discontinued operation. The profit disclosed this year within discontinued operations includes further amounts due on deferred consideration as part of the Share Purchase Agreement on the sale of the Video Business.

**Analysis of revenue by customer**
There have been two (2021: one) individually material customers (comprising over 10% of total revenue) in the year. These customers individually represented £3,740k and £1,059k of revenue for the year (2021: £3,094k).

**Other segment information**
The following tables provide disclosure of the Group's revenue analysed by geographical market based on the location of the customer.

The Group's revenue by geographical market is detailed below:

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| UK | **2,644** | 1,045 |
| Americas | **4,445** | 4,501 |
| Asia-Pacific | **104** | 140 |
| Europe | **864** | 428 |
| Middle East and Africa | **304** | 586 |
| | **8,361** | 6,700 |

The Group's Revenue by type is detailed below:

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Revenue recognised at point of delivery | **7,718** | 5,864 |

| | | |
|---|---|---|
| Revenue recognised over time - Extended warranty and support revenue | **643** | 836 |
| | **8,361** | 6,700 |

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

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| United Kingdom | **1,157** | 1,001 |
| United States of America | **97** | 150 |
| | **1,254** | 1,151 |

## 3. Group operating loss

The Group operating loss attributable to continuing operations is stated after charging/(crediting):

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Research and development costs | **631** | 577 |
| Expected credit loss expense | **32** | – |
| Depreciation of property, plant and equipment | **546** | 504 |
| Amortisation of intangible assets | **15** | 14 |
| Exchange (gains)/losses | **(6)** | 329 |
| Non-core operating costs[(i)] | **91** | 29 |

(i) One-off costs comprising professional fees incurred in the rationalisation of a number of the Group's dormant subsidiaries.

## 4. Adjusted loss before tax

An adjusted loss before tax measure has been presented as the Directors believe that this is a better measure of the Group's underlying performance. Adjusted loss is not defined under IFRS and may not be comparable with similarly titled measurements reported by other companies, neither is it 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:

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Share-based payment (credit)/charge[(i)] | **(366)** | 409 |
| **Total adjustments** | **(366)** | 409 |

(i) The performance conditions associated with certain LTIP awards 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 of Adjusted loss before tax provides consistency over time allowing a better understanding of the financial position of the Group.

## 5. Loss per share

### Unadjusted loss per share

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Loss from continuing operations attributable to Ordinary Shareholders | **(1,658)** | (2,490) |

| | | |
|---|---|---|
| Loss from continuing and discontinued operations attributable to Ordinary Shareholders | **(1,658)** | (2,488) |
| Weighted average number of shares | **145,853,091** | 145,515,022 |
| Basic and diluted loss per share – continuing operations | **(1.14p)** | (1.71p) |
| Basic and diluted loss per share – continuing and discontinued operations | **(1.14p)** | (1.71p) |

**Adjusted loss per share**

| | **2022 £'000** | 2021 £'000 |
|---|---|---|
| Loss attributable to Ordinary Shareholders | **(1,658)** | (2,490) |
| Share-based payment (credit)/charge | **(366)** | 409 |
| Adjusted loss after tax | **(2,024)** | (2,081) |
| Weighted average number of shares | **145,853,091** | 145,515,022 |
| Basic and diluted loss per share | **(1.14p)** | (1.71p) |
| Basic and diluted adjusted loss per share | **(1.39p)** | (1.43p) |

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

## 6. Post-balance sheet events

The Group has no post-balance sheet events.