21 July 2023

Thruvision Group plc

Results for the year ended 31 March 2023

Thruvision Group plc (AIM:THRU, "Thruvision" or the "Group"), the leading provider of walk-through security technology, today publishes its results for the financial year ended 31 March 2023.

Key Highlights

- Revenue was up 49% to £12.4 million (2022: £8.4 million).
- Multi-year framework contract awarded by US Customs and Border Protection ('CBP') and related orders from the same customer delivered revenue of £8.3 million (2022: £3.7 million).
- Adjusted gross margin[2] up 4.8pp to 51.5% resulting from positive product mix and higher margin software revenue, with statutory gross margin[3] growing 6.2pp to 47.0% reflecting production efficiencies.
- Adjusted EBITDA[2] loss was £0.2 million (2022: loss £1.7 million).
- Operating loss was £1.0 million (2022: loss £1.9 million)
- Cash balance as at 31 March 2023 was £2.8 million (31 March 2022: £5.4 million), with cash at 20 July 2023 of £2.4 million.

Continuing operations	**2023 £m**	2022 £m	Change
Statutory measures:			
Revenue[1]	**12.4**	8.4	+49%
Gross profit[3]	**5.8**	3.4	+71%
Gross margin[3]	**47.0%**	40.8%	+6.2pp
Operating loss	**(1.0)**	(1.9)	+48%
Loss before tax	**(1.0)**	(1.9)	+48%
Loss per share (pence)	**(0.55)**	(1.14)	+52%
Alternative measures[2]:			
Adjusted gross profit	**6.4**	3.9	+64%
Adjusted gross margin	**51.5%**	46.7%	+4.8pp
Adjusted EBITDA loss	**(0.2)**	(1.7)	+87%
Adjusted loss before tax	**(0.8)**	(2.3)	+62%
Adjusted loss per share (pence)	**(0.46)**	(1.39)	+67%

[1] Re-translation of 2023 US$ entity revenues at prior year exchange rates results in a constant currency increase in Group revenue of 37%.
[2] Alternative performance measures ('APMs') are used consistently throughout this announcement and are referred to as 'adjusted'. These are defined in full and reconciled to the reported statutory measures in the Appendix.
[3] As restated see note 5.

Commenting on the results, Colin Evans, Chief Executive, said: *"In this breakthrough year, which saw revenues jump by 49%, we have now taken a significant step forward towards meeting our key strategic objectives of becoming the leading provider of walk-through security technology to the international market and delivering sustainable profitability as a Group.*

We are delighted to be first to market with our unique, new WalkTHRU solution. Walk-through security – the ability to screen 100% of people for all types of concealed items at walking pace – is seen by many customers as their ultimate requirement, and we are seeing strong interest in our new capability.

With the award of a multi-year US CBP contract and the addition of further flagship retailers as customers, we have secured our market-leading position in the International Customs Agency and Retail Distribution markets. We believe that our existing revenue base in these markets, combined with their significant potential, provides a robust base from which we can profitably grow the Group."

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About Thruvision (www.thruvision.com)

Thruvision is the leading developer, manufacturer and supplier of walk-through security technology. Its technology is deployed in more than 20 countries around the world by government and commercial organisations in a wide range of security situations, where large numbers of people need to be screened quickly, safely and efficiently. Thruvision's patented technology is uniquely capable of detecting concealed objects in real time using an advanced AI-based detection algorithm. The Group has offices and manufacturing capability in the UK and US.

<u>Important information</u>

This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Chairman's statement

This was a breakthrough year for the Group where we delivered very strong revenue growth and took a significant step towards sustainable profitability. I am delighted with the excellent progress we made towards our strategic objective of becoming the leading provider of walk-through security technology to the international market.

It was very pleasing to see such strong revenue growth during the year to 31 March 2023. This was based on a combination of adding new customers, often as a result of recommendations from existing users and, equally encouragingly, from those existing customers extending and upgrading their use of our solutions. This supports our long-held view that Thruvision technology adds significant value for our customers which underpins our long-term confidence in the business.

We are now a leader in the development, manufacture and supply of walk-through security technology to the international market. Our systems are used by a growing number of both government and commercial organisations in a variety of security situations, where, typically, large numbers of people need to be screened quickly, safely and cost-effectively for items hidden in their clothing.

Although we have an established product range now in place, we continued to invest in R&D. This paid off with the highly successful launch of our "WalkTHRU" solution, based on our latest AI-driven detection software and developed in close cooperation with NEXT plc, a long-term user and one of our most highly-valued customers. This new offering enables very high numbers of people per hour to be checked for all types of concealed item, allowing NEXT to security screen 100% of staff leaving its Distribution Centre at the end of their shifts, thereby maximising deterrence and reducing theft rates. Such capability meets a very clear market need and we are delighted to be unique in the market with such a solution.

Our decision to focus our efforts primarily on International Customs Agencies and on the Retail Distribution (previously called Profit Protection) markets has paid off. Significant progress with US Customs and Border Protection ('CBP') led to very strong demand from the Customs market which offset a weaker performance in Retail Distribution which was not surprising given the strong headwinds faced by the retail sector. We remain confident that both markets represent significant growth opportunities and that their complementary nature provides us with a high degree of resilience to economic cycles.

We continued to strengthen our leadership team during the year. The most significant arrival was Victoria Balchin, our new Chief Financial Officer ('CFO'), who joined last Autumn. More recently, we promoted Nick Graham-Rack to Chief Technology Officer ('CTO') to accelerate the development of our new software capabilities. John Woollhead, our Company Secretary, retired in December after 12 years of service with the Group and was replaced by Hannah Platt. John was a first-class and trusted colleague for almost 20 years, and we will greatly miss his wise counsel and good humour.

On behalf of the Board, I would like to express our thanks to all our staff who have worked so hard to grow the business during the year. Many are long-term employees, and some have been with Thruvision since its inception, and I am delighted that they are now seeing the Group starting to fulfil its undoubted potential.

Outlook

Having proved the value of our solutions beyond doubt, the focus of the business is now moving towards scaling as rapidly as our markets and resources will allow. We believe that our target markets are significant and should impose no foreseeable limits on our growth. Our growing sales team will focus equally on acquiring new customers, particularly in the US, and on increasing the Thruvision presence with existing customers. Meanwhile, our technology investment will ensure that we build an even greater lead over our competition.

The past year, combined with current activity levels, have reinforced our confidence that Thruvision will continue to grow well and become the solution of choice for walk-through security.

Chief Executive's statement

Strategic update

Our strategy is to build on our market-leading position as a developer, manufacturer and supplier of walk-through security technology. We aim to become a mainstream provider and increase our market-share in a number of growing and established international markets. We expect that our continued investment in improving our patented, AI-enhanced Terahertz (THz) imaging technology will maintain our significant advantage over our competition.

Business performance

We took a significant step forward towards meeting a key strategic goal of sustainable profitability in the reporting period. Revenue grew strongly by 49% to £12.4 million (2022: £8.4 million) and, driven by the uptake of our new, higher performance products and AI software licences, Adjusted gross margin increased by 4.8 percentage points to 51.5% (2022: 46.7%). For the first time software license revenues made a modest but meaningful, contribution at £0.5 million (2022: nil). We see software licences as an important new and margin-enhancing revenue stream and expect to add further licensable software functionality in FY24. Statutory gross margin grew by 6.2 percentage points to 47.0% reflecting increasing economies of scale in our manufacturing operations.

Given this performance, the Board decided to award bonuses across the business for the first time. These totalled £0.5 million (2022: £0.1 million) and rewarded all employees for achieving such strong growth. While leading to a small Adjusted EBITDA loss, the Board believes this award is in the best long-term interests of the Group.

Technology strategy

Walk-through security – the ability to screen 100% of people for all types of concealed items at walking pace – is seen by many customers as their ultimate requirement. Derived from our R&D work in the Aviation sector, we were therefore delighted to be able to be the first company to offer this capability to the market in the form of our new "WalkTHRU" security system in October 2022. NEXT, Selfridges and Saks Fifth Avenue all bought walk-through lanes in the second half of the financial year and we see growing interest for this solution from a broader range of existing and new customers.

During the year we also established that, in many cases, existing customers purchase upgrades for their existing systems if available rather than wait to replace old systems at end-of-life. This point was well illustrated by US Customs and Border Protection's ('CBP') decision to upgrade its systems to the latest high-performance version during the year and purchase our AI-software algorithm to run on them.

In the light of this strong interest in walk-through security and a willingness by customers to upgrade, we have refined our technology strategy and will be launching a series of new products and product upgrades in FY24. These will extend our walk-through product range and offer the opportunity to further extend system functionality in the form of software upgrades which we will be able to license separately.

Strategic market focus
We have now firmly established ourselves in two strategic markets: International Customs Agencies and Retail Distribution, and these are described in more detail in the Business Review. With differing economic drivers, together these markets are sizeable enough to offer us a very significant growth opportunity, particularly given the increasing reliance our existing customers have on our technology. Furthermore, the two markets offer us revenue diversity and, over time, will help ensure our growth prospects are resilient to economic cycles.

A key strategic achievement in the year was the award of a multi-year CBP contract in September 2022, and CBP is already delivering operational success from these new systems. The adoption by CBP of our technology assists our broader sales efforts with other international Customs agencies.

Retail Distribution, we believe, is ultimately our largest target market and, as such, offers us the greatest growth potential. Given economic challenges, employee theft is increasingly problematic for the retail industry and, despite challenging trading conditions for our customers, our performance in Retail Distribution remained resilient. We made progress in opening up Europe and the US, and we continued to add new customers as well as receiving further orders from existing customers. We remain confident that the very rapid return on investment reported by our Retail Distribution customers (with many citing a payback period of less than one year) means that our performance in this market will return to growth as economic conditions recover.

Leadership team strengthening
As reported in the Chairman's statement, we continued the process of strengthening the leadership within the business and appointed a new CFO and a CTO in the period. To complete our investment in senior leadership, we have recently recruited a very senior sales leader with 20 years' experience working for one of the global security equipment vendors. With this strengthened leadership, we now have an established infrastructure, encompassing technology, operations, finance, sales and commercial, that is capable of supporting our continued international growth.

Business review

Markets
As discussed above, while we operate in four distinct markets, our strategic focus is on two, Customs and Retail Distribution, which represented 93% of our revenue in the year (2022: 90%). We remain active in the other two markets, Aviation and Entrance Security, but we are not expecting strong growth in either in the short term and these are not therefore a current focus. We report and review performance internally as one segment.

Customs
Thruvision is used by international customs agencies to screen people who travel for drugs, cash and other contraband. We already have systems deployed with agencies in nine countries.

Very much driven by CBP in the US, revenue here more than doubled to £9.2 million (2022: £3.9 million). We successfully delivered all the upgraded and new high-performance systems that had been ordered in the two contracts we received in September 2022. Deployed at a range of land border crossings, international airports and cruise liner terminals, CBP is already achieving operational success with these systems where, at some locations, 100% of legal entrants to the US are being screened using our technology.

With the multi-year CBP framework purchasing agreement secured by our US distribution partner in September 2022 and running to September 2026, we expect further orders, noting that CBP normally places new orders during the latter part of the US Government fiscal year, which ends on 30 September.

Elsewhere, we delivered an order for a sixth tranche of systems to an existing Asian customer in March 2023 and have several significant opportunities with other Customs Agencies, where we expect to see progress in FY24.

Retail Distribution

Retailers and their logistics partners use our technology to check employees as they leave Distribution Centres ('DCs') for a wide range of items that they may be trying to steal. Our analysis shows there are around 20,000 DCs in UK, US and Europe which could use Thruvision systems.

Retail Distribution delivered revenue of £2.4 million (2022: £3.8 million). However, FY22 performance was boosted by a single major sale, and without this, revenue was broadly flat year to year. Given the challenging trading environment currently faced by the retail industry, we believe this represents a resilient result.

We continue to focus on major retailers and their third-party logistics ('3PL') partners and were particularly pleased that over half of our revenues in Retail Distribution came from the purchasing of further new systems, or upgrading of systems, by existing customers. Such high levels of customer loyalty demonstrates the value ourtechnology provides and further reinforces the very rapid return on investment that Thruvision offers.

Our investment in the US also started to deliver results, with new customers including Saks Fifth Avenue and Clarins. We are confident that a very large opportunity exists for the Group in the US and we expect to continue to invest here to build the business.

Although progress in Europe has been impacted by economic challenges, we did receive orders from two new customers. With conditions stabilising, we are seeing renewed interest levels and expect to make further progress moving forwards.

Aviation

Thruvision is approved for airport employee screening in the US and has equipment in use with three US airports. We are seeking formal US Government accreditation to compete with airport body scanners for the aviation passenger screening market.

As expected, there was minimal sales activity in this sector through the year, with revenue of £0.2 million (2022: £0.2 million). This constituted a single sale to an existing US airport employee screening customer which upgraded its Thruvision technology to the latest high-performance camera. We have seen a gradual uptick in interest from other US airports for staff screening applications, driven by possible future changes in US Government policy, and we will respond quickly as circumstances change.

Although we are already used to security screen employees in airports in the US, we require formal US Government Transportation Security Administration accreditation to compete with airport body scanners for the passenger screening market. We started this process in 2020 and, after several COVID-related delays, it restarted during the period. Some further progress has been made through what we continue to expect to be a protracted process.

Entrance Security

Thruvision is used by a wide variety of venues ranging from high-security government sites to public museums to check visitors for concealed weapons.

We saw a modest improvement in revenue of £0.6 million (2022: £0.5 million) as a number of delayed opportunities in the Middle East re-engaged after the Pandemic. We expect to make some further progress in this area with the launch of our WalkTHRU solution but continue to see this as a fragmented, high cost of sale market.

Routes to market

For our core geographies, UK, US and Europe, we retain our own sales force, and we tend to sell directly to end customers (noting that, with CBP, we contract via a third-party). In Retail Distribution, we have a small number of partnerships with large-scale security system integrators that serve this market. We saw good progress with new customer sales through this channel in the period, with Saks Fifth Avenue and Clarins examples of new customers that were added.

Outside our core geographies, 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.

Product R&D and Intellectual Property ('IP')

Our technology allows security guards to see items hidden in clothing which means that intrusive physical searches, or 'pat-downs', are no longer necessary. Based on our patented THz sensor and image processing software, our systems can detect, quickly and reliably, all types of material (non-metallic as well as metallic).

With the major innovations on our hardware sensor successfully completed with US Government funding three years ago, our focus is now on broadening the number of sensor types we can offer at differing price / performance levels. This sensor range utilises the same underlying modular hardware design meaning we get economies of scale in sourcing components and manufacturing, resulting in a lower cost per sensor as we grow volumes.

The focus of our more recent investment in R&D, led by our newly appointed CTO, has been making significant improvements to our image processing software. Encouraged by the commercial success of our AI-based automated detection algorithm, we have made further significant progress and expect to launch further new software capability in FY24. Importantly, this will include software licensing capability which will enable us to deliver on, in due course, our ambition to increasingly monetise our software functionality.

The Group's patent strategy is designed to cover the IP value in the Group which is based on our modular, satellite-grade engineering THz sensor platform, the unique combination of this sensor with purpose-designed optics and scanning mirror, and purpose-developed image processing software.

As we invest more in our R&D, we continue to manage our patent portfolio carefully and ensure our IP and broader information assets are well protected. We remain comfortable with the position as it stands and will maintain a proactive stance regarding patenting new innovations as they are developed.

Competition

We remain very confident that we are the clear market leader in our two key markets, Customs and Retail Distribution. In these markets, items being searched for are predominantly non-metallic, so metal detectors are completely ineffective.

Airport body scanners use active millimetre-wave technology to detect all types of material. However, they are too large and too slow for use in Retail Distribution where we consistently win any head-to-head competitions.

In the passive THz field, we have still not seen any evidence that an advertised Chinese manufactured product has successfully been operationally deployed. We believe we beat this nascent competitor in a recently won Asian contract award. We continue to believe that our technology delivers superior operational performance.

Manufacturing and support
We remain confident about the effectiveness of our manufacturing capability across the UK and US. We set a new record in our fourth quarter when, in one month, we delivered 40 cameras as we worked through the large order backlog we had in H2.

Despite some challenges with the availability of various components, our manufacturing capability has remained effective through the year. Component shortages were limited to various types of commercial electronics where we can “design around” to maintain production levels. While we remain vigilant, we do not currently foresee any material problem in this area moving forward.

We continue to work very closely with suppliers of the highly specialised THz components and will continue to buy specialist components ahead of forecast demand to guarantee availability.

Our post-sales support has now matured and is now increasingly being provided by local partners which offers us an effective means of scaling up as the number of deployed systems increases. We remain confident about the reliability of our equipment.

People
Average headcount increased from 40 to 43 staff during the year. This was driven by an increase in software R&D capability and manufacturing management.

Financial review

Revenue for the year to 31 March 2023 was up 49% to £12.4 million (2022: £8.4 million) benefiting particularly from a large order for CBP. Adjusted gross margin improved by 4.8pp to 51.5% (2022: 46.7%) mainly due to increased sales of higher performance products and software. Statutory gross margin was up 6.2pp to 47.0% (as restated see note 5) additionally reflecting production efficiencies as volumes increased. Operating loss in the period was £1.0 million (2022: loss £1.9 million), with an Adjusted EBITDA loss of £0.2 million (2022: loss £1.7 million). Adjusted loss before tax of £0.8 million improved by 62% (2022: loss £2.3 million) with statutory loss before tax of £1.0 million (2022: loss £1.9 million).

Cash as at 31 March 2023 was £2.8 million (31 March 2022: £5.4 million). The majority of the reduction in year-end cash relates to the net working capital outflow of £2.3 million caused principally by higher trade receivables at the end of the year, primarily related to CBP for which settlement occurs as equipment is deployed in the field.

Revenue

Revenue is split between our two principal activities below:

	2023 **£'000**	2022 £'000
Product	**11,782**	7,667
Support and Development	**638**	694
Total	**12,420**	8,361

The principal growth driver for the business is product sales. Support revenue includes extended warranty and other post-sale support revenue, as well as customer-funded development contracts. We expect warranty and other support revenue to grow in the future, with customer-funded development contracts not a key driver for future growth.

Revenue is split by market sector and geographical region below:

Revenue by market sector	**2023** **£'000**	2022 £'000
Retail Distribution	**2,429**	3,756
Customs	**9,165**	3,947
Aviation	**246**	179
Entrance Security	**580**	479
	12,420	8,361

Revenue by geographical region	**2023** **£'000**	2022 £'000
UK and Europe	**2,249**	3,508
Americas	**9,223**	4,445
Rest of World	**948**	408
	12,420	8,361

Revenue benefited from translational exchange as the depreciation in the US$ exchange rates improved revenue by approximately £1.0 million, compared to the prior year average exchange rate experienced. This resulted in constant currency growth in revenue of 37%.

Gross Profit

Adjusted gross profit, defined as gross profit excluding production overheads, is used to enable a like-for-like comparison of underlying sales profitability. Production overheads are excluded due to recent changes in product mix and investments in the production team which have improved capacity and therefore changed the labour and overhead absorption rates in the current year. As a result, adjusted gross profit is the Alternative Performance Measure ('APM') used to represent this metric, see Appendix for calculation. Statutory gross profit for 2022 has been re-stated to include production overheads within cost of sales rather than administrative expenses in accordance with IAS 2 (see note 5).

Adjusted gross margin grew in the second half of the year reflecting improved product mix caused by an increased proportion of higher performance product sales and software revenue. This contributed to the 4.8pp increase in adjusted gross margin for the full year, with statutory gross margin up by 6.2pp including a 1.4pp benefit from manufacturing efficiencies as we increased production throughput. Statutory gross margin benefitted from translational exchange as the depreciation in the US$ exchange rates improved revenue by approximately £0.2 million, compared to the prior year average exchange rate experienced.

Adjusted gross profit and statutory gross profit are shown below.

	2023 **£'000**	2022 £'000 (as restated see note 5)
Revenue	**12,420**	8,361
Adjusted gross profit	**6,401**	3,902
Adjusted gross margin	**51.5%**	46.7%
Statutory gross profit	**5,837**	3,413
Statutory gross margin	**47.0%**	40.8%

Administrative expenses

Administrative expenses increased as expected by 29% (£1.5 million) to £6.8 million with overheads up by 19% (£0.9 million) to £6.1 million. The ratio of overheads to revenue fell to 49% from 62% last year demonstrating continued operational leverage. The anticipated payment of a bonus to all employees for the first time accounted for almost half of the increase in overheads in the year. Administrative expenses include share-based payment charges, depreciation and amortisation and impairment of intangible assets, but these are excluded from overheads. Overheads were impacted by translational exchange as the depreciation in the US$ exchange rates increased overheads by approximately £0.2 million, compared to the prior year average exchange rate experienced.

Administrative expenses are analysed as follows:

	2023	2022
	£’000	£’000
Sales and marketing	**2,215**	1,945
Engineering	**1,359**	1,300
Management	**1,046**	685
PLC costs	**829**	663
Property and administration	**417**	494
Bonus	**458**	84
Foreign exchange gains	**(198)**	(6)
Overheads	**6,126**	5,165
Depreciation and amortisation	**569**	500
Share based payments charge / (credit)	**96**	(366)
Impairment of intangible assets	**36**	-
Administrative expenses	**6,827**	5,299

The increase in overheads is driven by higher staff costs including investments in headcount and related costs. Sales and marketing expenditure increased due to higher sales commissions resulting from revenue growth and travel to support growth in our European and US Retail Distribution markets. Engineering costs, including R&D costs, were up as a result of increased headcount in our software team as we continue to scale up to support new product offerings going forward. Management and PLC costs were higher, driven by one-off costs relating to the CFO replacement, higher insurance costs and professional fees.

Loss after tax and loss per share

Statutory loss after tax improved by 51% to a loss of £0.8 million with the adjusted loss after tax of £0.7 million improving by 67%. The tax credit of £0.2 million (2022: £0.2 million) reflects R&D tax credits receivable. Unrelieved tax losses in the UK available to carry forward indefinitely are £15.2 million (2022: £14.0 million).

The loss per share and adjusted loss per share were 0.55 pence and 0.46 pence respectively (2022: loss per share and adjusted loss per share of 1.14 pence and 1.39 pence respectively) and reflected the movements in adjusted and statutory loss after tax.

Cash flow

The decrease in cash and cash equivalents during the year of £2.6 million to £2.8 million as at 31 March 2023, was principally caused by a £2.3 million outflow in net working capital, with an operating cash outflow before working capital movements of £0.2 million and net outflows of £0.1 million each from investing and financing activities.

The movements in net working capital were as follows:

- Trade and other receivables caused a £2.4 million outflow in the year, driven by higher sales in the final quarter of the year. Included in trade and other receivables of £3.7 million at 31 March 2023 was £2.7 million relating to CBP, £1.7 million of which has been received to date.
- Inventory reduced by £0.2 million with tighter inventory management offset by selective forward purchasing of key electronic components where potential global shortages became apparent.
- An increase in trade and other payables resulted in an inflow of £0.3 million. Trade payables increased principally due to the volume of stock purchased in the final quarter compared to the prior year.

Financing, Treasury and Going Concern
Cash and cash equivalents as at 31 March 2023 were £2.8 million (31 March 2022: £5.4 million).

In order to manage fluctuations in working capital, the Group has recently agreed an overdraft facility with HSBC of £1.0 million which reduces to £0.25 million from 30 September 2023 and currently expires on 31 May 2024. This remains undrawn to date.

The Group has prepared and reviewed cash flow forecasts for the period to 31 July 2024, which reflect forecast changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of any downturn which would result in insufficient cash being available to the business. Following this assessment, the Board are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements.

Currency
The Group has both translational and transactional currency exposures. Translational exposures arise on the consolidation of the US overseas subsidiary results into GBP. The largest translational exposures during the year were to the US Dollar. Translational exposures are not hedged. During the year, currency translation effects resulted in revenue being £1.0 million higher, gross margin being £0.2m higher and Adjusted EBITDA £34k higher than they would have been if calculated using prior year exchange rates.

Transactional exposures arise where the currency of sale or purchase invoices differs from the functional currency in which each company prepares its local accounts. The transactional exposures include situations where foreign currency denominated trade receivables, trade payables and cash balances are held. Transactional foreign exchange gains of £0.2m (2022: £6k gain) were included in administrative expenses. The Group maintains non-GBP cash balances to meet short-term operational requirements.

The table below shows the average and closing key exchange rates for the US Dollar compared to GBP.

	2023	2022
Average exchange rate for the year	**1.206**	1.367
Exchange rate at the year end	**1.236**	1.312

Other
A limited programme of share purchases by the Thruvision plc Employee Benefit Trust is being undertaken over the 12 months from April 2023 with the purpose of partly satisfying future employee exercises of share options. The first share purchase under this programme occurred in April 2023.

Dividends
The Board is not proposing to pay a dividend (2022: none).

Events after the balance sheet date
The Group has recently agreed an overdraft facility of £1.0 million which reduces to £0.25 million for the period from 30 September 2023 to 31 May 2024 and nil thereafter, in order to support working capital requirements as the business expands. The Group has entered into guarantees in respect of this facility. This facility remained undrawn at the date of publication of these results.

Consolidated income statement

for the year ended 31 March 2023

	Notes	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000 (As restated see note 5)
Revenue	2	**12,420**	8,361
Cost of sales		**(6,583)**	(4,948)
Gross profit		**5,837**	3,413
Administrative expenses		**(6,827)**	(5,299)
Operating loss	3	**(990)**	(1,886)
Finance income		**26**	17
Finance costs		**(15)**	(20)
Loss before tax		**(979)**	(1,889)
Taxation credit		**174**	231
Loss for the year		**(805)**	(1,658)
Loss per share			
Loss per share – basic and diluted	4	**(0.55p)**	(1.14p)

All operations are continuing.

Consolidated statement of comprehensive income

for the year ended 31 March 2023

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Loss for the year attributable to owners of the parent	**(805)**	(1,658)
Other comprehensive loss – items that may be subsequently reclassified to profit or loss:		
Exchange differences on retranslation of foreign operations	**(50)**	(6)
Total other comprehensive loss	**(50)**	(6)
Total comprehensive loss attributable to owners of the parent	**(855)**	(1,664)

Consolidated statement of financial position

at 31 March 2023

	31 March 2023 £'000	31 March 2022 £'000
Non-current assets		
Property, plant and equipment	**1,173**	1,175
Intangible assets	**109**	79
	1,282	1,254
Current assets		
Inventories	**3,639**	3,868
Trade and other receivables	**4,342**	1,982
Current tax recoverable	**375**	210
Cash and cash equivalents	**2,810**	5,441
	11,166	11,501
Total assets	**12,448**	12,755
Current liabilities		
Trade and other payables	**(2,690)**	(2,344)
Lease liabilities	**(121)**	(150)
Provisions	**(107)**	(178)
	(2,918)	(2,672)
Net current assets	**8,248**	8,829
Non-current liabilities		
Trade and other payables	**(72)**	(97)
Lease liabilities	**(604)**	(503)
Provisions	**(38)**	(38)
	(714)	(638)
Total liabilities	**(3,632)**	(3,310)
Net assets	**8,816**	9,445
Equity		
Share capital	**1,472**	1,466
Share premium	**325**	201
Capital redemption reserve	**163**	163
Translation reserve	**11**	61
Retained earnings	**6,845**	7,554
Total equity	**8,816**	9,445

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 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
Shares issued	6	124	–	–	–	130
Share-based payment charge	–	–	–	–	96	96
Transactions with Shareholders	6	124	–	–	96	226
Loss for the year	–	–	–	–	(805)	(805)
Other comprehensive loss	–	–	–	(50)	–	(50)
Total comprehensive loss	–	–	–	(50)	(805)	(855)
At 31 March 2023	**1,472**	**325**	**163**	**11**	**6,845**	**8,816**

Consolidated statement of cash flows

for the year ended 31 March 2023

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000 (As restated see note 5)
Operating activities		
Loss after tax	**(805)**	(1,658)
Adjustments for:		
Taxation credit	**(174)**	(231)
Finance income	**(26)**	(17)
Finance costs	**15**	20
Depreciation of property, plant and equipment	**619**	546
Profit on disposal of property, plant and equipment	**(10)**	-
Amortisation of intangible assets	**20**	15
Impairment of intangible assets	**36**	-
Share-based payment charge/(credit)	**96**	(366)
Operating cash outflow before changes in working capital and provisions	**(229)**	(1,691)
Increase in trade and other receivables	**(2,360)**	(540)
(Increase)/decrease in inventories	**(183)**	621
Increase/(decrease) in trade and other payables	**321**	(378)
(Decrease)/increase in provisions	**(71)**	3
Cash utilised in operations	**(2,522)**	(1,985)
Net income taxes received/(paid)	**-**	399
Net cash outflow from operating activities	**(2,522)**	(1,586)
Investing activities		
Purchase of property, plant and equipment	**(37)**	(187)
Purchase of intangible assets	**(86)**	(46)
Proceeds from disposal of property, plant and equipment	**11**	–
Interest received	**26**	17
Net cash outflow from investing activities	**(86)**	(216)
Financing activities		
Proceeds from issue of shares	**130**	162
Payments on principal portion of lease liabilities	**(180)**	(168)
Interest paid on lease liabilities	**(15)**	(13)
Net cash outflow from financing activities	**(65)**	(19)
Net decrease in cash and cash equivalents	**(2,673)**	(1,821)
Cash and cash equivalents at 1 April	**5,441**	7,268
Effect of foreign exchange rate changes	**42**	(6)
Cash and cash equivalents at 31 March	**2,810**	5,441

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 2023 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 20 July 2023.

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.

These financial statements are presented 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 20 July 2023 and the Statement of Financial Position was signed on the Board's behalf by Colin Evans and Victoria Balchin.

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.

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

The USD/GBP exchange rates used in the consolidated financial statements is as follows:

	2023	2022
Average exchange rate for the year	**1.206**	1.367
Exchange rate at the year end	**1.236**	1.312

1.3 Basis of measurement

Going concern
The Group's loss before tax from continuing operations for the year was £1.0 million (2022: £1.9 million). As at 31 March 2023 the Group had net current assets of £8.2 million (31 March 2022: £8.8 million) and cash and cash equivalents of £2.8 million (31 March 2022: £5.4 million).

The Board has taken the cash flow forecast for the period to 31 July 2024, 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

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, including steps taken to maximise liquidity, for example a reduction in discretionary spend and inventory levels. The testing undertaken applied various stresses simultaneously even though it would not be considered reasonable to expect all downsides to occur concurrently.

As a result, the above testing 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 31 July 2024.

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.

In addition, in order to manage fluctuations in working capital, the Group has recently agreed an overdraft facility with HSBC of £1.0 million reducing to £0.25 million from 30 September 2023 to 31 May 2024 and nil thereafter. This facility has remained undrawn to date.

2. Segmental information

The business is run as one segment although we sell our products into a number of sectors 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. The Directors believe that allocating administrative expenses by department provides a suitable level of business insight. The overhead department cost centres comprise:

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

with the split of costs as shown within the Financial Review.

2. Segmental information (continued)

Revenue is split between our two principal activities below:

	2023 £'000	2022 £'000
Product	**11,782**	7,667
Support and Development	**638**	694
	12,420	8,361

The principal growth driver for the business is product sales. Support revenue includes extended warranty and other post-sale support revenue, as well as customer-funded development contracts. We expect warranty and other support revenue to grow in the future, with customer-funded development contracts not a key driver for future growth.

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

Revenue by market sector	2023 £'000	2022 £'000
Retail Distribution	**2,429**	3,756
Customs	**9,165**	3,947
Aviation	**246**	179
Entrance Security	**580**	479
	12,420	8,361

Revenue by geographical region	2023 £'000	2022 £'000
UK and Europe	**2,249**	3,508
Americas	**9,223**	4,445
Rest of World	**948**	408
	12,420	8,361

The Group's revenue by point of recognition is detailed below:

	2023 £'000	2022 £'000
Revenue recognised at point in time	**11,888**	7,718
Revenue recognised over time - Extended warranty and support revenue	**532**	643
	12,420	8,361

Analysis of revenue by customer

There has been one individually material customer (comprising over 10% of total revenue) in the year (2022: two customers). This customer represented £8,286k (or 66%) of revenue for the year (2022: £3,740k (44%) and £1,059k (13%)).

Other segment information

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

	2023	2022
	£'000	£'000
United Kingdom	1,027	1,157
United States of America	255	97
	1,282	1,254

3. Operating loss

The operating loss is stated after charging/(crediting):

	2023	2022
	£'000	£'000
Cost of inventories recognised as an expense – restated 2022 see note 5	5,475	4,571
Research and development expense	598	631
Net impairment (credit)/charge on trade receivables and contract assets	(57)	57
Share based payment charge/(credit)	96	(366)
Depreciation of property, plant and equipment	619	546
Profit on disposal of property, plant and equipment	(10)	-
Expenses relating to short-term and low-value leases	3	3
Amortisation of intangible assets	20	15
Impairment of intangible assets	36	-
Exchange gains	(198)	(6)

4. Loss per share

	2023	2022
Loss after tax (£'000)	(805)	(1,658)
Weighted average number of shares (number)	147,138,774	145,853,091
Basic and diluted loss per share (pence)	(0.55p)	(1.14p)

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 for each financial year.

5. Restatements

Income statement

In 2022, gross margin has been restated to correctly classify certain fixed and variable production overheads including production staff costs and related overheads to cost of sales from administrative expenses. The total costs reclassified in 2022 from administrative expenses to cost of sales was £0.5 million. There is no impact on operating profit.

Cash flow statement

The cash flow statement has been re-stated to correct non-cash movements relating to leases. A new lease entered into during 2022 had incorrectly been grossed up and presented as a lease property addition outflow within investing activities and the respective lease liability had been presented as a new lease cash inflow within financing activities. The impact is a reduction in investing activities of £0.5 million and a reduction in financing activities of £0.5 million. There is no impact on cash and cash equivalents.

For both restatements there was no impact on the basic and diluted EPS figures as reported or on the statement of financial position for the 2022 financial year.

6. Post-balance sheet events

The Group has recently agreed an overdraft facility of £1.0 million, reducing to £0.25 million on 30 September 2023, and expiring on 31 May 2024, in order to further support working capital requirements as the business expands. The Group has entered into guarantees in respect of this facility. This facility remained undrawn at the date of signing of these financial statements.

From 1 April 2023 to the date of this report, 309,619 of Shares in the Company have been purchased by the EBT with a nominal value of £3.1k for total consideration of £80k.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES (APMs)

Thruvision uses adjusted figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum.

The APMs are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board. Some of these measures are used for the purpose of setting remuneration targets.

The key APMs that the Group uses include adjusted measures for the income statement together with adjusted cash flow measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to better assess the period-on-period trading performance of the Group. The Group excludes certain items, which management have defined as:

- Share based payments charge or credit
- Impairment of intangible assets or property, plant and equipment

Gross profit, excluding production overheads, is used to enable a like-for-like comparison of underlying sales profitability. Production overheads are excluded due to recent changes in product mix and investments in the production team which have improved capacity and therefore changed the labour and overhead absorption rates in the current year. As a result, adjusted gross profit is the APM used to represent this metric.

Based on the above policy, the alternative performance measures are derived from the statutory figures as follows:

a) Adjusted gross profit

	2023 **£'000**	2022 £'000
Gross profit	**5,837**	3,413
Add back:		
Production overheads	**564**	489
Adjusted gross profit	**6,401**	3,902

b) Adjusted EBITDA

	2023 **£'000**	2022 £'000
Statutory operating loss	**(990)**	(1,886)
Add back:		
Depreciation and amortisation	**639**	561
Impairment of intangible assets	**36**	-
Share-based payment charge/(credit)	**96**	(366)
Adjusted EBITDA	**(219)**	(1,691)

c) Adjusted loss before tax

	2023	2022
	£'000	£'000
Statutory loss before tax	**(979)**	(1,889)
Add back:		
Impairment of intangible assets	**36**	-
Share-based payment charge/(credit)	**96**	(366)
Adjusted loss before tax	**(847)**	(2,255)

d) Adjusted loss per share

	2023	2022
	£'000	£'000
Statutory loss after tax	**(805)**	(1,658)
Add back:		
Impairment of intangible assets	**36**	-
Share-based payment charge/(credit)	**96**	(366)
Adjusted loss after tax	**(673)**	(2,024)
Weighted average number of shares	**147,138,774**	145,853,091
Statutory loss per share (pence)	**(0.55)**	(1.14)
Adjusted loss per share (pence)	**(0.46)**	(1.39)