A Better World with Photonics

Gooch & Housego PLC
ANNUAL REPORT 2024

G&H

Contents

Strategic Report

2–101

Image: SpaceX/Unsplash

Why **G&H** is the preferred choice for our investors

A Clear Strategy

We are executing on a strategy that supports the Group achieving mid-teen returns in the medium term. Our strategic actions are making G&H an innovative customer focused technology company.

Leading Products and Technology

Our products support the operation of some of the most complex photonics systems in the world. Our customers look to our engineers to support them in solving their most demanding product challenges.

Attractive Markets

Photonics is supporting the next steps in global innovation and helping to push forward new frontiers in technology. The products and services that our Group provide underpin many of the world's mega-trends. We are well placed in markets that have attractive long-term growth characteristics.

Well-Established Customer Positions

We have a long established reputation amongst our customers for providing high quality, technically superior products and services. We build long term customer partnerships thanks to our focus on our operational execution and the skills of our engineers who work closely with our customers on the next generation developments, securing us long-term programme positions and recurring revenues.

Diversified Revenues

The portfolio of products and services that G&H offers addresses complex needs in the Industrial, Aerospace & Defence (A&D) and Life Sciences markets. This provides the Group with natural protection against individual market cyclicality. Nearly all of those markets have demanding quality and compliance requirements which help to defend our existing position in them.

State-of-the-Art Facilities and a Cost-Effective Supply Chain

We have invested extensively in our production facilities to enable us to achieve the high levels of quality and precision that few of our competitors can match. We have supported that by developing a supply chain that has the capacity to produce a greater proportion of the Group's revenue on a fully subcontracted basis, supporting our objective to provide additional volumes at enhanced returns.

Financial Strength

We have a strong balance sheet and access to financial resources which enables us to invest both organically and through acquisitions to support the growth of the Group.

Revenue

£136.0m

Adjusted profit before tax

£8.1m

Net debt

£25.8m

New products

48

Order book

£104.5m

Image: Jezael Melgoza/Unsplash

Highlights

For the year ended 30 September 2024

Revenue (£m)

£136.0m 2023** £135.0m +0.7%

Adjusted profit before tax (£m)*

£8.1m 2023** £10.3m (21.6%)

Adjusted basic earnings per share (pence)*

25.5p 2023** 33.9p (24.8%)

Statutory profit/(loss) before tax (£m)

£4.2m 2023** £6.0m (29.9%)

(Loss) / profit for the year including discontinued operations

(£6.4m) 2023** £4.0m (£10.4m)

Basic earnings per share (pence)

12.7p 2023** 19.4p (34.5%)

Basic earnings per share from continuing and discontinuing operations (pence)

(24.7p) 2023** 16.1p (40.8p)

Total dividend per share (pence)

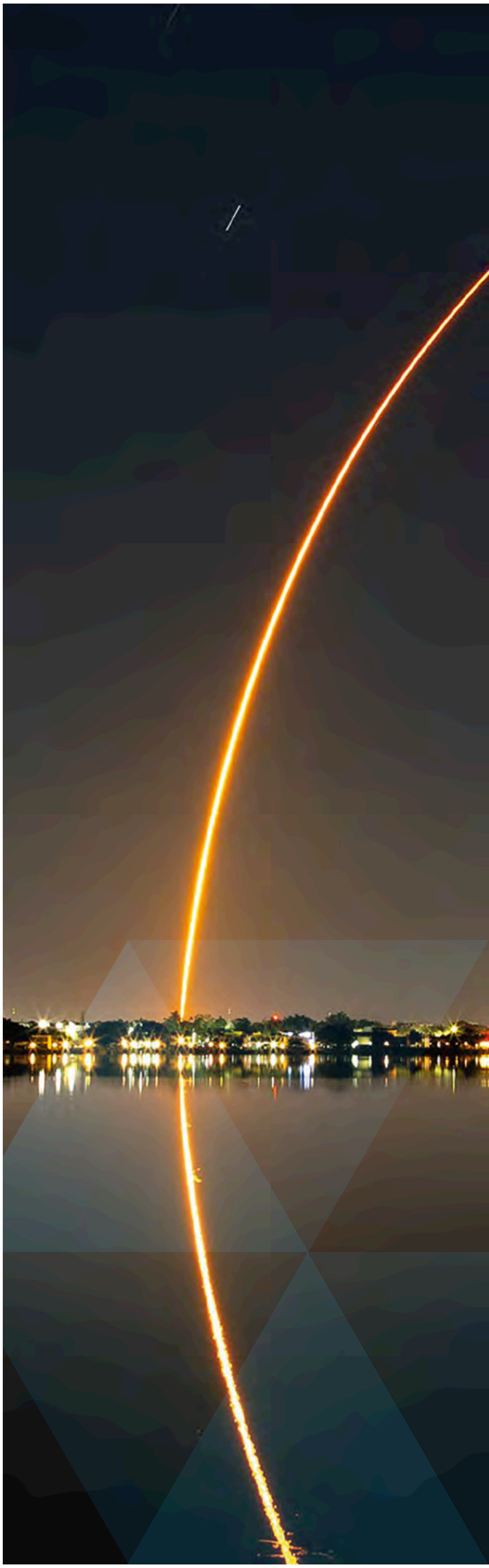
13.2p 2023 13.0p +1.5%

Net debt excluding IFRS16 (£m)

£16.0m 2023 £20.9m (£4.9m)

Net debt (£m)

£25.8m 2023 £31.7m (£5.9m)



* Adjusted figures exclude the amortisation of acquired intangible assets, impairment of goodwill and acquired intangible assets, non-underlying items being site closure costs, costs of acquisitions, and restructuring costs, together with the related tax impact. A reconciliation of adjusted figures to reported figures is shown on page 67.

** Represented to exclude discontinued operations.

"During FY2024 we made further positive progress in establishing strong foundations to deliver our strategic priorities and enhance mindshare with our customers many of whom are demonstrating a growing confidence in G&H. Despite the challenges the Group experienced in the first half of FY2024 due to reduced demand in our industrial and medical laser markets, G&H delivered a strong performance in the second half of the year underpinned by the solid demand for our Life Sciences and A&D products and also reflecting the significant operational improvements that have been made across the Group."

Charlie Peppiatt, CEO

Strategy

Good progress delivering the strategic changes that will support mid-teen return on sales over the medium-term.

Portfolio

Divestment of the EM4 business in March 2024 and the acquisition of Phoenix Optical in October 2024, both supporting the Group's transformation journey. Loss from discontinued operations of £9.7m.

Revenue

Up 0.7% to £136.0m (FY2023: £135.0m) for the Group's continuing operations; second half revenue was 15% higher than the first half on an organic, constant currency ("OCC") basis.

Profit

Adjusted operating profit totalled £10.5m (FY2023: £12.1m). Reported profit before tax at £4.2m (FY2023: £6.0m).

Order Book

Order book closed at £104.5m (FY2023: £115.3m). Strong order pipeline particularly for our A&D business.

Debt

Net debt fell to £25.8m (FY2023: £31.7m) of which bank debt was £16.0m (FY2023: £20.9m). Group leverage remains comfortable at 0.9x.

Dividend

Final dividend of 8.3p (FY2023: 8.2p) and full year dividend of 13.2p (FY2023: 13.0p) reflecting the Board's confidence in the growth potential of the Group.

Outlook

Underpinned by our strategy which is making G&H a better, more sustainable business, we are confident that the Group will deliver profitable growth in the coming financial year.

Our Markets

Our Purpose

Photonics, the science of controlling the transmission, modulation and amplification of light, is the enabler for many of the latest technology developments that are transforming modern life.

Thanks to significant size, weight and power advantages, the shift from electronics as an enabling technology to photonics is accelerating, delivering transformative change in manufacturing, A&D, communications and medicine.

At G&H we are at the forefront of this revolution. G&H's advanced technology, design experience and manufacturing expertise allow us to provide our customers with highly specialised photonic solutions that meet their needs for precision, quality, and reliability whether for complex components, subsystems, or full system solutions.

Thanks to our innovative designs and close working partnerships with our customers, we provide specialist photonic hardware that enables leading organisations all over the world to deliver tailored, innovative solutions in Industrial, Telecommunications, A&D and Life Sciences markets.

At G&H we are proud to be using our skills and capabilities to make a better world with photonics.

FY24 Regional Revenue

America	Europe	Rest of World
£46.6m	£64.1m	£25.3m

Industrial


Image: Donald Giannatti/Unsplash

G&H is widely recognised as a leader in advanced optics, fibre optics, acousto-optics, and electro-optics, providing precision solutions for critical applications in industries such as industrial lasers, semiconductor manufacturing, subsea networks, and optical sensing. With deep expertise and cutting-edge engineering, G&H drives innovation across diverse industrial sectors.

G&H's components support the most advanced semiconductor manufacturing equipment, helping to maximise throughput and yield. Our products can operate from the ultraviolet up to the far infrared range allowing UV and CO_2 pulsed lasers to operate efficiently and at high throughput. Our Germanium and UV acousto-optical modulators are found in the most modern laser tools, enabling power stabilisation, precise and stable beam positioning, and extremely short pulse duration.

G&H's acousto-optic beam deflectors (AODs) are critical to modern laser systems, enabling precise beam control for industries like signal processing and photolithography. Custom-designed for client needs, G&H's AODs feature high diffraction efficiency and superior beam quality, vital for semiconductor manufacturing where accuracy is key. These solutions optimise processes like drilling and cutting in microelectronics, ensuring precision down to the micron level.

Beyond AODs, G&H's acousto-optic modulators, Q-switches, and precision optics set benchmarks in performance and power efficiency. These components are critical for advanced semiconductor manufacturing, enhancing throughput and precision across a wide spectrum of operations. Our in-house grown KDP and KD*P crystals used in the world's most powerful laser systems have helped achieve fusion ignition, marking a breakthrough in the generation of clean energy.

With more than 95% of global telecommunications transmitted through subsea cables, G&H's fibre couplers play a critical role in meeting the world's growing demand to share data. New solutions, such as the high reliability 4x4 coupler, ensure efficient data transfer while reducing component size and will build upon G&H's record of having no infield failures which now extends for over 20 years.

G&H also leads in LiDAR-based optical sensing technologies, transforming industries from energy to industrial automation with its fibre-coupled solutions. Our products enable proximity sensing along oil and gas pipelines as well as profiling air currents around wind turbines.

G&H's short range infrared (SWIR) and infrared lens solutions are used in industries like food processing and advanced security. The VAPIR™ medium range infrared lens series is capable of detecting gas leaks, contributing to the safety and security of oil and gas facilities.

A&D

G&H has been a prominent player in the A&D market for decades, providing innovative solutions that have consistently delivered outstanding results for the end user. From laser protection to advanced optical systems, our leadership in supporting mission-critical applications with high-performance optical components, modules, and subassemblies has established G&H as a preferred supplier for leading A&D contractors worldwide. Our expertise in optical design and manufacture have helped advance programs and missions in several key application areas.

The evolution of unmanned aerial vehicles (UAVs) and other airborne platforms has transformed image data collection, allowing for extensive data gathering during prolonged flight durations. G&H's precision optical components and advanced lens assemblies are integral to providing optimal fields of view and resolution for short, mid, and long-wave infrared imagers, used in A&D platforms engaged in intelligence, surveillance, and reconnaissance (ISR) missions.

In the area of directed energy weapons, our infrared lens assemblies are essential. The speed and precision afforded by photonics technology enable the directed energy systems used for drone and missile defence. With decades of close collaboration with prime defence contractors and avionics manufacturers, G&H provides the rigorous design and manufacturing expertise necessary for fibre optics, electro-optic modulators, sights, and windows, ensuring reliable performance in these advanced systems.

G&H is at the forefront of revolutionising inter-satellite and satellite-to-ground communications, thanks to its space-qualified optical components, lens assemblies, and subsystems that ensure exceptional connectivity and bandwidth for satellite-based laser communications and sensing applications. This year, G&H celebrated a significant milestone with the successful integration of our laser transmitter into TNO's satellite laser communication system. The renowned Dutch applied scientific research organisation confirmed that G&H's cutting-edge laser communication technology has established a secure and stable link between a satellite launched by the Norwegian Space Agency and a ground station on Earth.

Specialising in cutting-edge laser protection solutions tailored for military applications, G&H addresses the unique challenges posed by laser deployment on the battlefield. With the increasing utilisation of lasers for range finding, target designation, and directed energy weapons, the protection of military assets, including armoured fighting vehicles (AFVs) and dismounted soldiers, has become paramount. G&H offers an array of battlefield-proven technologies, such as sighting systems, electro-optical protection measures, and soldier laser protection filters, all designed to shield personnel and equipment from lasers used in an offensive manner.

Life Sciences

G&H has established itself as a trusted supplier in the life sciences market, delivering advanced optical components that enhance the performance and reliability of life science instruments. Our contributions span applications such as microscopy, medical diagnostics, biomedical imaging, and laser surgery, where our reputation as a leading provider of advanced optics, fibre optics, acousto-optics, and electro-optics is well recognised globally.

We collaborate closely with laser system original equipment manufacturers (OEMs) and medical equipment manufacturers to optimise patient outcomes across a wide range of surgical applications. These applications include prostate surgery, scar correction, cataract treatment, and the removal of freckles, moles, and tattoos. Additionally, our optics enable skin rejuvenation and teeth whitening procedures. We ensure that surgical lasers deliver the precision and reliability necessary for cardiovascular procedures, thereby enhancing the overall efficacy of medical interventions.

G&H has been instrumental in the development of optical coherence tomography (OCT) since its inception, supporting the world's leading OCT systems manufacturers with high-quality components and sub-systems. Our unique capability to provide everything from fibre-optic components to complete optical systems with embedded controls allows us to meet diverse system design requirements. As a result, OCT instrument makers benefit from higher performing, more cost-effective, and reliable optical engines. The exceptional performance of our fibre components, characterised by superior bandwidth and spectral flatness, facilitates clearer image resolution and deeper tissue penetration. This leads to enhanced diagnoses, contributing to better patient outcomes.

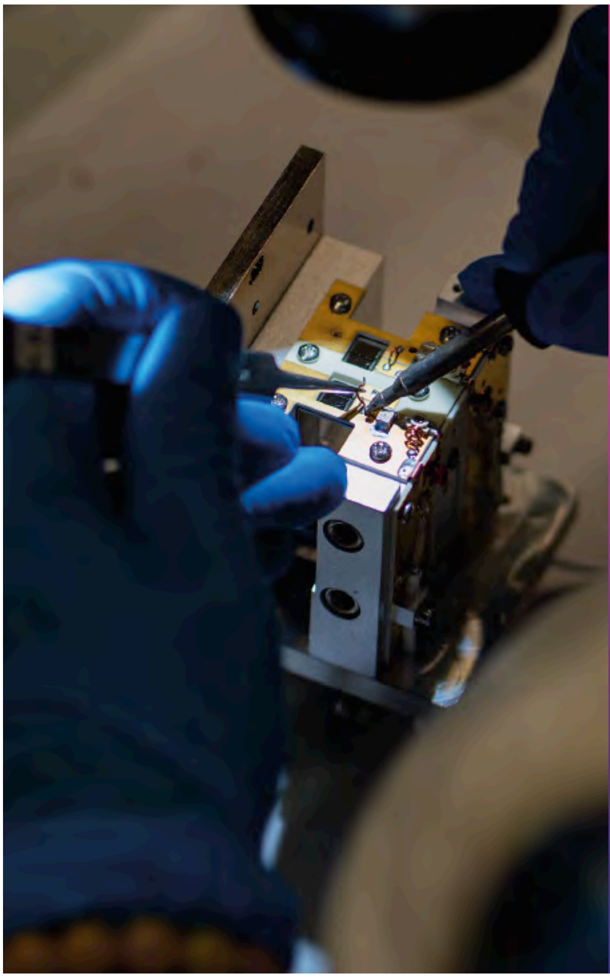
Polymer medical optics are transforming the life sciences market by offering significant cost-efficiency and weight reduction benefits. Our commitment to Design for Manufacturability (DFM) ensures that we deliver optimised and cost-effective optical solutions tailored to specialised medical needs. Our dedicated team of experts oversees the entire application lifecycle, making G&H a one-stop partner for assembly services while adhering strictly to the rigorous standards required for medical devices. This collaboration facilitates on-time market introductions while reducing the overall cost of ownership. Polymer optics find a diverse range of applications across medical sectors, from disposable light retractors and surgical tool tracking to ophthalmic lenses, automated visual field testing, portable ultrasound systems, and point-of-care (POC) testing.

Additionally, G&H | ITL provides comprehensive design and manufacturing services for medical devices and laboratory instruments, partnering with clients to create cutting-edge healthcare technologies. This segment of G&H is dedicated to improving instrument efficiency, shortening development timelines, ensuring regulatory compliance, and effectively managing costs for our life sciences customers.

Our Products and Capabilities

Leading Photonics Technology

Building on its long and proud history G&H continues to lead the way in photonics innovation. Our extensive expertise spans the full spectrum of optical systems, subsystems, and components, encompassing everything from cutting-edge research and prototype development to high-volume manufacturing. Working in close partnership with our customers, we are dedicated to delivering the highest quality photonic devices and optical systems that meet the evolving needs of the market.



Acousto-Optics

G&H has been a leader in the design and manufacturing of acousto-optic (AO) devices for over 35 years. Many of our acousto-optic and electro-optic products are made using materials grown in-house, such as Tellurium Dioxide. Our range of AO devices features the highest quality crystals and anti-reflective coatings, all housed in a rugged package to ensure exceptional reliability and consistency. Using advanced techniques in orienting, sawing, grinding, and lapping, we build our products to the highest standards.

G&H components play a crucial role in today's most advanced semiconductor manufacturing equipment, maximising both throughput and yield. Our Germanium and UV acousto-optic modulators are essential for modern laser tools, facilitating power stabilisation, precise beam positioning, and extremely short pulse durations. This year, we have expanded our product line to include a UV deflector series, which is ideal for micro-machining, inspection systems, via drilling, and graphic imaging.

Advanced Electro-Optics

G&H employs proprietary techniques for crystal growth, fabrication, and polishing to produce a diverse range of electro-optic devices. Among these are our in-house grown potassium di-deuterium phosphate (KD*P) Pockels cells, which are widely used in medical lasers for skin treatments and other applications. These Pockels cells facilitate effective procedures that result in reduced patient discomfort and quicker recovery times.

This year, we launched the Pegasus Pockels cell series, designed with a Lithium Niobate ($LiNbO_3$) crystal that is grown, cut, polished, and coated by G&H. This launch addresses a market need for a high-speed, cost-effective alternative to Rubidium Titanyl Phosphate (RTP) for near- and mid-infrared applications. These products are ideally suited for high-power applications, including medical laser systems and military target designation and range finding.

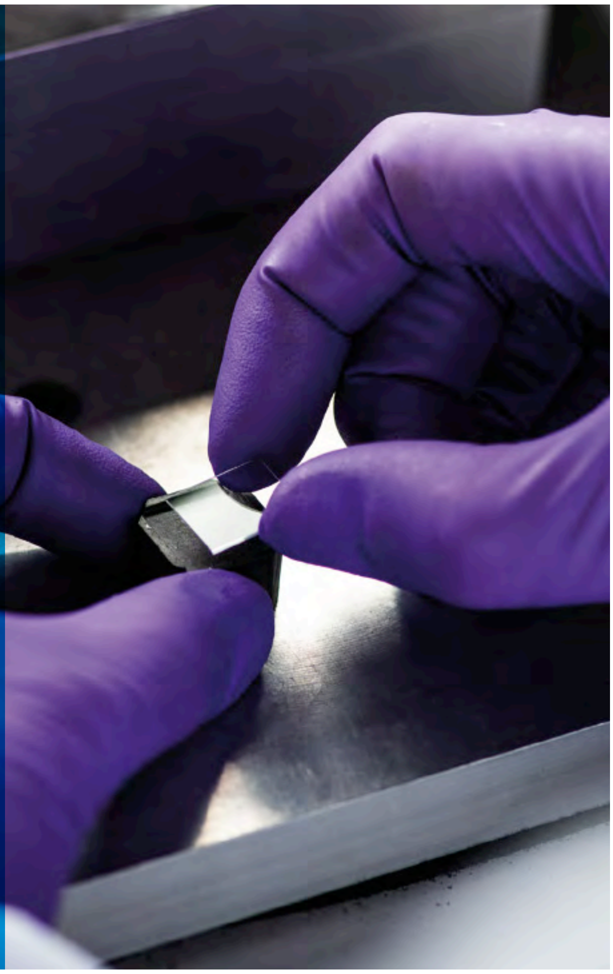
G&H is the primary supplier of large crystals for high-fluence lasers in inertial confinement fusion programmes by both France's Centre Commissariat à Energie Atomique and the National Ignition Facility in the United States. These laser systems are some of the most powerful available and are aimed at generating energy through nuclear fusion.

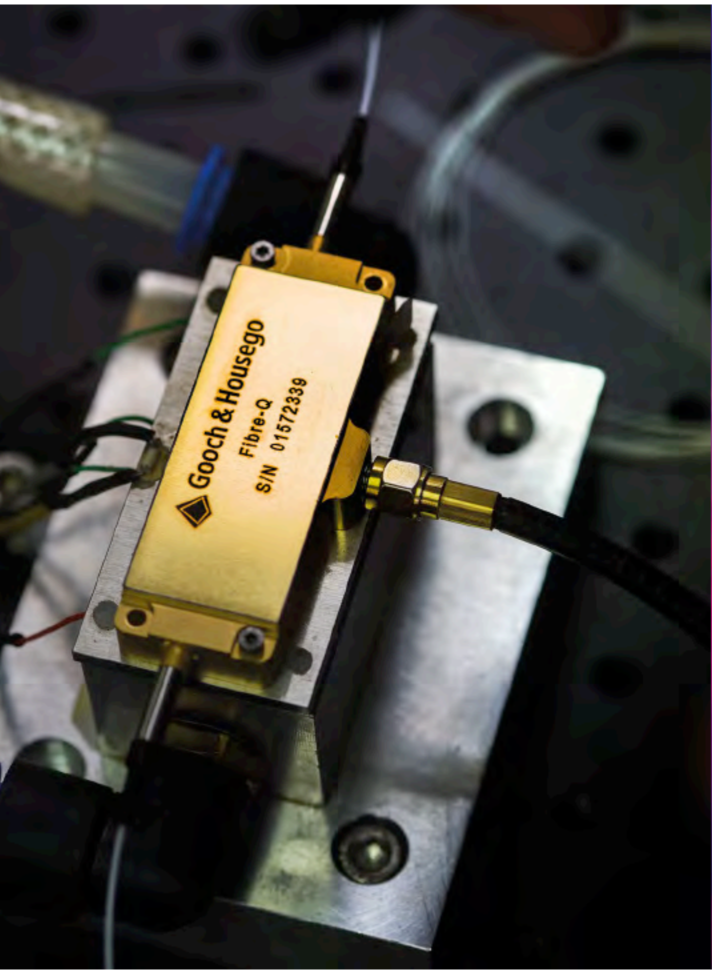
Precision Optics

G&H manufactures precision optical components and assemblies that are used in a number of different markets including semiconductor laser manufacturing, A&D, medical systems, and research applications. We combine our deep knowledge of the optical and mechanical properties of materials with our ability to manage all stages of component manufacturing to deliver products of the highest quality with precise optical finishes.

Our custom lenses and housed subassemblies are used in both transmission and imaging applications. Our ring laser gyro products are employed by every commercial airline worldwide. G&H provided precision optics for NASA's Mars Curiosity mission.

From our facilities in the UK and the US, we offer a comprehensive range of optical coating capabilities that can enhance our precision optics offerings. We have expanded our capabilities in infrared and near-infrared filter coatings, strengthening our range of laser protection filters. Our engineers are continually researching the performance characteristics of new coating materials and incorporating their findings into our modelling software to optimise designs for our customers' applications.





Fibre Optics

Our fibre optic components and sub-systems deliver the performance and reliability needed for some of the world's most demanding applications, including advanced semiconductor manufacturing and harsh environments, such as space.

G&H supports customers throughout the entire system development process, leveraging our expertise in end-to-end fibre optic systems. Our products enable terabit data transmission across continents via subsea cables, with more than 95% of today's telecommunications relying upon these extensive networks, including the 2Africa subsea cable, which spans over 45,000 km.

As data providers seek to master the challenge of managing increasing data transmission rates within limited space envelopes and with power efficiency, G&H is helping them meet in this task with two innovative solutions: the high reliability 4x4 coupler and the CO-pack or co-packaged coupler. These new products achieve the same data transfer efficiency while reducing the number and size of components in the same amplifier configuration.

Additionally, our fibre-based products are vital for the safe operation of wind turbines and are central to satellite communication systems which will increasingly replace traditional radio frequency-based space communication systems.

Imaging and Sighting Systems

Our optical systems product range includes cutting-edge lens assemblies, integrated imaging systems, and advanced direct-view and electro-optic periscopes. We serve a diverse customer base, collaborating with system integrators to deliver high-quality, high-performance products.

This year we launched the Apollo series lens system. This visible through near-infrared (VNIR) solution is designed for harsh conditions, providing high-resolution imaging and customisation to meet the needs of various sectors, including satellite communications, remote sensing, defence, and scientific research.

Additionally, we are collaborating with our partners to develop an integrated sighting system for reconnaissance, surveillance, and target acquisition, in response to the British Army's request for a next-generation armoured fighting vehicle. As part of this effort, we are upgrading the Embedded Image Periscope (EIP) system for the Challenger 3 project. Dubbed "the eyes of the British Challenger 3," the new EIP combines classic glass with digital display technology. Its modular design maximises versatility, allowing it to adapt to the precise requirements of the crew in the most demanding of environments.

We also design and manufacture unity vision periscopes, sights, driver vision aids, and related vision systems for armoured fighting vehicles (AFVs) including tanks, infantry fighting vehicles, and armoured personnel carriers. Our Optical Systems group is also engaged in the development of laser directed energy weapons and has delivered prototype systems to major UK programmes.

Polymer Optics

G&H is a leading manufacturer of advanced polymer optics, specialising in custom injection moulding to achieve high-volume optics production. Our product lines address specific challenges in fields such as medtech instrumentation, including sterilisation compatibility, creep and stress-corrosion resistance, and cost efficiency.

We employ a "design to manufacture" approach, which is essential for the efficient creation of new products. We utilise software, including SolidWorks, Zemax, and MasterCam, to model and optimise designs speeding up the product development phase.

We work closely with our customers to deliver polymer optics that enhance their products competitiveness. Our capabilities encompass custom injection moulding for aspheric lenses, freeform lenses, mirrors, Fresnel optics, and diffractive optics. We also provide in-house design services for diamond-turned and injection-moulded prototypes, thin film optics, and reflective coatings.

Our offerings serve a diverse range of markets, including consumer products, medical applications, LED lighting, and military and civilian night-vision systems. G&H's mature polymer capabilities enable us to leverage economies of scale, resulting in reduced long-run average costs (LRAC).

A&D CASE STUDY

Precision in Layers: G&H | Artemis Pioneering Optical Coating Excellence

At the heart of G&H's cutting-edge optical innovations is our Global Centre of Excellence for Optical Coatings based in Plymouth, UK. With a rich heritage in optics G&H | Artemis plays a pivotal role in developing and manufacturing optical thin film coatings, an often-underappreciated technology that has a profound impact in many industries ranging from aerospace to healthcare.

Optical Coatings: A Core Competency Driving Global Impact

Optical thin film coatings have grown in significance with the rise of precision-driven industries. Far beyond the anti-reflective coatings found on consumer optics, optical coatings are critical in high-stakes environments, such as enabling life-saving surgeries and enhancing military and aerospace technologies. By altering how light interacts with optical components–either by controlling transmission or enhancing reflection–these coatings become integral to the success of advanced optical systems.

G&H | Artemis has built a globally recognised reputation for delivering high-performance optical coatings that meet the demands of some of the most stringent sectors. Our advanced manufacturing capabilities, honed since the 1960s, have earned the business prestigious accolades, including the Queen's Award for Enterprise in 2022. As we push the boundaries of thin film technology, G&H | Artemis continually exceeds client expectations, building robust commercial partnerships and long-term growth opportunities.

A Strategic Edge in Aerospace: Thin Film Coatings for HUD Systems

One of the standout innovations emerging from G&H | Artemis is the application of thin film coatings to head-up display (HUD) systems in aircraft. These systems, which project flight data directly into a pilot's line of sight, are critical to enhancing operational safety and decision-making in modern aviation. The expertise of our Plymouth team is evident in the precision and reliability of the coatings they develop, particularly the green notch filters used in HUD systems.

These filters are engineered to reflect green light–the most perceptible wavelength to the human eye–while allowing other wavelengths to pass through. The result is exceptional clarity and contrast for pilots, even in rapidly changing lighting conditions. By reducing glare and enhancing visibility, these coatings ensure that flight data remains readable and distraction-free, playing a crucial role in situational awareness and safety.

This capability underscores G&H's role in the global aerospace market. By delivering highly specialised optical solutions that meet the needs of aircraft manufacturers and defence contractors, G&H has positioned itself as a key supplier in an industry poised for continued growth.

Positioned for Growth Across High-Tech Markets

G&H | Artemis is also advancing innovations in several other high-tech sectors, including Light Fidelity (LiFi), gas detection, and military sighting systems. These capabilities, combined with our investment in advanced coating chamber technology, allow us to continually push the limits of optical performance.

G&H | Artemis represents the fusion of heritage and innovation–an industry leader with a proven track record and a forward-looking approach to securing further growth. Our global leadership in optical coatings is not only a cornerstone of our existing business but also a key driver of future opportunities across rapidly evolving sectors.

LIFE SCIENCES CASE STUDY

Powering Innovation in Point-of-Care Diagnostics with G&H | ITL and Prolight

G&H | ITL's collaboration with Prolight Diagnostics marks a pivotal moment in the development of next-generation diagnostic solutions. This partnership, launched in early 2023, is focused on advancing Prolight's innovative point-of-care system, Psyros, which promises to transform how biomarkers are detected, particularly in critical applications like the early detection of myocardial infarction.

G&H | ITL was selected as the development partner to bring Psyros from the prototype stage to a commercial-ready product. This selection underscored the strategic alignment between Prolight's ambitions and G&H | ITL's deep expertise in optical and mechanical engineering, as well as its manufacturing prowess in the medical device sector.

Driving Healthcare Innovation

Psyros, developed by Prolight's subsidiary, Psyros Diagnostics, represents a significant leap forward in near-patient testing by enabling single-molecule detection allowing healthcare providers to perform highly accurate diagnostic tests with minimal sample volumes. Initially targeting the detection of troponin for early identification of myocardial infarction, this technology has the potential to address a wide range of biomarker tests, previously confined to laboratory settings.

By integrating G&H | ITL's extensive experience in medical device development with G&H's global leadership in optics and photonics, we have been able to ensure that the Psyros system will meet the highest standards of performance and regulatory compliance. The compact optical module at the heart of the system, designed by G&H | ITL, is key to its ability to deliver high-precision results in a portable format, a critical factor for point-of-care devices.

A Synergistic Partnership for Long-Term Growth

This partnership is a strategic move for both Prolight and G&H. For Prolight, leveraging G&H | ITL's track record in optical systems and medical device manufacturing offers a clear path from concept to a commercial product, complete with the scalability needed for global deployment. For G&H, the collaboration reinforces its position as a leader in developing optical systems for the healthcare sector, with the potential for future manufacturing contracts as Psyros enters volume production.

Charlie Peppiatt, CEO of G&H, highlighted the broader significance of this collaboration: "Psyros is ushering in a new era of precision medicine, and we take pride in helping Prolight bring this diagnostic technology to market. This partnership exemplifies our joint commitment to advancing healthcare through cutting-edge innovation."

Prolight Diagnostics' Head of Engineering, Paul Monaghan, echoed these sentiments, noting, "Partnering with G&H | ITL gives us an outstanding combination of technical expertise, track record, flexibility, longer-term manufacturing capability, and regulatory compliance."

Positioned for Commercial Success

With the project progressing steadily, the development timeline remains on track. By the end of 2024, the team expects to deliver fully functional prototypes that will undergo comprehensive product verification. This milestone will pave the way for performance validation studies in early 2025, ultimately setting the stage for regulatory approval and commercial launch.

The collaboration between Prolight and G&H is not just about technology development. It's a partnership built on shared expertise, aligned goals, and a clear roadmap for bringing a ground-breaking product to market. As healthcare shifts towards more patient-centric and rapid diagnostics, the Psyros system stands poised to capture significant market opportunities, driving growth for both Prolight Diagnostics and G&H.

INDUSTRIAL CASE STUDY

G&H's Crystal Technology Powers Fusion Energy Breakthrough

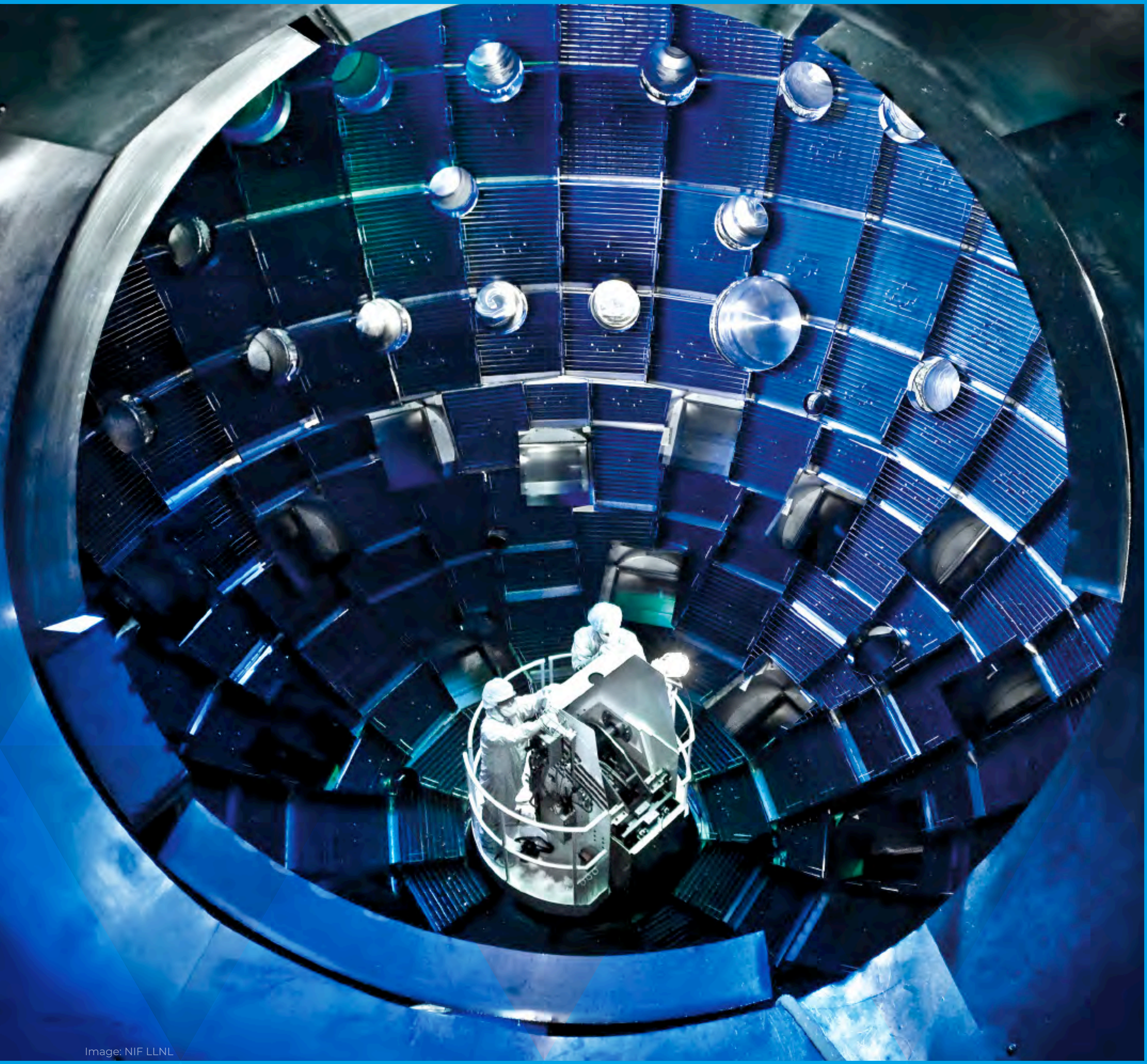


Image: NIF LLNL

On December 5th, 2022, the Lawrence Livermore National Laboratory (LLNL), through its National Ignition Facility (NIF), made history by achieving fusion ignition using inertial confinement fusion (ICF) for the first time. This monumental achievement in clean energy was made possible by the cutting-edge photonics technology at the core of NIF's high-energy laser systems, and specifically, G&H's KDP and KD*P crystals.

These crystals are integral components in the Plasma Electrode Pockels Cell (PEPC) and the overall optics assembly of NIF's laser systems, ensuring the consistent delivery of laser energy needed for the fusion process. G&H's strategic partnership with LLNL has been crucial in advancing this groundbreaking fusion research.

Enabling a New Energy Future with Crystal Growth Expertise
G&H's KD*P crystals are produced at the Company's facility in Cleveland, Ohio. These crystals take up to two years to grow, with some weighing as much as 400 kg. Once grown, they are expertly polished into large, precision optics, demonstrating G&H's unmatched expertise in crystal growth and crystal processing.

The role of these crystals in the fusion process is pivotal. G&H's KD*P crystals are responsible for converting infrared laser energy into ultraviolet light, which is then focused on to a target to create the necessary X-rays for starting the fusion reaction. This allows NIF to pursue fusion energy, a scientific grand challenge that has captivated global attention for decades.

A Decades-Long Collaboration
G&H's collaboration with LLNL spans several decades, anchored in the development of large-aperture crystalline optics. The Company's consistency in delivering reliable, high-quality crystals has enabled NIF to push the boundaries of laser fluence, achieving critical milestones in fusion research.

"Our crystals play an essential role in advancing fusion energy research," says Dr. Matthew Whittaker, G&H's Crystal Growth and ICF Manager. "As the world moves closer to realising a clean energy future, we are proud to support NIF's mission with the next generation of crystal optics."

The Strategic Importance of Vertical Integration
G&H's vertically integrated crystal growth process is a key competitive advantage. Every stage, from growing crystals at our Cleveland facility to cutting, polishing, and inspecting the final optics, is managed within the Company. This total quality control ensures that G&H crystals meet the highest standards of performance and reliability, making them indispensable to laser manufacturers worldwide.

The KDP and KD*P crystals produced by G&H are not only used in fusion research but also in a range of other applications, including aerospace, defence, and telecommunications. This diverse portfolio underscores G&H's leadership in the photonics sector and its ability to address the needs of high-growth industries.

Supporting Future Growth and Innovation
As fusion energy continues to gain momentum, G&H is well-positioned to capitalise on this breakthrough. "Pushing the performance envelope in optics and photonics has always been a driving force behind our R&D efforts," says Stratos Kehayas, President of G&H's Photonics Division. "As NIF and LLNL scientists strive to enhance their results, we will continue to provide them with innovative crystal solutions that drive their success."

With crystal growth technology honed over decades, G&H is at the forefront of delivering the components necessary for realising fusion's potential as a sustainable energy source. Our role in enabling this scientific milestone highlights its strategic importance in the global photonics market and reaffirms G&H's commitment to pioneering advancements in clean energy technologies.

Chairman's Statement

GARY BULLARD

Group overview

I am pleased with the significant progress the Group is making to deliver our strategy. Last year we acquired and successfully integrated the GS Optics and Artemis businesses, and in FY2024 we completed the sale of our EM4 business in Boston to Luminar Technologies. These actions help ensure that the Group can offer our customers differentiated products and technologies, generate synergies with other parts of the G&H Group and support the Group's journey to mid-teens returns.

The year brought challenges of lower levels of activity and uncertainty in some of the markets which we supply. Despite this there has been encouraging take up of newly developed products generated from a more focused portfolio, which continue to be recognised for their superior performance and reliability. I was particularly pleased by the results of our FY2024 customer survey which showed a significant improvement on previous surveys.

We have accelerated the transfer of our product lines to selected manufacturing partners. I was particularly impressed by the transformation during the year at our Torquay facility. The site has now transferred all its high-reliability fused fibre production to its supply partners and repurposed production for the manufacture of more complex fibre optic modules where demand is increasing. This is an excellent example of the margin accretive changes that we are implementing across the Group and which will position G&H well to profit from the sustained recovery we expect in our markets.

Continued investment

We have been disciplined in supporting the business with the focused investments it needs to grow. We have added very capable new team members, especially in our engineering, sales and business development teams. We have implemented a new fully integrated HR information system across the Group to allow managers to better support the learning and development of their team members.

Shortly after the end of the year we acquired Phoenix Optical, the culmination of several months of hard work by the Phoenix and G&H teams. The business, which is a very well-regarded supplier of precision optics, is highly complementary to the Group, and I look forward to seeing it prosper under G&H ownership. We welcome the Phoenix employees to the G&H Group.

A sustainable business

At G&H we are focused on making our business sustainable and supporting the transition to a net zero carbon economy. In FY2024 we established a separate Committee of the Board, the G&H Sustainability Committee, to focus better the Group's activities in these areas. Our employees are pleased to be playing their part in moving to a more sustainable and healthier world. Our medical diagnostic products support the earlier diagnosis of disease and illness and our sensing products are integral to the efficient generation of clean, renewable energy. Within our own business we are committed to achieving net zero for our Scope 1 and 2 emissions by 2035, and I am pleased to report that we made further progress towards that target in the financial year.

"Delivery of our strategy is positioning the Company for success."

“

In meeting with our employees throughout the year, I am always impressed by their commitment to the business and the skill with which they conduct their day-to-day operations.”

It is important for us to support the communities in which we operate. Our facilities provide high quality employment opportunities in the towns and cities where we are located, and our teams often host visits from local schools and colleges to foster excitement amongst their students to pursue careers in photonic technologies and advanced engineering. G&H employees are also active in supporting charities local to the sites in which they work.

Our People
The Board is committed to supporting inclusive, collaborative ways of working at G&H. I am very pleased to see the progress that is being made to foster a “one team” culture through regular all employee briefing sessions supported by high quality published materials that share information with our people about activities in other parts of the Group.

In meeting with our employees throughout the year, I am always impressed by their commitment to the business and the skill with which they conduct their day-to-day operations. I would like to thank them all for their contribution. The progress that we have made in the year would not have been possible without their continued hard work and support.

The Board
Having served on the Board since 2015, and consistent with the succession plan previously announced, Brian Phillipson stepped down as the Senior Independent Director and Chair of the Remuneration Committee on 30 September 2024. On behalf of the Board, I would like to express our thanks for his considerable contribution to G&H. Louise Evans succeeds Brian as Senior Independent Director and Susan Searle takes on the position of Chair of the Remuneration Committee.

The Board is committed to ensuring it operates in an efficient and effective manner. To that end it has commissioned an independent consultant to conduct a Board review and we look forward to implementing any recommendations that result from the review.

We take our governance responsibilities very seriously and I am pleased to see us engaging with several new agencies such as CDP and EcoVadis, in addition to MSCI, to provide our stakeholders with independent validation of the processes and controls that we have put in place.


G&H Board of Directors

Dividend
Given the Group’s progress on delivering its strategy and the long-term positive outlook for the business, the Board is proposing a final dividend of 8.3 pence per share for approval at the Company’s Annual General Meeting on 24 February 2025, representing a total dividend for the year of 13.2 pence. Payment of the dividend will be made on 28 February 2025, to shareholders on the register as at 24 January 2025.

Outlook
The strategy that was put in place in FY2023 is working and supports the path to mid-teens returns over the medium-term as customer ordering patterns start to recover. We are positioned in attractive markets and aligned to long-term growth trends. We are seeing strong demand from our A&D market and whilst the recovery in some of our Industrial and Life Sciences markets is taking longer than we had originally anticipated, we expect to see sustained recovery in demand in the second half of FY2025. Underpinned by our strategy which is making G&H a better, more sustainable business, we are confident that the Group will deliver profit growth in the current financial year.

Gary Bullard
Chairman
3 December 2024


LAP 14

Our Business Model

WE'RE DIFFERENT

Making a better world with photonics

G&H is a market-leading global provider of advanced photonic solutions.

We create sustainable value by bringing our expertise to bear to supply our world leading products and services into attractive growth markets.

The quality and performance of our components and systems differentiates us. We work closely with our customers to provide them with precise, reliable and cost-effective solutions that meet their most demanding needs.

OUR BUSINESS

Attractive Growth Markets

We supply attractive growing end markets.

Geopolitical tensions are adding momentum to re-shore critical component supply. There is significant new investment being made in new on shore semiconductor and other laser-based manufacturing facilities.

Developments in 5G and 6G, artificial intelligence and autonomous machine monitoring all drive increasing needs to share data globally, fuelling demand for our high-reliability fibre optic telecoms products used to transmit data between continents.

The need to transmit more and more data around the world is also driving the growth of laser-based space communication. Our fibre optic laser amplifier modules sit at the heart of these systems.

Growing demand for improved healthcare, especially for early-stage diagnostics and for laser enabled cosmetic procedures.

The Ukraine conflict has shown the utility of photonic systems to enable precise targeting including in the defence against unmanned systems. Optical filters have been shown to be critical on the modern battlefield. Directed energy systems are emerging as the next precise, low-cost defence systems.

Increasing global demand for clean, wind generated energy drives demand for our fibre optic sensing modules.

Unique Range of Skills and Resources

Our talented engineering teams work in partnership with our customers to design and produce some of the most complex photonic subassemblies and systems in the world. Our engineers are embedded with research organisations to help push forward the boundaries of photonics.

We offer a complete design, engineering and manufacturing service for our customers. We are experienced in supporting our customers to have their end systems achieve their necessary certifications.

We have invested to create state-of-the-art manufacturing facilities allowing us to offer a range of capabilities that few of our competitors can match.

We have developed a strong partnership with a contract manufacturing partner that provides significant, cost-effective additional capacity. We intend to build upon this partnership, outsourcing more of the Group's products at an earlier stage in their product life cycle.

We are pioneers in crystal growth techniques and the supply of specialist crystalline materials.

UNDERPINNED BY

Competitive Advantage

We differentiate ourselves from our competitors thanks to our industry wide reputation for innovation and continuous improvement.

We have an established capability to work in high product quality and compliance markets such as A&D and Life Sciences as well as on programmes requiring high level security accreditations.

We have talented engineers, continually developing new IP.

Our manufacturing facilities are well invested and staffed with skilled manufacturing engineering and production staff operating to a consistent set of operating processes.

Our manufacturing know-how has been developed over many years.

We have a clear set of corporate values supported by a set of behaviours that we have communicated to our people that ensure they operate as effectively as possible.

We operate an effective and prioritised deployment of our capital.

Allows us to Create Value for our Stakeholders

Our customers – using our expertise we work closely with our customers to solve their mostly technically challenging system requirements. We invested £7.8m in R&D and brought 48 new products to the market in FY2024.

Our suppliers – we deploy our own resources and expertise to help our consolidated group of suppliers to produce as efficiently as possible with consistent and repeatable product quality. We spent £47.5m with our suppliers in FY2024.

Our employees – we invest in our employees from apprentice level through to our most experienced engineers to ensure they have the skills and capabilities needed to operate in our industry leading operations.

Our communities – we bring high quality employment to the communities in which we operate. We are targeting net zero Scope 1 & 2 emissions by 2035. We achieved a 14.3% reduction in our GHG intensity measure in the year. We support local charities close to our facilities.

Our shareholders – medium term target of mid-teen operating profits. Dividend for the year increased 1.5% to 13.2p.

Sustainability

We work to create a long-term sustainable business for the benefit of all of our stakeholders, support the communities in which we operate, and minimise the Group's impact on the environment. We are working hard to achieve our target of being net neutral on scope 1 and 2 emissions by 2035. We have processes in place to ensure we maintain our high standards of business conduct. Our newly formed Board Sustainability Committee is responsible for focusing our work in this area.

See our ESG report on page 70.

Financial Position

Our revenues are generated from markets with different growth dynamics meaning that the Group is naturally protected against individual market cyclicality. We are cash generative and at 30 September 2024 we had $19.6m of undrawn committed facilities and $20m of undrawn uncommitted funding facilities to support the further growth of the Group.

See our financial statements from page 132.

Governance

The Board is committed to the highest standards of corporate governance. The Group has adopted the UK Corporate Governance Code (2018). We have received recognition of our efforts in this area in the scoring of our governance by external ratings agencies.

See our Corporate Governance Report on page 108.

Risk Management

We have a formal risk identification and management process in place designed to ensure that risks are properly identified, prioritised, evaluated and mitigated to the extent possible. A formal group wide risk register is maintained and approved by the Board on an annual basis. This includes risks associated with climate change.

See our Principal Risks and Uncertainties on page 98.

Our Key Performance Indicators

KPI AND DESCRIPTION

Organic revenue growth (%)

The percentage change in revenue in the current year compared with the prior year, excluding the effects of foreign exchange.

WHY THIS IS IMPORTANT

We are focused on long-term organic revenue growth as a means to create value. This metric reflects both the health of our target markets and our success in gaining an increasing market share with our customers.

PERFORMANCE

2024: (3.0%)
2023: 13.6%
2022: (3.7%)
2021: 6.4%
2020: (5.4%)

2024 PERFORMANCE

Organic revenue was 3.0% lower, excluding foreign exchange and the effect of the Group portfolio changes. We achieved growth in our A&D and Life Sciences market but this was offset by a decline in our Industrial market as a result of many of our customers in that market adjusting their inventory holdings.

KPI AND DESCRIPTION

Adjusted operating profit (£'m)

Operating profit from continuing operations adjusted to remove non-underlying items.

WHY THIS IS IMPORTANT

Adjusted operating profit is a key measure of the value generated from our activities.

PERFORMANCE

2024: £10.5m
2023: £12.1m
2022: £8.9m
2021: £13.3m
2020: £11.2m

2024 PERFORMANCE

The organic revenue decline reduced the Group's adjusted operating profit.

KPI AND DESCRIPTION

Adjusted operating margin (%)

Adjusted operating profit from continuing operations as a percentage of revenue from continuing operations.

WHY THIS IS IMPORTANT

Adjusted operating profit margin measures our ability over time to generate value from our products and capabilities. It is impacted by our actions to both increase revenue and optimise our cost base.

PERFORMANCE

2024: 7.7%
2023: 9.0%
2022: 7.1%
2021: 10.8%
2020: 9.2%

2024 PERFORMANCE

The adjusted operating margin was 7.7% reflecting the lower revenue but also our continued investment in the business to support future growth.

KPI AND DESCRIPTION

R&D investment

R&D expenditure as disclosed on the income statement.

WHY THIS IS IMPORTANT

Our R&D investment enables us to introduce new products to the market supporting our objective of increasing revenue and keeping us ahead of our competitors. This measure is directly related to our strategic priority of focused R&D investment.

PERFORMANCE

2024: £7.8m*
2023: £7.4m*
2022: £9.2m
2021: £8.1m
2020: £7.9m

2024 PERFORMANCE

We invested £7.8m in R&D activities in FY2024. Excluding the effect of portfolio changes this was £0.2m higher than FY23. In the year we released another 48 products to the market and revenues from products contributed £25.3m of revenue in the year.

* From continuing operations

KPI AND DESCRIPTION

Adjusted operating cash flow

Cash flow from operating activities adjusted for non-underlying cash flows.

WHY THIS IS IMPORTANT

The KPI measures the cash generated by the Group's trading activities. It measures the cash generated to fund investment in the business either through new assets or to acquire other businesses.

PERFORMANCE

2024: £16.7m
2023: £18.2m
2022: £6.6m
2021: £21.9m
2020: £22.5m

2024 PERFORMANCE

We invested £5.7m in new capital for the Group. We achieved an improvement in our inventory turns during the course of FY24.

KPI AND DESCRIPTION

Safety performance

Any accident resulting in time off work.

WHY THIS IS IMPORTANT

We are committed to the wellbeing of our employees. This KPI measures our performance in raising the safety standards in our facilities and also underpins our operational performance. None of the accidents in FY2024 were reportable.

PERFORMANCE

2024: 10
2023: 7
2022: 8
2021: 8
2020: 11

2024 PERFORMANCE

Despite an increase in the number of incidents, days lost have a result reduced by 56%. Our safety performance remains significantly better than the industry average. Our employees increased "Spot It, Stop It" reports by 155% helping to achieve a safer working environment.

KPI AND DESCRIPTION

Carbon dioxide equivalent (tonnes)

The total amount emitted in tonnes for Scope 1 & Scope 2 (carbon dioxide equivalent), with further details on the calculation method set out in the ESG Report.

WHY THIS IS IMPORTANT

This metric measures our achievement against our objective to reduce our carbon emission over time and reduce the impact we have on the environment. We are focused on making G&H a sustainable business and have a target to be net zero on Scope 1 & 2 emissions by 2035.

PERFORMANCE

2024: 2,532
2023: 3,135
2022: 3,941
2021: 5,414
2020: 5,852

2024 PERFORMANCE

All of our sites are following specific action plans that will reduce their energy consumption. We made good progress in sourcing more of our purchased electricity for our US sites from renewable sources.

"While remaining mindful of the continuing uncertain macroeconomic and geopolitical landscape, G&H is well positioned with a robust pipeline and positive progress with the implementation of our strategy to deliver sustainable margin growth."

Chief Executive Officer's Statement

Introduction

G&H delivered a strong performance in the second half of the year underpinned by solid demand for our Life Sciences and A&D products and also reflecting the significant operational improvements that were made across the Group following a challenging first half due to reduced demand in our industrial and medical laser markets.

The growth in revenue in the second half and the continued strong order intake reflect multi-year programme wins and the positive structural trends evident in many of our end markets, albeit with the recovery of the semiconductor market still not evident and now expected in the second half of FY2025. This has been complemented by a number of new customer wins and incremental business opportunities with existing customers. Our teams across the Group have executed exceptionally well in a challenging environment, given the significant supply chain and cost headwinds, to deliver a robust trading performance in the second half of the year in line with expectations that supports improved profit growth in FY2025. Having now completed my second full year with G&H, I am pleased with the continued foundational progress that has been made across the business through the collective hard work of the workforce which is now being harnessed more effectively through a more focused and fully deployed strategy to deliver sustainable margin growth for the Group.

A significant cornerstone of our strategy is for the Group to become a more customer focused business and to deliver an exceptional customer experience when doing business with G&H. I am pleased to see how this is being embraced across the whole Company and the progress that is being made through disciplined focus on internal and external customer delight. Following our 2024 Customer Satisfaction Survey, it was encouraging to see the improvements in all the key metrics that resulted in an increased Net Promoter Score for G&H up to 42 from the previous score of 10 in 2023, demonstrating that our customers are already starting to recognise the changes we have made and continue to make with this key strategic priority for the Company.

I am proud that G&H's products and technology are playing a part in building a better more sustainable world. Many of our products contribute directly to the reduction of energy consumption and the more efficient use of materials. In our own facilities we are also making great strides in reducing our impact on the environment. In FY2024 we achieved a 14.3% reduction in our emissions intensity measure as we work towards our goal of being net neutral on our Scope 1 and 2 emissions by 2035.

Business Performance

After the disappointing performance reported in the first half, the Group delivered strong trading momentum during the second half of the year with revenue up 15% enabled by the focused operational improvements and capability investment made over the last year (FY2023: 5% increase). For the full financial year 2024, G&H achieved revenue from continuing operations of £136.0m which was broadly flat on the previous year (FY2023: £135.0m), or on an organic, constant currency basis with the full year benefits of Artemis and GS Optics excluded, revenues were down 3.0%. Adjusted profit before tax from continuing operations was £8.1m, a reduction of 21.6% over last year (FY2023: £10.3m).

During FY2024 we saw continued solid levels of customer demand albeit at more normalised levels resulting in the order book stabilising at £104.5m at year end (FY2023: £115.3m after adjusting for the divestment of the EM4 business). On an organic constant currency basis, the order book declined by 5% during FY2024, partially due to a further £1.4m reduction in the Group's past due backlog and from the timing of orders for our medical diagnostic instruments. Our order book for medical laser devices has also declined but we are now starting to see evidence of some recovery from this market.

"Both acquisitions are proving to be an excellent fit in terms of our commitment to precision, innovation and customer focus, supporting the delivery of the Group's strategy."

In our industrial markets, whilst the destocking patterns we saw in the first half of the year now appear to be behind us, we have not yet seen sustained recovery in the industrial laser market. Offsetting these declines our A&D order book has grown strongly in the financial year thanks to increased demand from both our commercial and defence customers assisted by the enhanced value proposition we are able to offer. Our teams in the UK and US are focused on converting a healthy pipeline of new A&D prospects and there has been further extension of the order book following the year end.

Strategy

G&H is a business with outstanding products, enormous technical capability and highly talented people and following the launch of our new strategy in the summer of 2023, we are now starting to see the foundational benefits from greater focus on operational execution, customer experience, employee engagement and better prioritisation of our R&D technology and investment.

Our new strategy continues to refocus the whole business on delivering sustainable margin growth and transforming G&H to become an 'innovative customer focused technology company' delivered responsibly by making a 'better world with photonics'. We are making good progress to ensure that G&H becomes and remains the 'first choice' for all our stakeholders including our employees, our customers, our shareholders, our eco-system partners or the communities where we operate. We are offering a more differentiated performance through the four pillars of our strategy centred around, firstly, our people by establishing dynamic high-performance teams and a purpose-led culture; secondly, through self-help activities to deliver exceptional customer service and superior operational execution; thirdly, through value creation from our technology and photonics expertise and, finally, by focused investment, both organic and inorganic, to accelerate accretive growth.

Acquisitions and Portfolio

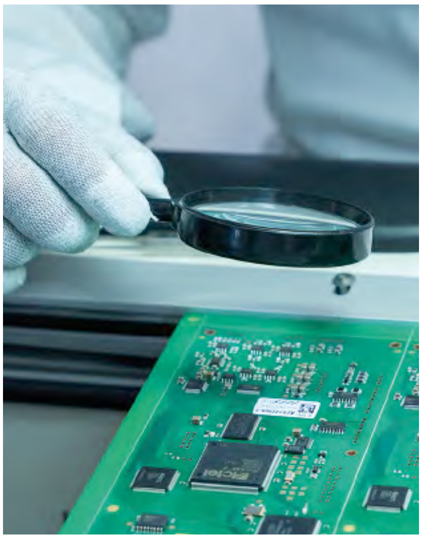
The Group's new strategy has identified a path to mid-teen returns over the medium term that includes benefits from our 'portfolio' activities achieved through addressing non-performers in combination with pursuing 'speed to value' acquisitions. Following the two strategic acquisitions of GS Optics and Artemis Optical in the summer of 2023, we have made good progress with the integration of both of these businesses into the Group. These two acquisitions marked a significant milestone and alignment with G&H's strategic vision for growth through a greater focus on adding value through the transition from complex photonics components to a sub-system or full system solution by targeting two businesses that enhance our fuller photonics systems offering into A&D markets with Artemis in Plymouth, UK and into the North American Life Sciences market through GS Optics in Rochester, NY. We invested in both businesses during the year to establish enhanced capabilities at both facilities, most notably with the addition of a further coating chamber in Plymouth and the establishment of a new Life Sciences R&D hub and medical IVD device ISO13485 certified manufacturing centre in Rochester. Both acquisitions are proving to be an excellent fit in terms of our commitment to precision, innovation and customer focus, supporting the delivery of the Group's strategy.

Aligned to our strategy to review our portfolio to address non-performing or non-core parts of the Group, we concluded that the majority of products supplied by our EM4 facility in Boston were not sufficiently differentiated to generate the level of returns needed to support the Group's journey to mid-teens returns. In March 2024 G&H announced the divestment of EM4 to Luminar Technologies as the result of the carefully considered and ongoing review of our A&D product portfolio. This disposal supported the Group's consolidation of our A&D activities into areas where we can offer differentiated products to our customers and enable the Group to grow our optical systems business and maximise value creation from accretive optical systems solutions. At the same time prior to the sale, G&H successfully transferred out of EM4 to other G&H facilities technology for fibre fusing, which is differentiated and is employed in the modules we supply into advanced photolithography equipment and some medical device applications.

Our Markets

Industrial revenues in FY2024 at £67.9m declined by 9.1% from the prior year due to the continued slowdown of the semiconductor market and protracted destocking in our Industrial markets. Despite these challenges in the year, volumes of our fibre optic modules and assemblies used in both next generation advanced lithography systems and subsea data networks remained robust with growth in the second half as new programmes started to migrate to volume production and demand picked up our long-standing high-reliability fibre couplers. Revenue from our industrial laser customers were weaker than the prior year remaining broadly flat through FY2024 and whilst some early signs of a pick-up in demand were evident towards the end of the year, we continue to watch developments closely and work with our key partners in this space to assess changes to demand visibility. Any sustained recovery from our broader industrial laser and semiconductor markets is now not expected until the second half of the coming calendar year.

A&D revenue growth in the year was 26.0% and on an organic constant currency basis, grew by 10.3% compared with the prior year. Volumes in our A&D markets grew significantly as a result of improved productive capacity at several of our sites and as a number of new projects move into production phase, along with the early commercial synergy benefits of the Artemis Optical acquisition starting to be realised especially around advance laser protection capabilities, that we can now offer alongside our superior optical systems products. Our imaging and sighting systems business for armoured vehicles and UAVs continues to progress well with a number of multi-year new programme wins during FY2024 where the conflict in Ukraine is fuelling increased demand and greater urgency of supply. This was particularly evident from the second half revenue growth from deliveries of precision optics and advanced sighting systems into both air and land military platform programmes. In the commercial aerospace market, demand for our ring laser gyro components was strong and the Group is now benefiting from the additional capacity we have added to meet this increased demand.



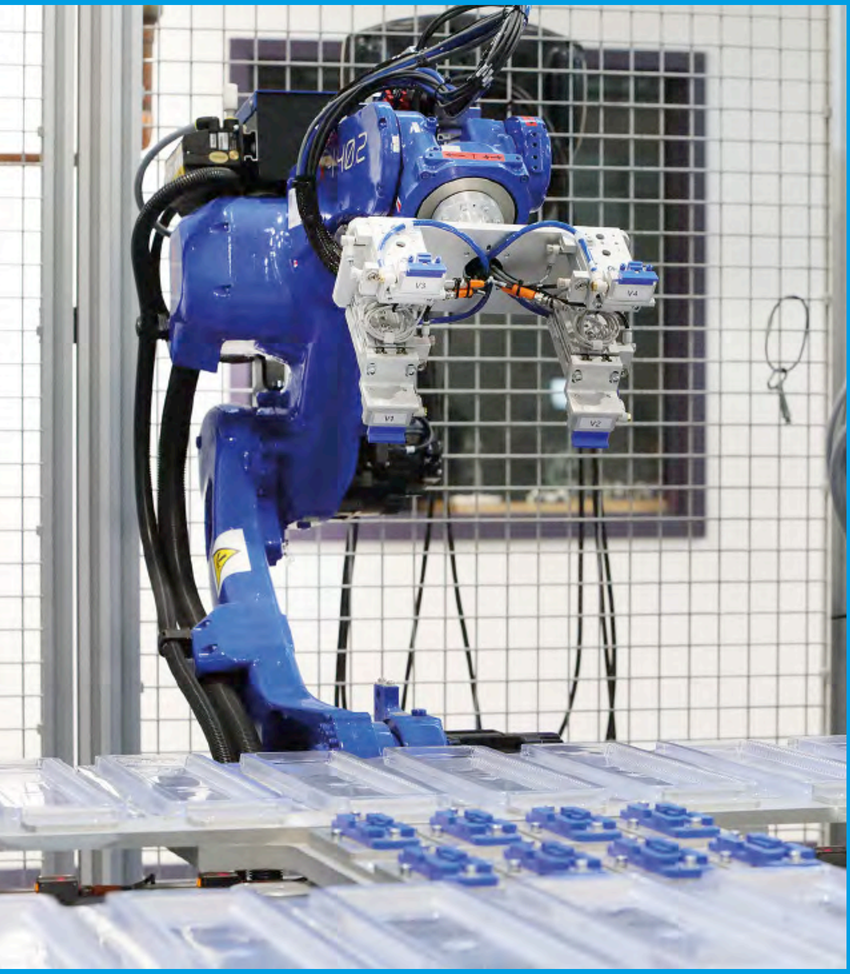
The Life Sciences business performed well overall with revenues up 1.3% on a constant currency basis and we saw continued growth in demand for our medical diagnostic products. For example, a cancer care product initially designed by our customer and then productionised by our engineering team migrated through regulatory approvals and into production during the year, and we expect to see further growth from this product platform in FY2025 and beyond. Our Life Sciences R&D team remained fully engaged in supporting customers with the design and regulatory accreditations of their next generation instruments which are expected to convert to production revenue for the Group in the coming years. We have also received positive and encouraging levels of customer interest and initial orders for our new North American Life Sciences Centre of Excellence in Rochester, NY which was established during the year and has already received ISO13485 certification for the manufacture of medical devices. We expect this facility to be a key part of our growth strategy for our Life Sciences business in the future. However, the other part of our Life Sciences business focused on the design and manufacture of products into the medical laser market had a challenging year. Despite some recovery in demand in the second half, we continued to see a significant slowdown in the demand for our medical lasers mainly due to extended destocking from some of our customers as well as the impact of competition in certain product segments from lower cost Chinese products.

Following the transfer of our acousto-optic products from our Ilminster facility to our Asian contract manufacturing partner, we have now qualified and successfully transferred the manufacture of a significant portion of our high-reliability fibre coupler business to that same partner. During FY2024 we were able to accelerate the preparations for the transfer of further fibre optics and other products, where technological sovereignty is not a differentiator, building upon a proven model that has now been established with our selected contract manufacturing partners.

We have continued to invest in our technology roadmaps albeit with a greater focus following the recent strategic review and our R&D teams are working closely with many of our customers on the accelerated development of their next generation products. Total investment on product development activities increased to £7.8 million in FY2024 (FY2023: £7.4m). During the year, the Group reduced net capital expenditure to £5.2 million compared with £7.3 million in the previous year aligned to our strategic objectives. Notable spend in the period was focused on the integration of the new acquisitions, Artemis and GS Optics, and establishing our Life Sciences innovation hub and Centre of Excellence in Rochester, NY. Carefully selected capital investment was also made in our optical systems and precision optics business to address bottlenecks and meet increased customer demand alongside the operational efficiency activities underway at these sites.

The Group retained high levels of inventory during FY2024 that are still above pre-pandemic levels, however through greater focus and improved supply chain and inventory management disciplines being implemented across the Company, there was a pleasing reduction during the period and this trend is expected to continue into FY2025.

This combined with strong collections of receivables and the funds from the sale of the EM4 business resulted in net debt excluding lease liabilities reducing to £16.0m from £20.9m. Our leverage as measured for our banking covenant stands at 0.9x (2023 1.1x), which along with available committed and uncommitted bank facilities of $39.6 million, places G&H in a strong position to pursue our strategic goals.



Research and Development (R&D)
G&H continues to work closely within the global photonics ecosystem and with a number of key partners to develop their next generation products. During FY2024 we introduced 48 new products (FY2023: 57) and delivered £25.3 million of revenue (FY2023: £26.1 million) from new products. Following our strategic review, we continue to refocus and prioritise our global R&D efforts and investment behind the following seven vital few areas:

1. Expansion of AO technologies into Semiconductor market and EUV eco-system.

2. New medical laser technologies and applications focused on moving up value chain from component to sub assembly and full systems.

3. Advanced fibre optics technology and systems supporting submarine networks.

4. Imaging and sighting systems, especially focused on the A&D market, for periscopes, sights and other optical sub-systems.

5. Precision optics added value and advanced coatings and laser protection filtering capabilities.

6. Moving up the value chain in fibre-optics with a focus on sensing, modules, LiDAR.

7. Medical diagnostics and bio-photonics IVD solutions with strategic focus on expanding our offering into the US Life Sciences market.

During FY2024 technology roadmaps have been developed to refocus R&D activities around these seven 'vital few' areas for the Group to drive 'value creation'. There has been investment to strengthen acoustic-optic engineering and product line teams with the appointment of additional technical and product development capability. In the fibre optics business unit we saw strong progress with the customer-led development of next generation systems for semi fab, submarine network, and medical diagnostics. The precision optics and optical systems technology teams have been enhanced by the advanced coatings engineering team that joined with the acquisition of Artemis, and disciplined refocus of our highly talented engineering team in St Asaph is already delivering better outcomes. The successful launch of our new US Centre of Excellence in Rochester, NY long with the new engineering talent that has joined the Group in this team during FY2024 is promising for the future. These R&D projects are expected to contribute more than £50m of incremental margin accretive revenue over the plan period.

Corporate Responsibility and Sustainability
The Board is accountable to its shareholders and is committed to the highest standards of corporate governance. To this end the Group has adopted the UK Corporate Governance Code (2018). In order to ensure the Group is meeting the most up to date standards, regular reviews of policy are held by the relevant committees of the Board of Directors. During the year the Board undertook a self-assessment to identify opportunities for improvement and incorporate a greater focus on ESG. Susan Searle, who joined the Board in FY2023 with a wealth of experience in many of the markets in which we operate and particularly sustainability matters, has chaired the newly introduced Sustainability Committee, which is already providing greater clarity and alignment to our activities in this area.

G&H is committed to creating a safe, engaging, diverse, and inclusive place to work for the Group's employees and all stakeholders. We continue to establish a culture that proactively works towards reducing harm and promotes equality, diversity, and inclusion across the company. The Group remains focused on providing equal employment opportunities for all and aims to improve diversity at all levels of the organisation. Our recruitment partners have been instructed to ensure that they include a diverse range of candidates in all shortlist applications, and we are actively engaged with encouraging International Women in Engineering.

G&H is committed to conducting our business in an environmentally responsible and sustainable manner. We are investing in order to generate our electricity in a sustainable manner and to reduce our overall energy usage. Each of our sites has an energy reduction plan that it is working to. In the year we reduced our Scope 1 and 2 carbon emissions by 19.2%, another major step forward in achieving our target of being net neutral on this measure by 2035. It was particularly encouraging to see our facility in Torquay become the first Scope 1 and 2 net neutral zero site across the Group, leading the way for other to follow in the future. We were also pleased to see a further two sites, Ashford and Keene (FY2024), join Ilminster, Torquay (FY2023) and Fremont sites with certification to the environmental ISO14001 standard. This now means that 50% of the Group's global footprint is covered by this environmental accreditation and 70% of our employees. This was a core commitment when we launched our new strategy in FY2023, and we are making good progress to achieve the deployed road map to roll this same initiative out across all our manufacturing sites by 2027. The Executive Directors and senior leadership team all have specific environmental management and carbon reduction goals in their remuneration schemes.

Outlook

During FY2024 the Group has made further positive progress in establishing strong foundations to deliver our strategic priorities and enhance mindshare with our customers, many of whom are demonstrating a growing confidence in G&H. Despite the challenges the Group faced during the year through the reduced demand in our industrial and medical laser markets persisting longer than expected (which resulted in a material impact to trading in the first half), G&H is well positioned to benefit from recovering demand levels in these markets (now expected in the second half of 2025). In the second half, we delivered the expected top line growth for the Group through the improvements in operational execution and a solid order book, which reflected a significant number of new customer wins, incremental business opportunities with existing customers, and continuing market share gains. Our teams across the Group have performed exceptionally well in a year characterised by further significant change, ongoing supply chain issues, destocking and continued cost inflation. I would like to extend my thanks to all our employees for their hard work and highlight the positive way the whole organisation has embraced the transformational changes underway across the Company.

G&H is well-aligned with the prevailing global mega-trends, many underpinned by the next frontier of photonics, which is driving demand from high-growth markets. The current surge in demand in the A&D markets is expected to last for a number of years, and G&H is positioned particularly well with our existing capabilities and the addition of enhancing technology in this area through recent acquisitions.

Whilst we do not expect to see our industrial laser and semiconductor markets return to growth until next year, we are seeing strong demand for our advanced optical systems capabilities from the defence sector and there are significant new business opportunities that we are working hard to secure. G&H continues to make progress on delivering the self-help, technology and portfolio activities that underpin our strategic plan. We saw further improvement with on time delivery performance in FY2024 and customer feedback is now trending in a positive direction. The Group is now better positioned to benefit from the anticipated recovery in our end markets next year thanks to the disciplined implementation of our strategy. This has been further underlined by the recent successful acquisition of Phoenix Optical at the beginning of the new financial year in October. Phoenix is an excellent fit within G&H and the initial feedback from our combined customers has been particularly encouraging.

Despite this positive overall outlook for the Group, we remain cautious about some supply chain and commercial headwinds in the near term. The labour markets for talent in both the UK and US remain competitive, leading to some supply side challenges that continue to frustrate the recruitment of the required talent, especially in engineering and technical positions. Global supply chain constraints, although better than in the recent past, continue along with an inflationary environment for wages, raw materials, and energy, all require diligent attention and agility. Whilst price increases have been passed onto customers in FY2024 to address most of these cost increases, cost inflation continues to impact the business and the ability to fully offset all cost base inflation through pricing actions is becoming more difficult in certain areas.

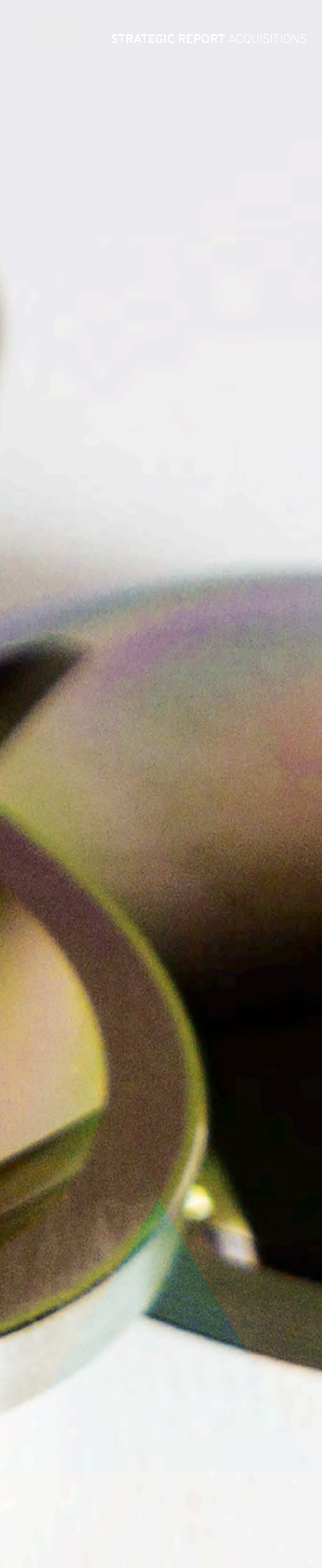
While mindful of the persistent macroeconomic and geopolitical uncertainties that exist, G&H remains well positioned for growth with a robust pipeline across all our end markets. The business will invest to ensure G&H can capitalise on the accelerating deployment of photonics technologies into continuously expanding areas of the Industrial, Life Sciences, A&D markets underpinning the future growth potential of the Group. I am confident we will build on the foundational progress made over the last year, supported and clearly directed from G&H's fully deployed strategy, to become a more resilient and agile higher margin business over the coming years for all our stakeholders and realise our clear vision of 'A Better World with Photonics'.

Charlie Peppiatt
Chief Executive Officer
3 December 2024


"I would like to extend my thanks to all our employees for their hard work and highlight the positive way the whole organisation has embraced the transformational changes underway across the company."

Acquisitions

Expanding the G&H portfolio



INTRODUCTION

The G&H Group's strategy includes portfolio enhancement as an important contributor to the Group's progression to mid-teen returns, and we have moved quickly to progress this element of our new strategy. After acquiring GS Optics and Artemis Optical in the summer of 2023, in March 2024 the Group divested its EM4 business to Luminar Technologies. Shortly after the end of the financial year on 30 October 2024, the Group completed another strategic "speed to value" acquisition with the addition of Phoenix Optical.

Phoenix Optical

LOCATION
St. Asaph, North Wales

EXPERTISE
Precision optics manufacturer

TEAM	FOUNDED
50	1991

G&H PHOENIX

About Phoenix Optical
Phoenix Optical, based in the heart of the North Wales optical design and manufacturing cluster in St. Asaph, has been at the forefront of precision optics since its founding by Tony Palframan in 1991. Over the past three decades, Phoenix has continually adapted to meet the evolving technological demands of today's world, providing a comprehensive in-house service that spans the entire optical systems manufacturing process.

From raw glass materials to polished, coated finished optical parts, prisms, and assemblies, Phoenix offers an end-to-end solution for the most complex requirements. The company, comprising of a team of around 50 employees, has on site capabilities for the moulding and the annealing of glass, and its site contains one of the largest diamond turning facilities in Europe.

With advanced machinery, long-standing customer relationships and highly skilled teams across four co-located facilities, Phoenix is a trusted partner to its customers for the supply of precision optics as it embraces cutting-edge innovations in optical science in Industrial, Life Sciences and A&D markets.

Rationale for the acquisition
The Phoenix business is highly complementary to the G&H Group. At a time when the demand from the A&D markets for precision optics is growing rapidly, Phoenix provides G&H with the opportunity to expand and accelerate its reach in the UK and European Aerospace & Defence markets. Phoenix and G&H share complementary specialist capabilities in precision optics, allowing us to serve a broader customer base with a more comprehensive portfolio whilst achieving synergies from sharing our combined manufacturing capacity and optical systems engineering expertise, (particularly in St Asaph where we already have our Optical Systems Innovation Centre).

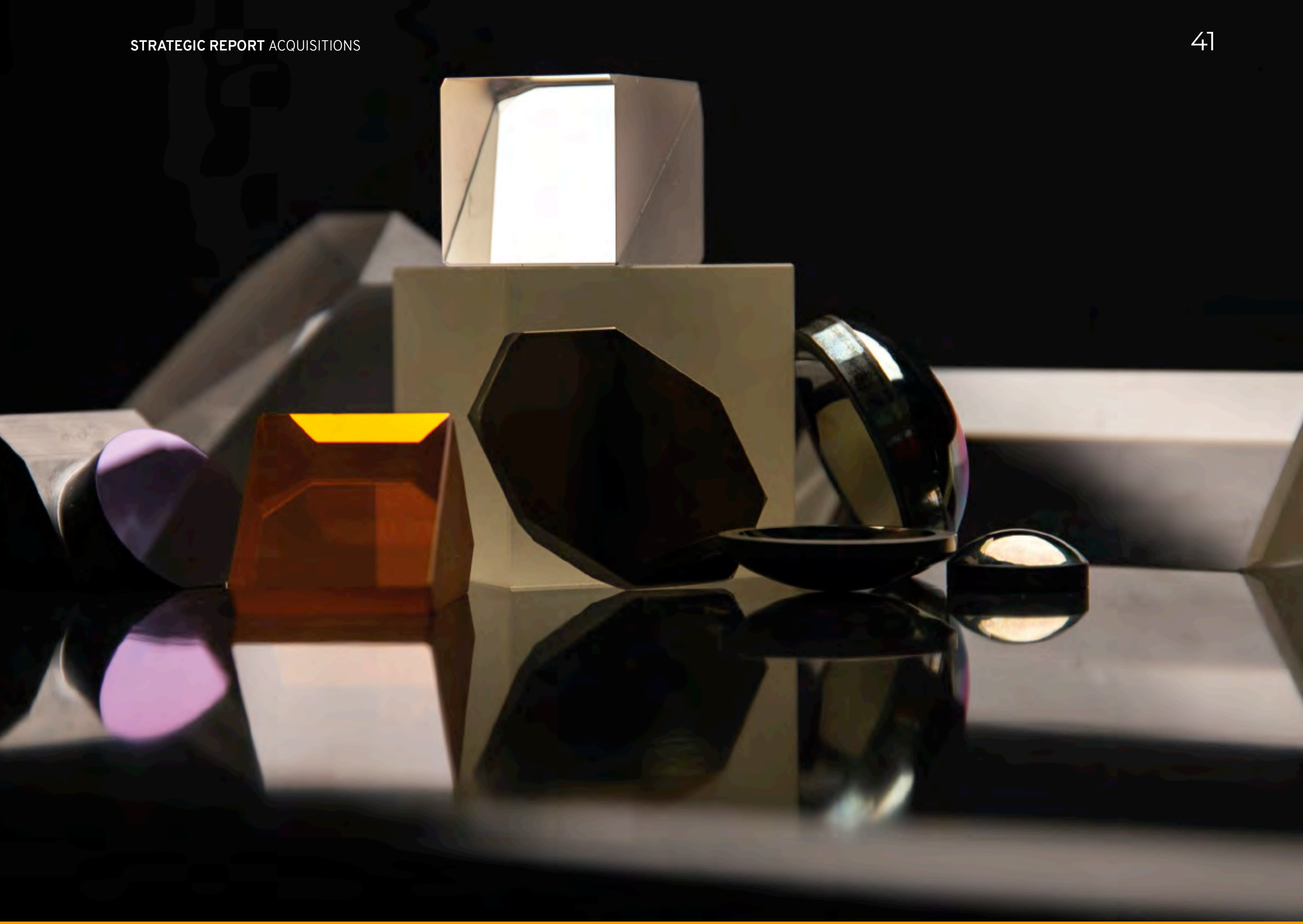
Our early engagement with Phoenix's customers has validated our decision to acquire the business. They have been reassured by the additional financial resources that G&H can provide Phoenix to support the delivery of its growing order book, and they have confirmed that the powerful capabilities created by combining the two businesses will lead to them relying upon G&H and Phoenix for a greater share of their precision optics and optical systems requirements.

We have identified opportunities for cost base synergy from the acquisition as well. Both businesses procure similar optical raw materials, and we therefore anticipate being able to secure better pricing from our supply chain thanks to our greater combined needs. We are also assessing the appropriate future state footprint of our two businesses in this important geographical location for our Optical Systems operations. G&H's existing Optical Systems design centre is located within the same business park as Phoenix and has been space constrained due to the strategic growth in this part of the business. We anticipate being able to optimise the functionality of our footprint whilst also securing facility cost savings from the consolidation of our facilities on the St Asaph Business Park.

Expertise in all aspects of precision optics
Phoenix is a well-regarded supplier to a number of large European equipment manufacturers primarily in the defence market. Its optics are selected by its customers to operate in the harshest environments. The business has developed its own toughened glass, ARMOURDILLO, that is six times stronger than traditional protective glasses, and is used in land, sea, air and space mission critical applications around the world.

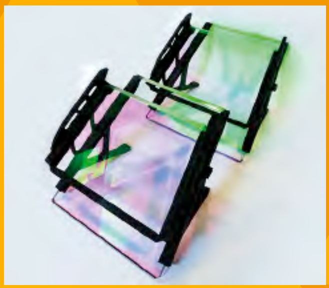
Its vertically integrated operations, which range from glass moulding and annealing through to the cutting, shaping and polishing of optics means that Phoenix can handle all aspects of their customers' most complex precision optics requirements.

Talent at Phoenix
The Phoenix team of committed professionals bring a wide range of talent and skill to the G&H Group across optical design, product management, manufacturing and other functions. As part of the transaction, Phoenix's founder, Tony Palframan, who has many years of experience in the European precision optics market, will assume a broader product line director role within G&H's Optical Systems division. He will be focusing on driving the commercial synergies from the combined Phoenix and G&H businesses and working closely with our global sales team to help further increase our order book.



"I am delighted to welcome Phoenix to the G&H Group. Phoenix is a highly capable, well-regarded UK precision optics supplier with a strong portfolio of products and services. Together we will be able to better serve our customers' most complex optical systems requirements. The combination of the Phoenix and G&H teams brings together industry leading technology and know-how with efficient scalable operations that will support G&H to deliver an exceptional customer experience and accelerate our journey towards sustainable margin growth."

Charlie Peppiatt, CEO



Our Strategy

Our strategy is focused on delivering sustainable margin growth and transforming G&H to become an **‘innovative customer focused technology company’** delivered responsibly by making a **‘better world with photonics’**.

We seek to ensure that G&H becomes and remains the 'first choice' for all our stakeholders whether that's our employees, our customers, our shareholders, our eco-system partners or the communities where we operate.

We offer differentiated performance through the four pillars of our strategy.

1

People

Establish dynamic high performance teams and a purpose-led culture

2

Self-help

Deliver exceptional customer experience and superior operational execution

3

Technology

Create enhanced value through technology and platform solutions

4

Investment

Focus investment to accelerate accretive growth, both organic and inorganic

1 People
Establish High Performance Teams

At G&H our corporate values guide the way our teams do business. Customer focus, integrity, action, unity and precision are the touchstones that guide us in our day to day work helping us to build motivated and engaged team building a strong and profitable business that sits at the heart of the communities in which we operate.

Priorities

- Embed our Vision, Mission, Values and Behaviours through every step of our employees' work experience.
- Invest in our HR team and new tools to enable them to better support our employees.
- Apply more rigour and structure to our talent reviews and invest in our development and succession planning.
- Review our benefits and incentive plans to ensure they remain market competitive and appropriately motivate and reward our employees for the right behaviours.
- Promote greater diversity amongst our team especially at management levels.
- Drive further improvements in our safety performance targeting zero harm in all of our facilities.

The G&H Values

Customer Focus
We 'go the extra yard' to prioritise our customers both internal and external.

Integrity
We 'do the right thing.' Hard on the issue, fair on the person and kind to the planet.

Action
Be a doer. Understanding 'it is what we do that makes a difference.' Take initiative and show determination.

Unity
We are stronger together. Working together as one team in the spirit of collaboration towards a common purpose.

Precision
Expertise in our work. Commitment to excellence and continuous improvement in everything we do.

Progress

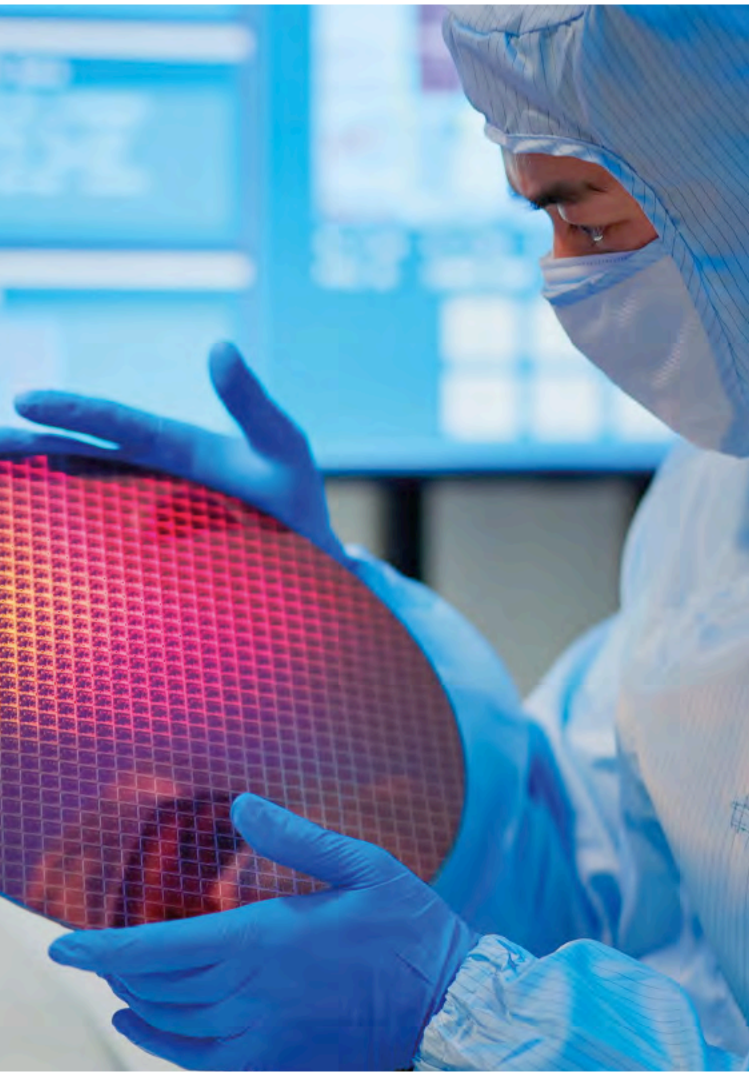
- Under the leadership of our new Chief People Officer we have both added and, where appropriate, upskilled our HR business partners.
- Following a robust assessment process we have selected a new Group-wide HR Information System that will provide our managers with a single source of information on each of our employees. For the first time G&H will have an integrated system that handles all aspects of our employees' journey with the business. The new system went live on 1 October 2024.
- New cross group Councils (Operations, Sales and R&D) established and charged with the development and roll out of best practice tools and processes across the Group.
- A cohort of high potential employees has been identified and provided with specific opportunities that will add to their visibility amongst the senior leadership team and give them experience of new parts of the Group all adding to their experience and preparing them for future promotion within the business.
- 56% reduction in time lost due to work related incidents.
- 155% increase in our "Spot It, Stop It" reporting helping ensure potential workplace dangers are fixed before an accident happens.
- Successful roll out of G&H's employee benefits packages to the newly acquired GS Optics and Artemis Optical businesses. Lessons learned assessments completed from these two integrations for carry forward for future acquisitions.
- Our newly established Sustainability Committee, led by our non-executive director Susan Searle, has established a clear action-based programme under the banner "G&H Sustain" that will drive forward the Group's equality, diversity and inclusion agenda.
- Our new Quarterly newsletter, "The Pulse", has been established providing our employees with regular updates from across our Group.

Future Priorities

- Having gone live with our new Group HR Information System, our managers will use the system for the first time for their FY25 performance appraisals and setting objectives for their teams.
- New dedicated resources have been added to our HR team to focus on our recruitment activities helping us to be faster and more self-sufficient in our recruiting activities.
- Critical roles to be identified and clear near, medium and long-term plans put in place for succession in to those roles.
- New focused training programmes to be introduced:
  - Sales enablement
  - "Certified to Lead", leadership development programme.
  - Internal customer awareness training
  - Personal assessment tool to help improve teamwork, communication, and productivity
- We will support the recent realignment of our sales teams in to product/capability-based groups with revised incentive plans that reward the winning of new customers and new programmes.
- Enabled by our new HRIS system, we will establish two regionally based HR shared service centres focused on delivering core HR processes for our employees in a one-stop shop, efficient manner.
- We will roll out our new employee engagement programme comprising the following:
  - Ensuring the voice of the employee is heard – Annual Engagement Survey, cross group employee representative groups meeting with the Board twice a year.
  - G&H Giving programme – fund-raising and engagement activities with our local communities.
- We will use our new HRIS to communicate regularly with our employees. This will include recognition of employees, examples of living the G&H values, features on sites and global teams to promote the "One G&H" culture.
- Our Sustainability Committee will manage its supporting working groups to help drive the Group's agenda and accelerate our efforts in this area. It will engage with our employees to promote a working environment that minimises the impact on our environment.
- We will celebrate the achievement of a safe, zero harm, working environment.

2 Self-help

Deliver an exceptional customer experience and superior operational execution



Priorities

- Leverage our Customer Relationship Management tools to improve the effectiveness of our business winning activities.
- Reorganise our commercial teams to clearly separate our product line management activities from our other selling activities.
- Support our product line and business development teams in selling more complex solutions that incorporate more of the Group's components and capabilities.
- Cross-selling capabilities and products from newly integrated acquisitions through our global sales team.
- Through strategic engagements with our customers ensure we are developing joint product and technology roadmaps that inform our R&D priorities.
- Disciplined focus on superior operational execution through productivity, quality, inventory management, delivery and new product introduction improvements along with the agility and wisdom to avoid repeating the manufacturing and supply chain problems of the recent past.
- Proactive outsourcing of carefully selected products earlier in life cycle where technological sovereignty is not a differentiator.
- Use our operations planning processes to improve our on time delivery performance and reduce our lead times.
- Anticipate our customers' quality needs and drive to exceed them.

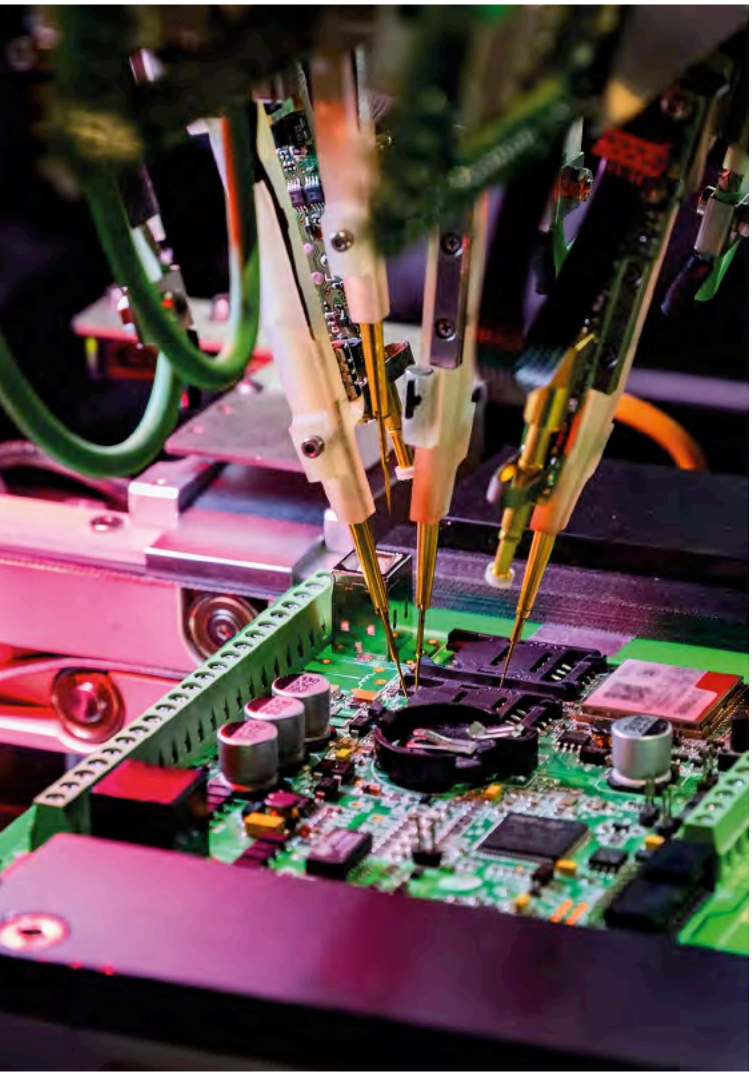
Progress

- Our Salesforce tool is now fully deployed throughout our sales team and offers them the ability to share information on our customers and our points of contact with them. This also provides our Operations teams with improving forward visibility of demand patterns so that they can better plan capacity.
- We are starting the see the benefits of separating our product line management teams from the day to day selling activities undertaken by our sale leads. Our product line managers now have more time to focus on managing the introduction of our next generation products in to our customers' programmes, looking into the medium and long-term.
- This is seen in successes we have had in FY2024 particularly for some of our complex fibre optic modules where we have secured some notable new programme positions.
- Our commercial teams have worked hard to exploit the commercial synergies available from the acquisition of GS Optics and Artemis Optical in FY2023. Artemis' thin film coating capabilities and an important enabler for more complex optical system meaning G&H is exposed to more programme opportunities than it had been previously. Through our existing Life Sciences customers we are also able to offer the new polymer optics capabilities that GS Optics bought to the group.
- We conducted a customer survey and secured a significant improvement in our net promoter score compared to the previous survey.
- Through a Kaizen structured programme at our Ilminster facility we have been able to very significantly reduce the time taken to respond to customers' request for quotations. We will now take this learning and apply at other sites within the Group.
- The Group's on time delivery performance improved again in FY2024 during the year. Overdue backlog associated with Operations fell to £3.2m from £5.7m at the previous year end.
- We have added new resources located in our contract manufacturing partners' facilities to ensure we work closely and efficiently with them to plan their production build and to assist with the transfer of other product lines ready to be outsourced.
- As a result of that close working relationship, our south east Asian contract manufacturing partner is now fully qualified for the build of high-reliability fused fibre couplers and is adding further staff to utilise the additional production equipment we have provided.
- The proportion of the Group's revenue derived from our subcontract partners increased to 8.5% in FY2024.
- Over the period of our strategic plan we intend to increase the proportion of the Group's revenue that is manufactured by our contract manufacturing partner to around 25%.
- We have completed the build out of our North American medical diagnostic manufacturing activity in our GS Optics facility in Rochester. This now means we can offer our North American customers a medical diagnostic design, development and production capacity similar to that offered by our Ashford facility.

Future Priorities

- We will further develop our Salesforce system to enable us to generate customer quotations directly from within the system. This will help in further reducing the time taken to prepare quotations as well as improving the efficiency of the process.
- We have budgeted to recruit new sales roles in the coming financial year specifically in our Life Sciences markets. These new team members will have as one of their objectives securing new customers for our North American medical diagnostic hub in Rochester.
- We will deliver the customer specific actions arising from the customer survey conducted in FY2024 ready to test for further progress when we conduct our next survey.
- We will develop focused improvement projects at each of our sites where production yields are not currently at target levels. We will identify the root causes for high scrap and rework costs and develop specific action plans to eliminate them.
- We have a pipeline of further products we plan to transfer to our contract manufacturing partners. We will be working with our customers as required to gain their support for these transfers.
- We have identified some sole source suppliers that we would like to de-risk by identifying alternative suppliers. This programme will be actioned using our supply chain team especially those located in our low cost region partners' facilities.
- We intend to pilot more advanced production planning tools in one of our sites to trial better production planning. This tool will integrate with our material procurement systems and is expected to support the further reduction of our inventory levels and reduce the time product currently takes to be completed.
- Using our newly formed Operations Council we will refresh our business continuity plans for each of our sites to ensure they remain up to date and capable of responding to the latest threats. We will also work with our principal supply chain partners to ensure they also have such plans in place.

3 Technology
Create value through our technology



Priorities

- Technology roadmaps that focus our investment on those areas identified as offering the greatest returns.
- A smaller number of development projects but with same level of overall Group investment thereby allowing an acceleration of time to market.
- On time and on budget delivery of our new product development programmes.
- An increasing proportion of the Group's revenues derived from products introduced in the last three years.
- A greater proportion of our engineer's time spent on new product development activities.
- A greater interaction between our business development and engineering teams to maximise our influence on our customers as well as ensuring our technology roadmaps reflect our customers latest plans.

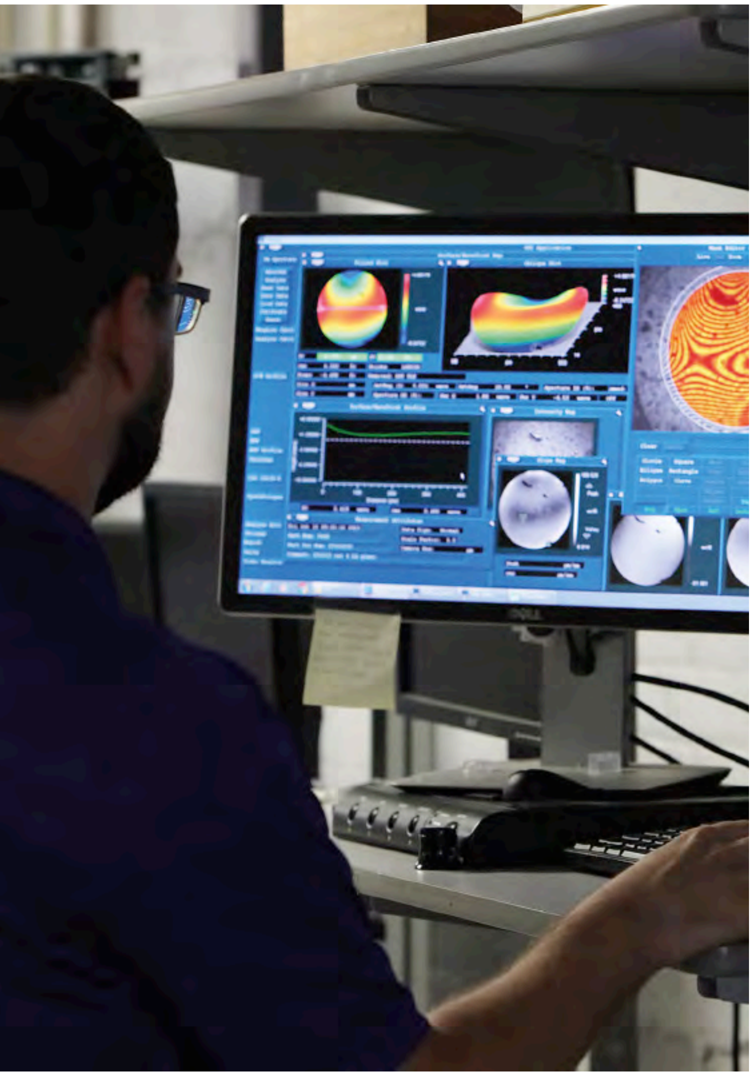
Progress

- Spend on R&D in FY2024 totalled £7.8m.
- Revenue from new products totalled £25.3m and there were 48 new products released to the market.
- We have progressed the 'vital few' research programmes which are receiving priority given their potential to deliver material accretion to the Group's revenue and profitability.
- Acousto-optics: with the support of a newly recruited product lifecycle manager, we are gaining traction in capturing new customers for our latest generation optimised Germanium-based modulators for lasers used in semiconductor fabrication and micro-machining. The slow pace of recovery of this market has meant that demand pull through has been slower than we had hoped but we expect recovery in CY 2025.
- Electro-optics: we are assessing our product offerings in this area given the emergence of low cost competition.
- Fibre optic components: we have developed new fibre optic combiners which are currently being assessed by our customers.
- Fibre optic systems: thanks to additional engineering resources allocated to our developments in this area, we have been successful in securing new programme positions for complex module assemblies both for subsea data cable and sensing applications.
- Precision optic systems: the acquisition of the Artemis business and its thin film coating capability has provided the Group with a key new capability that enables us to offer more complex, value added systems to our customers.
- Precision optics: our coating technology that supports application in the deep ultraviolet spectrum, has opened up new business opportunities in advanced semiconductor laser tools.
- Life Sciences: by using capability from across the Group, we have been able to secure new R&D programmes for instruments including a project aimed to prevent nerve damage during surgery.

Future Priorities

- We have budgeted two further R&D roles to continue the acceleration of our focused development programmes.
- Using the advanced thin film coating capabilities of our Artemis business we plan to access further programmes that require optics that are protected from new and emerging battlefield threats.
- Complete the development or our advanced embedded image periscope. This new technology will form the core of our offering on to our customers' latest armoured vehicle platforms.
- We intend to expand our engineering team in our North American medical diagnostic hub in Rochester to service the needs of our new life sciences customers.
- We intend to leverage the polymer optics technology in our G&H | GS Optics business to add further content to existing life sciences product offerings.
- Complete the certification of new, improved materials to be used in our high reliability couplers thereby capturing market share from our competitors.
- Thanks to our existing work with manufacturers of the most advance photolithography machines, we will leverage the relationship that has been established to seek new positions on both their current and next generation developments.
- Use our newly formed R&D Council to develop and roll our new tools to help with the management of our R&D projects.

4 Investment
Apply focused investment in the business



Priorities

- Ensure acquired businesses are successfully integrated into the Group and that the expected commercial and operational synergies are achieved.
- Reduce as much as possible the Group's investment in its working capital, through efficient operations planning and inventory procurement policies.
- Ensure our investment in new capital equipment is prioritised into the areas of the business that offer the most attractive potential for returns and is aligned to new strategic priorities.
- Regularly review the portfolio to ensure we have in all cases a differentiated offering capable of delivering attractive returns. End-of-life or divest those elements of the portfolio that are not differentiated or non-core.
- Invest in our supply chain partners with our capital equipment and our on-site supply chain staff to help drive superior returns for the Group and improved responsiveness for our customers.

Progress

- The integration of the GS Optics and Artemis businesses was completed successfully. This includes the full integration of both businesses onto the Group ERP systems. The commercial synergies from the Artemis acquisition have already delivered in FY2024 whilst there are good emerging opportunities for the cross sell of G&H | GS Optics polymer optics into the Group's existing customer base.
- Following a careful assessment, we concluded that the majority of our Boston-based EM4 business was non-core to the Group's activity and that it should therefore be sold. This was completed in March 2024. We have been careful to retain one product line which we assessed as providing the Group with differentiated capability, and that line has been successfully transferred to our Torquay facility.
- Our supply chain team has worked hard to develop new tools to ensure materials are only receipted when required for production thereby reducing our inventory holdings. We have also put in place some vendor managed inventory programmes which have helped to reduce the Group's investment in working capital.
- Where our customers request us to eliminate materials supply risk from our programmes, we ensure that they provide us with advanced funding to cover the working capital investment.
- We have in place a contract review process that ensures that customer credit terms are limited as much as possible. Our finance teams are very active in collecting payments from our customers as soon as they fall due.
- By using our contract manufacturing partners more and more for the manufacture of our products, we are reducing the inventory we need to hold for our own in-house production activities.
- We have continued to monitor the market for potential acquisition targets. We have a network of advisors who understand our acquisition criteria who help us in the identification and early stage assessment of targets.

Future Priorities

- We have been careful to ensure that our budgeted capital investments for FY2025 are focused into those areas of the business such as our fibre optic module assembly lines that provide the highest potential returns.
- We will pilot a new production planning module to assess whether this can help us in increasing the pace at which work in progress passes through the factory, thereby further reducing our inventory holdings.
- The transfer of further product lines to our contract manufacturing partner planned for FY2025 will allow us to reduce the amount of inventory held for what have been in-house built products.
- We will continue to work with sell-side advisors to ensure we are kept informed of acquisition opportunities that may be a match to our acquisition criteria and deliver speed to value creation for the Group.
- We will ensure that the documented lessons learned from the two acquisitions completed by the Group in FY2023 are applied in the integration of the Phoenix business.
- Our product line management teams will continue their assessment of product line returns in the face of the evolving competition landscape to identify product lines that we may need to end-of-life. Where that is the case, we will work with our customers to ensure they are able to make last time buys of product thereby supporting their ongoing requirements.

OPERATIONS REVIEW

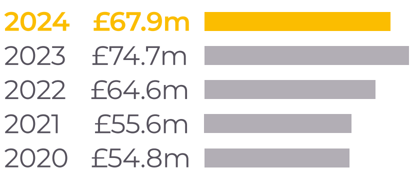
Industrial

Financial

Revenue

£67.9m

(FY2023: £74.7m)



Adjusted Operating Profit

£7.8m

(FY2023: £10.6m)

Operating Profit

£7.2m

(FY2023: £9.4m)

Adjusted Operating Margin

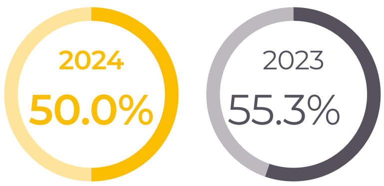
11.5%

(FY2023: 14.2%)

Percentage of Group Revenue

50.0%

(FY2023: 55.3%)



Our Products Enable

- **Industrial lasers** for materials processing applications. G&H supplies Q-switches and other acousto-optic, electro-optic and fibre optic products.

- **Semiconductors** for lithography and test and measurement applications.

- **Metrology** for laser-based, high-precision, non-contact measurement systems.

- **Optical communications** specifically for high-reliability and high-performance applications.

- **Remote sensing** for applications including asset protection, perimeter security, strain, temperature and pressure sensing.

- **Scientific research** – the largest proportion being nuclear fusion research and energy – laser technology is being used to recreate the conditions found in the core of the sun.

Market Drivers

- Cloud computing, artificial intelligence, hyper connectivity and automation all drive demand for semiconductors.

- Political uncertainties driving the re-shoring of the manufacture of key components such as semiconductors.

- Next generation products such as extreme ultraviolet (EUV) lithography lasers for nanoelectronics and new design Germanium modulators.

- New flexible materials being used for the next generation personal data devices require new forms of industrial laser cutting and marking machines.

- Increasing transfer of data internationally for both business and personal use drives the demand for subsea data cables.

- Accelerating investment in wind generated clean energy particular in the US. Our ‘laser engine’ sensing technology improves the efficiency of wind turbines.

- Remote border and infrastructure asset protection receiving increasing investment driving demand for our sensing products.

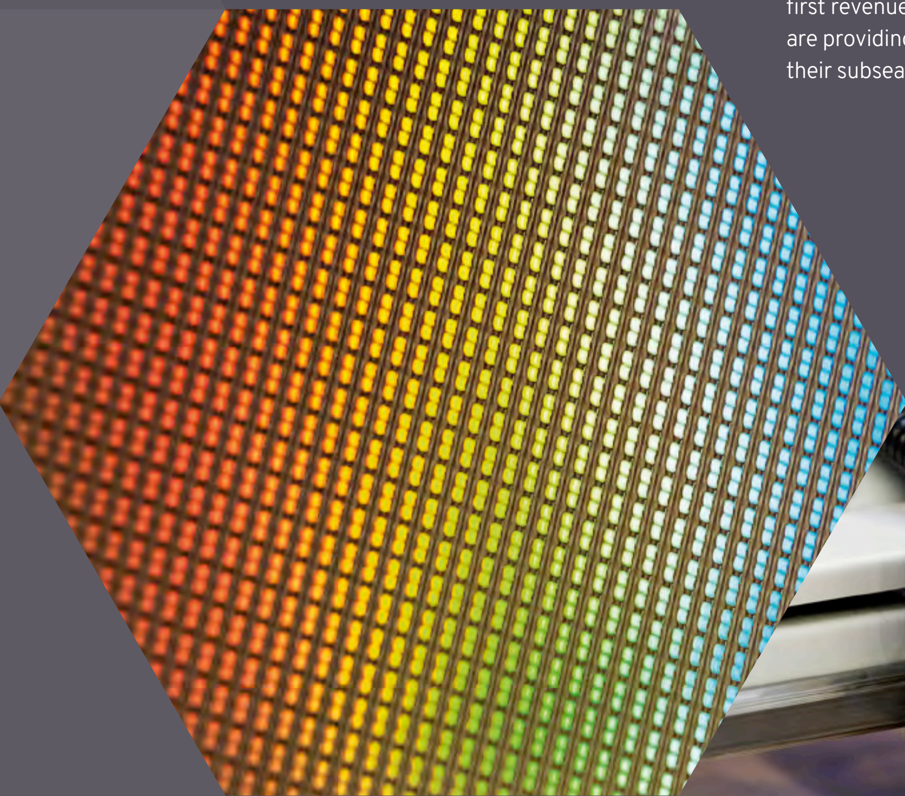
Image: NIF LLNL

Our Strategy in Action

During the year we continued to deliver on our strategic objective of transferring more of our stable production to our low cost region contract manufacturing partner. Building upon the transfer of some of our acousto-optic products during FY2024, we supported our partner to increase the volume of high-reliability fused couplers they make for us. This included securing important customer qualification of their facility for the manufacture of these very sophisticated devices. We supported their ramp up by transferring further production rigs that are used for the manufacturing process to them. As a result, all of the Group's traditional high-reliability fibre couplers are now built by our two contract manufacturing partners as we have migrated our own in-house production teams on to the build of more complex fibre optic sub-assemblies and modules. This represents a significant pivot for the production team in our Torquay facility, but one they have embraced with significant skill and dedication.

Our products used in the manufacture of the most advanced micro chips using EUV projection are now in steady state production. This represents a considerable success of converting one element of our technology roadmap into a strong and recurring revenue stream.

Another example of this was our development of an advanced fibre optic amplifier module used in an important new subsea data cable network. During FY2024 we secured the customer's contract, completed our design activities, and achieved the deliveries of production units to our customer. This is another pleasing example of us using our technology roadmap to move up this specific value chain from providing this market with high-reliability fused couplers integrated by others in to higher level assemblies into bringing that activity into G&H helping with the growth of both the Group's revenue and profitability.



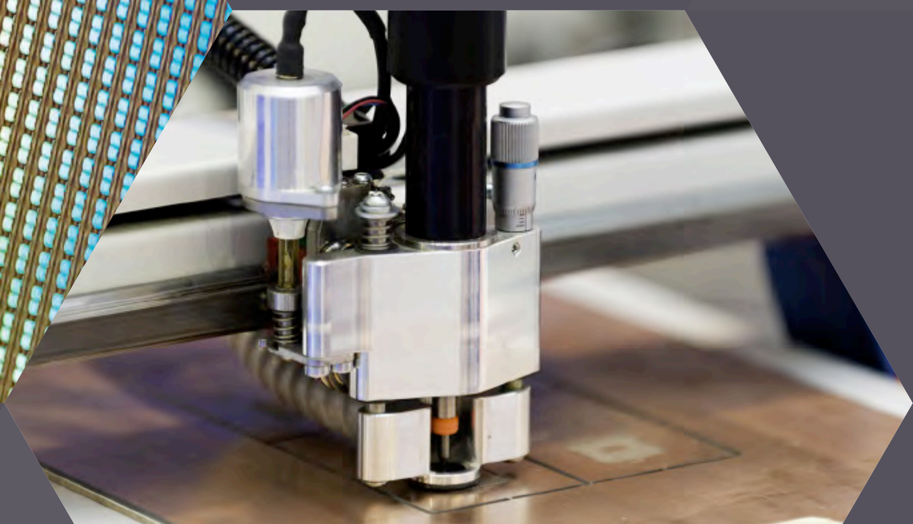
Our fibre optic technology is also used to support the growth of the world's renewable energy generation market. In this sub-market we were pleased to see another product from our technology roadmap migrate into production. We are providing a complex fibre optic assembly that is integrated with energy-generating wind turbines to assist with their safe operation and efficient generation of energy.

Despite this pleasing progress on the delivery of our strategic objectives, we were impacted by the general industrial market slow down, especially in the first half of the financial year when a number of our customers found themselves in an overstocked position and reduced their orders in order to correct their inventory holdings. Volumes recovered to some extent in the second half but nevertheless our revenue in this segment declined by 9.7% on an organic, constant currency basis.

Our revenue into both the industrial laser and more established areas of the semiconductor manufacturing environments both declined sharply. Our growing deliveries into the more advanced semiconductor manufacturing systems which increased by around 50% were not enough to offset these other sub-market declines.

Deliveries of our sensing products also declined. Revenue in this sub-market is prone to fluctuation in our end customers' infrastructure build out programmes and FY2024 was a disappointing year in this regard.

Subsea data market revenues grew well driven by additional demand from one of our large, long-standing customers in the subsea data cable laying market. This was thanks to additional end market demand but it was also pleasing to be able to generate first revenue from a new customer we have secured for whom we are providing an advanced amplifier unit that is incorporated into their subsea data cable network.



Strategic Priorities for FY2025

- We are adding further resources to our development teams focused on our acousto- and electro-optic products which form the majority of our product offerings into the Industrial market. We have good connections with our customers' development teams and expect this close working to result in the Group securing new programme positions on our customers' next generation industrial laser and semiconductor manufacturing equipment.

- We will bring new products to the market and ensure that we remain at the cutting edge of technology in this growing market. During FY2024 G&H introduced 23 new products in Industrials generating £11.7m of revenue.

- We have identified further products that we will transfer to our low-cost contract manufacturing partners to support our margin expansion and to extend the lives of these products. This will support us offering our customers additional capacity and shorter lead times. In some cases we have also identified the opportunity for margin expansion from substituting some of our existing supplier for our low cost region contract manufacturing partners.

- We will focus on niche markets where the quality and reliability of G&H's product differentiate us from the competition – in particular those that require reliable performance in harsh and demanding environments.

- Through both cross sharing of experiences between our sites and focused kaizen events, our operations team will focus on improving the efficiency of our factories, increasing our production yields, eliminating waste, and further rationalising our inventory holdings.

OPERATIONS REVIEW

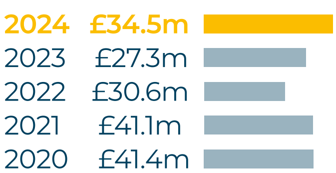
Aerospace & Defence

Financial

Revenue

£34.5m

(FY2023: £27.3m)



Adjusted Operating Loss

£(1.2)m

(FY2023: (£1.8m))

Operating Loss

£(1.5)m

(FY2023: (£2.3m))

Adjusted Operating Margin

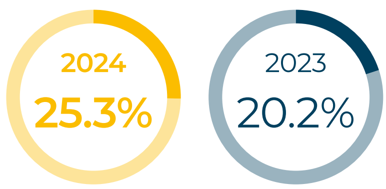
(3.5%)

(FY2023: (6.8%))

Percentage of Group Revenue

25.3%

(FY2023: 20.2%)



Our Products Enable

- **Target designation and range finding** used on both land-based and airborne systems.
- **Guidance and navigation** components for ring laser gyroscope and fibre optic gyroscope inertial navigation systems.
- **Countermeasures** for ground-based systems and airborne platforms.
- **Space photonics** – G&H is leveraging its heritage of ultra-high reliability components for both space and very high altitude unmanned aerial vehicle applications in order to address the growing market for laser-based space communications.
- **Periscopes and sighting systems** for land based armoured fighting vehicles.
- **Opto-mechanical subsystems** for unmanned aerial and ground vehicles.
- **Directed energy systems** for military platform and infrastructure defence applications.
- **Advanced optical coatings** for both laser protection and platform stealth.
- **Acrylic optics** for low weight, less expensive optics as required for soldier, body worn systems (such as night vision goggles), and rifle scopes.

Market Drivers

- Global conflicts are driving further investment in both armoured vehicles, unmanned aerial vehicles (UAV), and measures to counter them.
- Users require new features within their latest optical systems that integrate electronics and optics in single more complex packages.
- Optics used in the defence arena increasingly require complex coatings, for which G&H is a leading supplier.
- Photonic components and systems offer size, weight, power and reliability benefits for multiple A&D sub-sectors.
- Infrared optical arrays are used for targeting, range finding, navigation and surveillance capabilities for both UAV and countermeasures.
- These same capabilities are needed in the operation of remotely controlled and autonomous A&D systems for land, sea and air.
- Space satellite communication systems are migrating from traditional radio frequency to laser-based systems. G&H's laser amplifier technology sits at the heart of these systems.
- Directed energy systems have already been deployed onto naval platforms as part of their integrated defence systems. Significant investment is being made by western governments in more powerful laser systems for other applications within and beyond naval warfare.

Our Strategy in Action

During FY2024 we made good progress on the development of the advanced periscope systems that we will deliver into the UK Army's Challenger 3 MBT upgrade programme. We shipped first prototypes to the prime contractor, and our systems were integrated into the vehicle for successful live firing trials. We expect to complete development activities in the first half of the coming financial year.

The same core technology is being used for a periscope system that we are providing to an eastern European NATO country for a new amphibious armoured vehicle programme. We will commence delivery of production units in the coming few months. We expect to secure further orders from this programme as the end customers places orders for the full programme quantities.

The thin film coating capability that our G&H | Artemis business, which we acquired last year, provides is able to offer protection against the harshest threats from lasers as they are now being deployed on the modern battlefield. This has led to G&H | Artemis being invited to tender for the emerging requirements of western militaries, and in turn G&H | Artemis are able to cross sell other precision optic products and capabilities from other G&H sites.

One of the priorities set out in our refreshed strategy was to review our portfolio of products and to assess whether they were all sufficiently differentiated to allow us to command acceptable returns for the Group. In the first half of the year we concluded that the majority of the products offered by our EM4 business in Boston did not meet that threshold, and it was therefore decided that we would divest the business. That divestment was completed in March 2024. Before completing the sale, we transferred a fibre fusing technology from that business and moved it to our Torquay facility as it is deployed in some of the products we supply into the world's most advanced photolithography machines and its retention was therefore very important for the Group. Shortly before its sale, the EM4 business saw some of its contracts cancelled by the end customer, further supporting our decision to divest the business.

Our revenues in our A&D segment grew by 10.3% on an organic constant currency basis. Demand for our super polished optical components used in ring laser gyroscopes is very strong, and due to the investments we have made in our team at Moorpark, where those components are manufactured, revenue grew. However our progress on improving our production yields was slower than planned. Our precision optics are prone to damage as they complete the production process and with a large number of new, less experienced operators joining our team, costs associated with poor quality increased. Reversing this trend will be a priority for us for the new financial year.

Our engineering teams continue to be active in the field of laser-based space communications. Building upon work previously completed with our satellite partners, we are now developing more powerful laser amplifiers that will enable transfer of greater volumes of data. Our work in this area is an important element of our more focused and accelerated technology development programme. We believe we are well positioned to benefit as the laser-based space communication develops more fully.

We are also contracted by a number of prime contractors on directed energy systems. G&H's expertise in coating the large optics that are positioned at the heart of these systems means that we are well positioned to secure recurring revenue once these programmes transition to volume production. There is a clear trend towards greater reliance by western militaries upon directed energy systems within their overall suite of defensive capabilities.

Strategic Priorities for FY2025

- We will complete the development of our advanced periscope systems for the Challenger upgrade programme and exploit the core technologies that we have developed to address their customer needs.

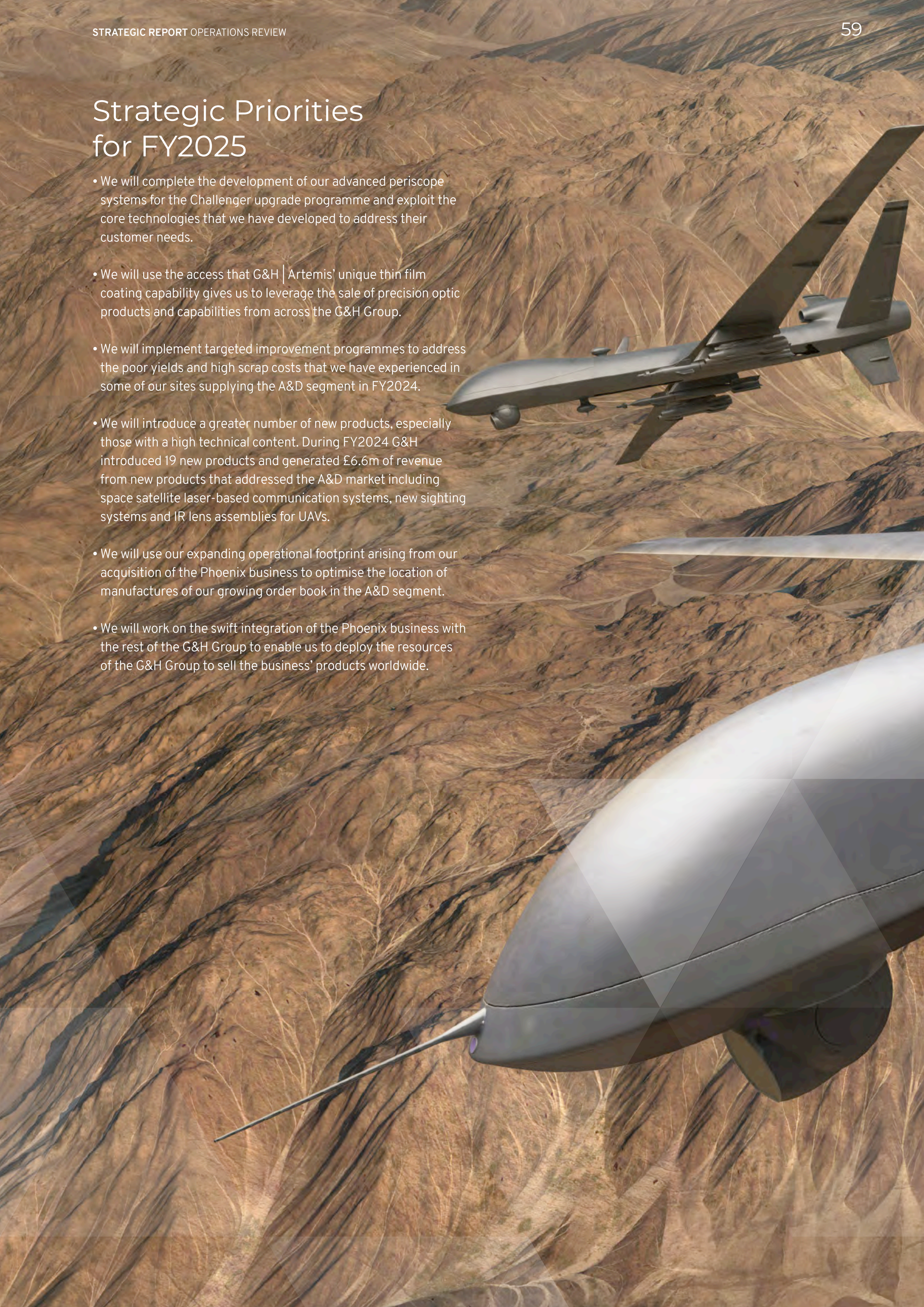
- We will use the access that G&H | Artemis' unique thin film coating capability gives us to leverage the sale of precision optic products and capabilities from across the G&H Group.

- We will implement targeted improvement programmes to address the poor yields and high scrap costs that we have experienced in some of our sites supplying the A&D segment in FY2024.

- We will introduce a greater number of new products, especially those with a high technical content. During FY2024 G&H introduced 19 new products and generated £6.6m of revenue from new products that addressed the A&D market including space satellite laser-based communication systems, new sighting systems and IR lens assemblies for UAVs.

- We will use our expanding operational footprint arising from our acquisition of the Phoenix business to optimise the location of manufactures of our growing order book in the A&D segment.

- We will work on the swift integration of the Phoenix business with the rest of the G&H Group to enable us to deploy the resources of the G&H Group to sell the business' products worldwide.



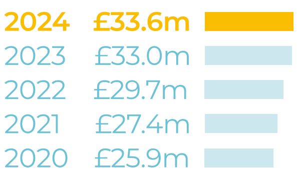
OPERATIONS REVIEW
Life Sciences

Financial

Revenue

£33.6m

(FY2023: £33.0m)



Adjusted Operating Profit

£4.6m

(FY2023: £4.3m)

Operating Profit

£3.9m

(FY2023: £3.3m)

Adjusted Operating Margin

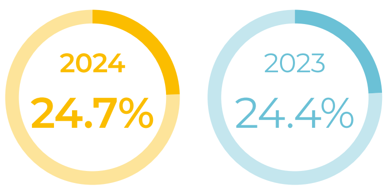
13.8%

(FY2023: 13.1%)

Percentage of Group Revenue

24.7%

(FY2023: 24.4%)



Our Products Enable

- **Medical diagnostic instruments –** G&H has a range of capabilities including full product development, design, manufacturing, certification and after sale service for the commercialisation of high-quality medical diagnostic, in vitro diagnostic (IVD) devices, precision analytical, electro-mechanical and laboratory instruments.
- **Advanced polymer optics** are playing an increasing part in medical optics due to the cost and weight benefits as well as the need for disposable systems to avoid infection.
- **Optical coherence tomography (OCT)** primarily used in retinal imaging for the diagnosis of glaucoma and macular degeneration, but also now used in the detection of cardiovascular disease and cancer diagnostics.
- **Laser surgery** used in a wide range of applications including prostate surgery, scar correction, cataract surgery, freckle, mole and tattoo removal as well as wrinkle reduction and teeth whitening.
- **Microscopy –** Modern, laser-based techniques are revolutionising the field of microscopy.

Market Drivers

- A growing aging population generating demand for a shift towards early diagnosis rather than later, more serious treatment of undetected conditions.
- A trend towards more point-of-care and personalised medicine driving demand for simple, volume diagnostic products.
- Growing demand for laser enabled aesthetic procedures especially from Asia, and in the west for tattoo removal.
- A growing middle class influenced by social media eager to access laser-enabled cosmetic and aesthetic procedures.
- New applications for optical coherence technologies beyond the traditional areas of eye examination and treatment.
- Greater use of inexpensive, disposable plastic optics in life science instruments to avoid infection.

Our Strategy in Action

Following the acquisition of the GS Optics in June 2023, we have worked quickly to convert space in their Rochester facility into a Life Sciences design and production centre replicating the capabilities that we have at our Ashford site in this North American centre of excellence. We have achieved ISO 13485 accreditation for the new facility and secured our first R&D contract for the team there. This represents an important step in our strategy to access the very large North American medical diagnostic market with US based resources.

The integration of GS Optics into G&H is now complete and our business development teams are implementing targeted campaigns to offer G&H | GS Optics' polymer capabilities to the Group's existing Life Sciences customers to address their needs for disposable healthcare optics and other components providing a one stop shop solution for their diagnostic device requirements. These cross-selling campaigns are expected to support G&H | GS Optics' growth in FY2025.

Our G&H | ITL business in Ashford is working with customers on the development and accreditation of their next generation medical instruments. Wherever these developments require optical components, the G&H | ITL business is able to cross-sell products and capabilities from other parts of the G&H Group ensuring we capture a larger share of our customers' total spend.

Due to improvements made in our operations and supply chain processes at our Ashford site, we were able to respond quickly to growing demand from some of our customers for additional volumes driven in turn by the success of their product launches with their end customers. Despite growing volumes, the site was able to reduce its inventory holding, giving greater confidence in our supply to delivery on time and our deployment of improved forecasting and material planning tools and processes at the site.

Working with our customers, we have identified some opportunities for the outsourcing of certain components and modules that form part of those medical diagnostic instruments to our low-cost region suppliers. Initial samples have been received and in the coming year we will progress these transfers to access the opportunities for margin accretion and additional surge capacity that these transfers offer, working closely with our clients through this process.

In our medical laser market, confronted by growing competition in the area of less complex medical laser components, we are assessing our options for reducing our cost of manufacturing – potentially using our low-cost region suppliers as well as assessing in which parts of our current portfolio we can continue to offer differentiated products.

Our Life Sciences revenue grew by 1.3% on an organic constant currency basis in the year to 30 September 2024, compared with the prior year. Demand for our medical diagnostic instruments grew strongly offsetting the decline we saw from our medical lasers markets which was significant especially in the first half of the year and the medical laser OEM corrected their inflated inventory holding. We started to see this position recover in the fourth quarter.

Strategic Priorities for FY2025

- We will complete the resourcing of our expanded sales and business development team focused on securing new business for our Life Sciences business, with a specific focus on production orders for our North American Life Sciences Centre of Excellence.

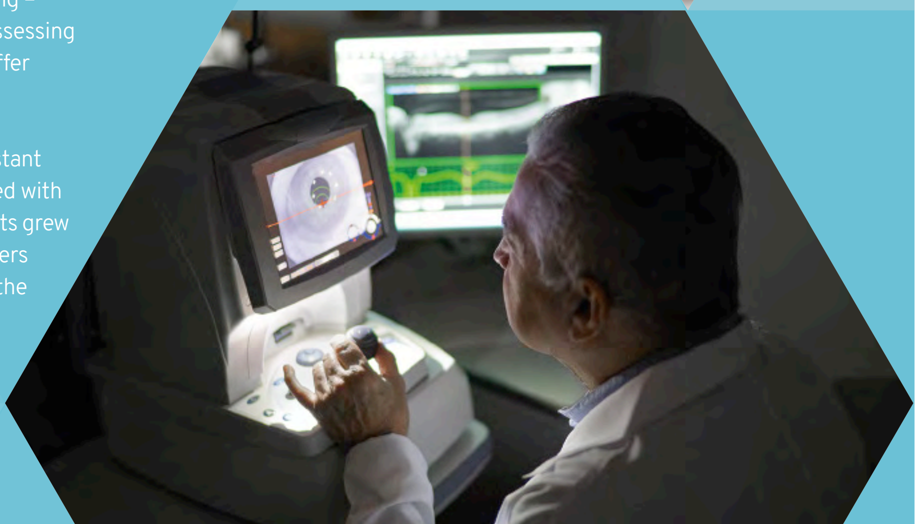
- This team will also focus on opportunities to cross-sell G&H | GS Optics polymer optics in to our existing Life Sciences customer base.

- We will complete the transfer of production of some of the components and modules used in our medical diagnostic instrument to our low-cost region supply chain to support margin accretion and a surge build capability.

- We will work with our OEM Life Sciences customers to finalise the development and accreditation of their next generation medical devices and secure the follow-on production revenue from their instrument build.

- We will complete our assessment of our product range currently supplying the medical laser market in the face of growing low-cost Asian competition.

- We will continue to invest in R&D projects in close collaboration with our customers. During FY2024 G&H introduced 6 new products and generated £7.0m of revenue from products that address its Life Sciences market, especially in the medical instrumentation market.



Financial Review

“Further progress on delivering the strategy despite challenging market conditions.”

Organic Revenue Growth
(3.0%)

Total Revenue
£136.0m

Adjusted Operating Profit
£8.1m

Overview of the Year

FY2024 saw us complete some important steps on the Group's strategy against the backdrop of a difficult market environment. In the second half of FY2023 it had already been evident that some of our larger customers in the industrial and medical laser markets were over-stocked and that volumes in our first half of FY2024 would be impacted as they sought to correct their inventory holding. That was the case and in the first half, our revenue declined by 5.3% on an organic, constant currency basis. In the second half revenue recovered and was 15% higher than the first half on the same measure, although in the industrial and medical laser markets we are yet to see sustained recovery in demand levels. Despite the second half recovery revenue for the full year finished 0.7% higher than FY2023 but 3.0% lower when measured on an organic, constant currency basis.

In the first half of the financial year our order book grew marginally thanks to lower levels of output driven by our customers' scheduled demand. In the second half, our output levels increased but when measured at a Group level, order intake was broadly the same as the first half with the result that our book to bill ratio fell to 0.91x and the order book closed the year at £104.5m. By historical measures this is still at a good level but our customers, particularly in the industrial segment, are reluctant to place orders for multiple months reflecting their own uncertainty regarding their end markets.

We set out in our strategy in 2023 that we would review the Group's portfolio of products to determine whether they were sufficiently differentiated to generate the level of returns that supported the Group's journey to mid-teen returns. As a result of that review, we concluded that the majority of products supplied by our EM4 facility in Boston did not reach that threshold and as a result, the business should be sold. We did, however, ensure prior to the sale that we transferred out of EM4 to another G&H facility a technology for fibre fusing that is differentiated and is employed in the modules we supply into advanced photolithography equipment. The sale of the business was completed in March 2024 and as a result, the financial statements have been re-presented to exclude the results of this discontinued operation.

The lower revenue described above pulled the Group's adjusted operating profit margin lower to 7.7% (2023: 9.0%). Whilst margins progressed in our A&D and Life Sciences segments thanks to additional volumes and some progress on operational efficiencies, margins fell back in our Industrial segment as a result of the lower volumes. We continue to support our R&D programmes with further engineering recruitment and our spend in this area increased to £7.8m (5.8% of revenue) compared with £7.4m (5.5% of revenue) in the previous year.

After the impact of adjusting items which totalled £3.7m (2023: £4.3m) the full year statutory operating profit was £6.8m (2023: £7.8m). The loss on disposal of the EM4 business totalled £9.2m, and when this is combined with the trading of that business in the period up to its sale, the total post tax loss from discontinued operations was £9.7m (2023: £0.8m), bringing the total post tax loss of the Group for the year to £6.4m (2023: profit of £4.0m).

Adjusted EPS totalled 25.5 pence (2023: 33.9 pence) reflecting the Group's reduced adjusted operating profit in the year. Reported basic earnings per share was 12.7 pence (2023: 19.4 pence).

During the year we invested £5.2m in additional equipment and systems to support the Group's operations and future growth. Net working capital level increased by £3.6m as a result of the settlement of high payables balances on the September 2023 balance sheet in the first quarter of the year. Our inventory turns and debtor days metrics both improved across the course of the financial year. Cash flow from operating activities totalled £14.2m (2023: £16.2m). We ended the year with net debt of £25.8m (2023: £31.7m) including IFRS 16 lease liabilities of £9.9m (2023: £10.8m). Dividend payments totalled £3.4m (2023 - £3.2m). At 30 September 2024 leverage was 0.9x (2023: 1.1x).

Revenue

	2024		2023	
Year ended 30 September	£'000	%	£'000	%
Industrial	67,947	50.0%	74,709	55.3%
A&D	34,459	25.3%	27,339	20.2%
Life Sciences	33,584	24.7%	32,993	24.5%
Group Revenue	135,990	100.0%	135,041	100.0%

Group revenue from continuing operations totalled £136.0m (2023: £135.0m). Group revenue was 3.0% lower than the prior year once the impact of exchange movement and the full year benefits of Artemis and GS Optics which were acquired during the course of FY2023 are excluded. Revenue in the second half grew 15% compared with the first half on an organic, constant currency basis.

We saw full year organic, constant currency revenue growth from both our A&D and Life Sciences markets, by 10.3% and 1.3% respectively but in our Industrial market revenue declined on the same measure by 9.7%. In our A&D business, we are experiencing strong demand for our super-polished components used in ring laser gyroscopes as well as a general pick-up in demand for precision optics used in defence applications. We expect our order book for this segment to grow further in FY2025 given the number of proposals we are currently providing to customers.

In our Life Sciences market we saw good growth in revenue for our medical diagnostic instruments. Two of our customers' instrument programmes transitioned into full rate production, and those devices performed well in the market generating higher levels of demand than our customers had anticipated, resulting in additional volumes for our G&H | ITL business. We were also pleased to be able to record our first revenue from our new North American Life Sciences Centre of Excellence in our Rochester facility. Offsetting these gains we saw a sharp reduction in our revenue from the medical laser market. This market is characterised by a small number of large OEMs who found themselves in an overstocked position entering FY2024. As a result those customers pushed out H1 FY2024 deliveries in order to correct their inventory holdings. We started to see some resumption of demand in the second half of the year but overall our revenue finished the year significantly lower than the previous period.

We faced a similar effect in our Industrial segment where many of our industrial laser customers entered FY2024 in an overstocked position. As a result, revenue for our Industrial segment in the first half was 13.4% lower than the prior period on an organic, constant currency basis. Whilst trading levels improved in the second half, the segment's revenue finished FY2024 9.5% lower than the prior year. Despite the headwinds in our principal industrial markets we did see good growth from our subsea data cable market. This was a result of securing an important new customer win for the provision of a complex amplifier module, as well as increasing activity with our principal existing customer.

Operating profit and margin

The Group's adjusted operating profit from continuing operations was £10.5m (2023: £12.1m) and statutory operating profit from continuing operations was £6.8m (2023: £7.8m) after a charge of £3.7m (2023: £4.3m) for items excluded from adjusted operating profit. This included:

- Acquisition costs of £2.2m (2023: £2.8m) of which £2.0m (2023: £1.7m) related to the non-cash amortisation charges on intangible assets arising on the Group's historical business combinations. The remaining £0.2m (2023: £1.2m) related to costs associated with the acquisitions of GS Optics and Artemis in FY 2023.

- Restructuring costs of £0.9m (2023: £0.6m) associated with the restructuring of the Group's operations and other non-recurring charges.

- Site closure costs of £0.5m (2023: £0.9m) associated with the closure of the Group's facility in Shanghai and in the prior year the closure of a small facility in Virginia and the consolidation of its activities into our facility in Rochester, NY.

The adjusted operating margin of 7.7% (2023: 9.0%) reflects the impact of lower volumes especially in our Industrial segment. In the first half, the business was significantly impacted by some of our principal industrial laser customers adjusting their inventory holding lower. We saw some improvement in the second half with our revenue into this segment 16% higher than the first half which helped to lift adjusted operating profit margins from 10.9% in the first half to 11.8% in the second half. Despite difficult trading conditions in our industrial laser markets, the subsea data cable market continued to be a good one for us. Revenue grew thanks to our principal end customer winning new networks installations. We were also pleased to secure a customer for a new amplifier module – the output from one of our technology roadmaps. That programme win will support margin accretion as the project migrates to volume production in the coming financial year. The progressive migration of more of our high-reliability fibre coupler build to our south east Asian sub-contractor also supports further margin progression for the Group in this segment in the coming year.

Within our Life Sciences business, we saw a significant slowdown of demand from our medical laser customers in the first half. And despite further growth in our deliveries to medical diagnostic instrument customers, our revenue in the first half were 5.9% lower on an organic, constant currency basis. Similar to our Industrial segment, revenue recovered to some extent in the second half albeit at a subdued level in the medical laser market ,but deliveries to our medical diagnostic customers grew again. Revenue in the second half was 22.8% higher than the first half. Despite the growth in revenue, operating margins declined from 14.7% in the first half to 13.1% in the second. As some of our medical diagnostic programmes migrated to high volumes pre-negotiated pricing reductions came into force and in our medical laser markets we face growing competition from lower cost Asian competition that is driving the price points in the market lower and impacting the Group's margins from these product lines. We are currently assessing our strategy for the medical laser market.

In our A&D market we are seeing good growth in demand. First half revenue was 19.6% higher on an organic, constant currency basis compared with the first half of FY2023, and we saw further growth in the second half which was 6.7% higher than the first half on the same measure. The additional volume is helping to lift adjusted margins which moved from a loss of 9.4% in the first half to a profit of 2.2% in the second half. The more complex sighting systems, often incorporating our advanced laser protection filtering that we are providing our customers generate better margins that our less complex precision optic components. Nevertheless, we are still experiencing lower yields and higher scrap rates in some of our precision optic facilities than we would like. This has been partially driven by high numbers of newly recruited production team members less experienced in the handling of precision optics through the production process. Improvements in this area will be a focus for us in the coming year.

We made further additions to our R&D teams, and our total spend on product development activities increased to £7.8m (2023: £7.4m). We also added to our sales and business development teams, especially in our Life Sciences segment, in order to support the future growth of our business and, in particular, the North American medical diagnostic instrument market, leveraging the investments we have made in establishing our Life Sciences Centre of Excellence in Rochester, NY state. Despite the weaker demand we are currently seeing from our industrial and medical laser markets, we are ensuring the business is well positioned to benefit once those markets return to growth.

A reconciliation between adjusted profit and statutory profit is shown below.

A reconciliation between adjusted profit and statutory profit is shown below.

	Reconciliation of Adjusted Performance Measures											
	Operating profit		Net finance (costs)/income		Profit before tax		Taxation		Earnings per share		Operating cash flow	
Year ended 30 September	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 pence	2023 pence	2024 £'000	2023 £'000
Reported	6,812	7,814	(2,604)	(1,812)	4,208	6,002	(931)	(1,145)	12.7p	19.4p	14,247	16,164
Acquisition costs	228	1,156	209	57	437	1,213	(85)	(83)	1.4p	4.5p	134	1,116
Amortisation of acquired intangible assets	2,002	1,672	–	–	2,002	1,672	(462)	(327)	5.9p	4.7p	–	–
Restructuring and site closure costs	1,460	1,450	–	–	1,460	1,450	(59)	(291)	5.5p	5.3p	2,323	934
Adjusted	10,502	12,092	(2,395)	(1,755)	8,107	10,337	(1,537)	(1,846)	25.5p	33.9p	16,704	18,214

Discontinued operations
The loss from discontinued operations in the period totalled £9.7m. This comprised a loss on disposal of the EM4 business of £9.2m, a trading loss in the period of £0.6m (2023: profit of £0.3m) and a tax credit of £0.2m. The EM4 business had received two contract cancellations in the months leading up to its disposal in March 2024 which had impacted its trading performance in the year.

Finance costs
Net adjusted finance costs totalled £2.4m (2023: £1.8m) with the increase due to the higher drawn debt levels following the acquisition of the Artemis and GS Optics businesses in FY2023. Included within these costs is a charge of £0.5m (2023: £0.3m) in respect of lease interest. The additional property leases taken on as a result of the acquisition of Artemis and GS Optics, including the additional space taken for our North American Life Sciences Centre of Excellence explain the increase compared to the previous year.

Further details of the Group's debt facilities are set out below.

Taxation
The Group's overall tax charge was £0.9m (2023: £1.1m) including a £0.6m credit (2023: £0.7m) in respect of items excluded from adjusted profit. The adjusted tax charge was £1.5m (2023: £1.8m) resulting in an effective tax rate of 19.0% (2023: 17.9%). The rate reflects a combination of the varying tax rates applicable throughout the countries in which the Group operates, principally the UK and the USA as well as the tax incentives for investment available to the Group.

During the year, we performed a review of our deferred tax accounting across each of the jurisdictions in which we operate. This review identified that we were entitled to, and should have recognised a deferred tax asset in respect of accumulated trading losses in our US tax group. Accordingly we have restated the balance sheet as at 30 September 2022 to recognise additional deferred tax assets of £2.5m in respect of losses. In accordance with IAS12, we have also netted deferred tax assets and deferred tax liabilities where they relate to taxes levied by the same taxation authority on the same taxable entity. The effect of this was to net deferred tax assets of £4.7m and £4.5m against the deferred tax liabilities as at 30 September 2023 and 30 September 2022 respectively. There is no effect from this adjustment on the income statement for the year ended 30 September 2023 or 2024.

Earnings Per Share
Basic adjusted earnings per share reduced to 25.5 pence (2023: 33.9 pence), reflecting the reduced adjusted profit in the period. Basic earnings per share was 12.7 pence (2023: 19.4 pence). This reduction was driven by the reduction in adjusted operating profit and the small year on year difference in adjusting items set out above.

Cash flow
Cash flow generated from operating activities was £14.2m (2023: £16.2m). During the first half of the financial year the Group increased its net working capital by £3.6m principally as a result of settling high creditor balances on the September 2023 balance sheet. In the second half, working capital levels were held broadly flat despite increasing levels of output thanks to improving disciplines around inventory management and strong collections of receivables.

Our net capital expenditure totalled £5.2m (2023: £6.8m). Investment levels reduced in the year given the significant non-recurring investments made in the previous financial year in establishing our contract manufacturing partner for the production of our products as well as investments in our precision optics production facility at Ilminster. Notable spend in FY2024 included the fit out of the North American Life Sciences Centre of Excellence in Rochester, NY state and the implementation of the Group's ERP systems in the G&H | Artemis and G&H | GS Optics businesses.

The net cash inflow from the sale of our EM4 business in March 2024 totalled £1.7m. This comprised consideration received of £4.2m less transaction fees and other costs incurred of £2.1m and cash included in the business at sale of £0.4m. Working capital and net debt adjustments resulted in a repayment of £0.7m to the purchaser. The net proceeds from the sale were used to reduce the Group's borrowings. The consideration for the sale of the business included a deferred, contingent element of up to $6.75m (£5.1m) based upon the performance of the business in the period ending 30 September 2025. We have assessed the fair value of this deferred, contingent consideration as £nil.

Deferred, contingent consideration was payable by the Group on its purchase of the Artemis and GS Optics businesses in FY2023. The G&H | GS Optics business failed to achieve the levels required in order for a payment to be made and no further amounts are now due in respect of that acquisition. The first measurement point for the deferred, contingent consideration for the purchase of the G&H | Artemis business was the year ended 31 July 2024 and a payment of £343k was made. The final element of the deferred, contingent consideration is dependent upon the business' financial performance in the period ending 31 July 2025.

Dividend payments in the year totalled £3.4m (2023: £3.2m).

Funding and Liquidity
The Group's operations are funded through a combination of retained profits, equity and borrowings. Borrowings are raised at Group-level from the Group's banking partner and lent to the subsidiaries. The Group's facility comprises a committed $50m revolving credit facility (RCF) with a further $20m uncommitted accordion facility. At 30 September 2024, the Group had drawn $30.4m, leaving undrawn committed and uncommitted facilities of $39.6m. The RCF matures in March 2027. A further summary of the Group's borrowings and maturities are set out in note 23 of the Group Financial Statements.

The Group's leverage is expressed in terms of its net debt/adjusted EBITDA ratio. Under the Group's credit facility, the figure for net debt used in this ratio excludes IFRS 16 lease liabilities and other IFRS 16 impacts. The Group's main financial covenants in its bank facilities states that net debt must be below 2.5 times adjusted EBITDA, and adjusted EBITDA is required to cover interest charges, excluding interest on pension schemes, by at least 4.5 times. At 30 September 2024 net debt/adjusted EBITDA was 0.9x (30 September 2023: 1.1x). Interest cover at 30 September 2024 was 5.9x (30 September 2023: 9.0x).

The Group maintains sufficient available committed borrowings to meet any forecast funding requirements.

Dividend Policy

In determining the level of dividend, the Board considers not only the adjusted earnings cover, but also looks to the future expected underlying growth of the business and its capital and other investment requirements. The Group's balance sheet position and its expected future cash generation are also considered. The Board takes into consideration the Group's Principal Risks, which are set out on pages 69 to 71. The Group's ability to pay a dividend is impacted by the distributable reserves available in the parent Company, which operates as a holding company, primarily deriving its net income from dividends paid by its subsidiary companies. At 30 September 2024, Gooch & Housego PLC had sufficient distributable reserves to pay dividends for the foreseeable future.

Given the strength of the Group's order book and the growth potential of the Group confirmed by our recent strategic review the Board is proposing a final dividend of 8.3 pence per share (FY2023: 8.2p), giving a total of 13.2 pence per share (FY2023: 13.0p) for the year when combined with the 4.9 pence per share paid as an interim dividend in July 2024 (FY2023: 4.8p). The Board is committed to growing the level of dividend cover.

Financial Risk Management

The Group's main financial risks relate to funding and liquidity, interest rate fluctuations, and currency exposures. The Group uses financial instruments to manage financial risks arising from underlying business activities.

Foreign Currency

The Group is exposed to both translational and transactional currency risk. We are able to partially mitigate the transaction risk through matching supply currency with sales currencies but in our UK businesses, we remain a net seller of US dollars and Euros. We address this remaining net risk through forward hedge contracts seeking to cover at least 75% of the forecast net exposure over the coming twelve months. These contracts are used to reduce volatility which might affect the Group's cash balance and income statement.

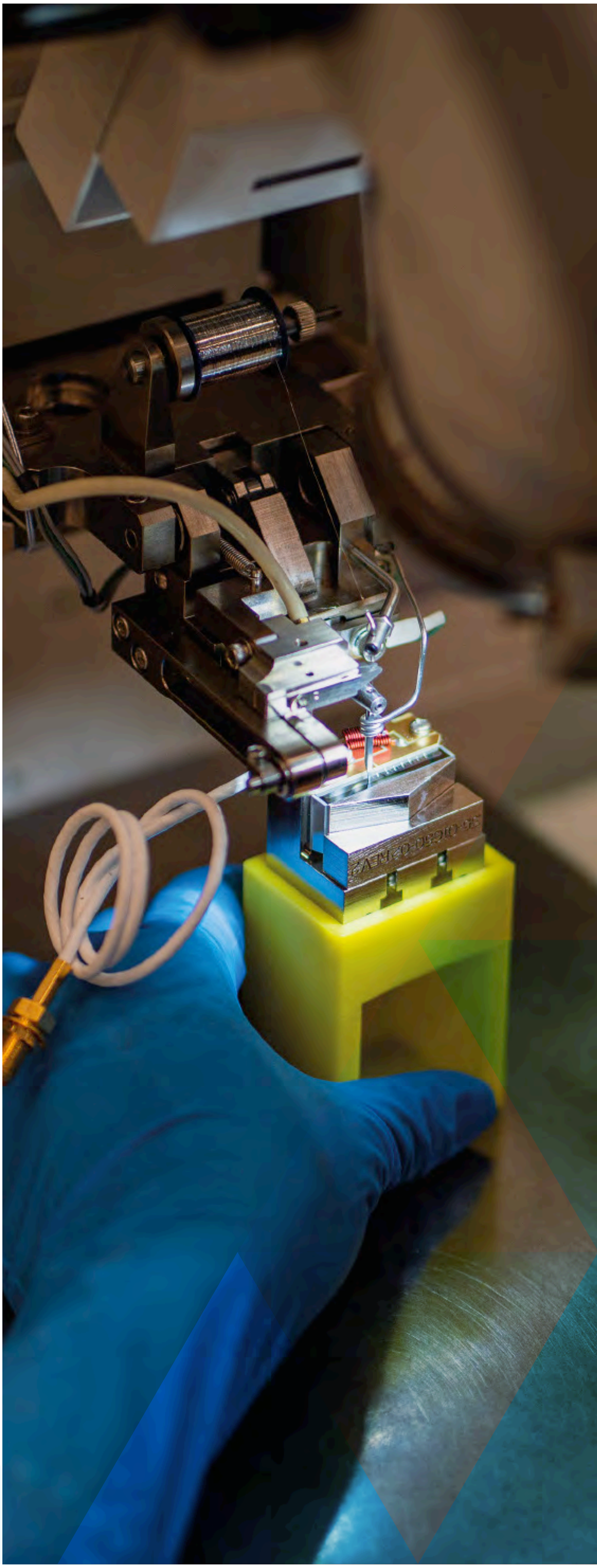
Further details of the Group's foreign exchange risk management are set out in note 29 of the Group Financial Statements.

The following are the average and closing rates of the foreign currencies that have the most impact on the translation of the Group's Income Statement and Balance Sheet into GBP.

Income Statement	Average rate	
	2024	2023
USD/GBP	1.27	1.23
Euro/GBP	1.17	1.15

Balance Sheet	Closing rate	
USD/GBP	1.34	1.22
Euro/GBP	1.20	1.15

The Group's revenue is more sensitive to exchange rate movements than its profit. A one cent change in the average Dollar exchange rate would have a £0.7m effect on revenue but less than £0.1m effect on profit. The Group's results are not significantly affected by movements in the Euro exchange rate.



ESG Report

Social

Engaging with our people

Developing our people

Ensuring the wellbeing of our people

Promoting equality and diversity

Supporting our communities

Environment

Reducing energy consumption

Sourcing from cleaner, more sustainable sources

Governance

Corporate governance framework

Business integrity

Managing our supply chain

Image: Tim van der Kuip/Unsplash

At G&H we are working hard to reduce our impact on the environment and supporting steps to limit climate change. We made further good progress in the year in reducing our carbon emissions in support of our objective to have zero net Scope 1 and 2 emissions by 2035.

Many of the products that we design and manufacture are supporting the more efficient use of energy and the transition away from carbon based fuels to clean, renewable energy.

We recognise that our workforce is the most important asset that our Group possesses. We are focussed on investing in the development of our employees at all levels within the organisation. Our apprenticeship schemes offer young people in the communities in which we operate routes in to rewarding, skilled roles in an advanced and complex manufacturing environment. We ensure we operate a safe working environment, and we're pleased to see a further improvement in our metrics in this area in the year.

We understand the importance of maintaining the highest standards of corporate governance. We ensure we operate in an ethical and sustainable way in all parts of our operation.

The Group's Sustainability Committee which was established in 2023 is now embedded as an important forum for managing and accelerating the Group's sustainability actions. We also require our suppliers to apply high levels of governance and operate in an ethical manner, and we support them in that process through our regular visited to their facilities.

We are determined to maintain our high standards of business conduct as we know our reputation is key in ensuring our long-term success.

Our business activities and the ways in which we operate support the **UN's Sustainable Development Goals** are shown below:

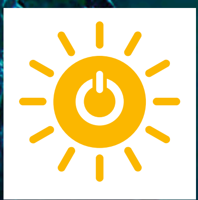
3 Good health and well being

Our products help to diagnose and treat illness and disease at their earliest stages.

We are committed to providing a safe and healthy working environment for our employees, including their mental health.

5 Gender equality

We are committed to equal opportunities within our business. We offer flexible working arrangements wherever possible to help retain more women in our business.



7 Affordable and clean energy

Our products support the clean and efficient generation of energy from renewable sources.

We have invested to generate our own energy from solar sources and we are progressively buying more and more of our remaining energy needs from renewable sources.

9 Industry, innovation and infrastructure

Our products enable our customers to operate more effectively and use resources more efficiently.

We employ scientists, engineers and talented production operators constantly innovating in their fields of expertise.

12 Responsible production and consumption

We apply high standards of corporate governance and expect our suppliers to do the same.

We are reducing our impact on the environment.

13 Climate action

We have set a target to be net zero for Scope 1 & 2 emissions by 2035, and are making good progress against that.

Our products support the generation of energy from clean, renewable sources.

Image: Jonatan Pie/Unsplash

Social

Establishing the right culture and values amongst our teams is critical in allowing the Group to deliver upon its strategy. The G&H Values and Behaviours guide how we work with each other and with our customers and suppliers. When we recruit and when we assess our employees' performance, we do so by references to the Values and Behaviours we have shared with them.

The safety and wellbeing of our employees is of utmost importance to us. We celebrate zero harm achievement and we were pleased to achieve a further reduction in our time lost to accidents in 2024.

Employee engagement

We work hard to ensure our employees feel connected to and engaged with the over-arching vision of the Group which is "A Better World with Photonics". During the year, the Group launched the G&H Employee Engagement programme, a comprehensive employee connection model that focuses on the "employee life" components of the employment experience.

In a move to boost employee engagement, in April 2024, the Group introduced a company-wide quarterly newsletter, The Pulse. This features a variety of content aimed at keeping our employees informed, engaged, and inspired. From updates on company initiatives and spotlights on team members, this newsletter is a valuable resource that connects everyone in our organisation.

During the year we have also introduced a monthly 'One G&H' slide pack to be delivered to all sites which is available for our site general managers to use at their regular all employee briefing sessions. This further helps to give our team members visibility of developments in other parts of the G&H Group.

We have invested in a new HR Information System which went live at the beginning of October 2024. This system provides a "one-stop shop" for both employees and their managers for employee performance assessments, learning and development plans, as well as remuneration details and available employment benefits.

The Board and senior managers within the Group keep connected with the views of employees through regular interactions with our employee consultation groups, comprised of management and elected employee representatives. There are now two formal occasions a year when the Board meet with those employee representatives. In between those formal meetings our non-executive director, Jim Haynes (nominated as the Board member with overall responsibility for employee engagement) meets with employee representatives.

The G&H Values

Customer Focus Delivering excellence to our customers both internal and external.

Integrity We do the right thing. Hard on the issue, fair on the person and kind to the planet.

Action Understanding that 'it is what we do that makes a difference'. Demonstrating self-motivation, initiative and determination to achieve this.

Unity Working together across teams and sites, in the spirit of collaboration towards a common purpose.

Precision In our engineering and our commitment to excellence and continuous improvement.

Reward & Recognition
During the year we appointed Melinda Chudleigh as the Group's new Chief People Officer. One of her early stage activities has been to review our reward and benefits packages to ensure we are market competitive and that they are appropriately rewarding performance in support of our corporate strategy.

This review resulted in a change in the way in which we incentive our sales team members. The new reward structure is focused more closely on the generation of the order book that they can most closely influence. It also allows them to earn high amounts if they are particularly successful in generating new business from their allocated customers.

We believe that all employees should be able to participate in performance related pay schemes that reward them for both the financial performance of their site and the Group but also their personal contribution to the business during the year. During the year we ensured that employees of the businesses that we acquired in 2023 were invited to participate in these schemes.

Developing our People
We seek to develop the skills and capabilities of our employees and to give our high potential employees the ability to take on new responsibilities and develop their careers.

Within the Group's new HR Information System there is a performance management and appraisal tool which provides opportunity for individuals to discuss training needs and career planning with their manager. Our managers are trained to set SMART objectives and to complete effective staff appraisals. The Group also operates a talent management and succession planning process managed through our online appraisal system and from which the Executive Management Team formulate action plans and review progress. The Board reviews this process annually and closely follows the development of our high potential employees.

We are able to make available online training content using our new HR systems. This will replace similar but less effective tools we have had in the past to deliver training on how to establish high performing team and to be aware of the needs of our internal customers as well as areas such as cyber security, export legislation awareness and Global Data Protection Regulations.

Safety
The health, safety and well-being of our employees across the Group is of paramount importance, and we work hard to ensure all our people are safe, whether they are working from home, working in our premises or working with our customers. We have a zero harm vision for health & safety.

Safety performance is a Group KPI, and we are pleased to report a 56% reduction in days lost to accidents in FY2024 compared with the prior year. We manage the Group's activities in this area through regular monthly site and quarterly functional reviews. "Near miss" reporting, which enables us to deal with potential problems before they result in accidents, is a cornerstone of our efforts to improve in this area and we were pleased that there was a 155% increase in the number of individual "Spot it, Stop it" reports made by employees in FY2024 compared with the prior year. We back up local site reporting activities with annual health and safety audits from Group safety managers not normally located at the site. The closure of actions resulting from these audits is tracked at quarterly Executive team meetings.

We benchmark our health and safety data which with other firms in our industry sectors. We continue to demonstrate best-in-class performance levels. Whilst the number of incidents which resulted in lost work time increased from 7 in FY2023 to 10 in FY2024, the number of days lost fell to 16.25 from 37 days in the previous year. Safety performance is quantified as the number of occupational accidents resulting in any time off work. None of the lost time incidents in FY2024 were reportable.

Health and Wellbeing

We support our employees' health and well-being, including their mental health. In the US, we contribute to our employees' health insurance accounts where they have opted to join one of the G&H schemes, and in the UK, we operate a health cash plan for our employees which provides financial reimbursement for costs associated with everyday healthcare and well-being solutions. We also make available to our employees external employee assistance programmes (EAPs) through which employees can access third party advice on good practice health and well-being.

Our sites have trained in-house mental health first aiders, and in the UK we have continued our active partnering with the mental health charity MIND. We give our managers regular training to help them recognise and help with emerging mental health issues amongst their teams.

Where it is possible, given the nature of their role, we offer flexible working arrangements allowing our team members hybrid home/ office working patterns allowing them to choose how they do their jobs in a way that works best for them. Within that flexible structure we do however believe in the importance of employees continuing to have regular on site attendance in order to enable effective team working and develop working relationships.

We value long term employment with the Group and have operated a long-service recognition scheme across the Group for several years. This is in addition to our employee recognition scheme which rewards employees for significant contribution to the business.

The average length of service across the Group is 8.5 years (2023: 8.0 years).

The loss of key personnel is identified by the Board as a risk within its ongoing Business Risk Assessment process. Voluntary labour turnover was 8.2% across the Group in FY2024 (2023: 10.8%).

Promoting Equality and Diversity

The Board is committed to providing equal employment opportunities for all employees and applicants for employment.

Diversity of age, gender and ethnicity is embraced at G&H. We seek to recruit, hire, develop and retain the best talent from the communities in which we operate. Our employees have diverse backgrounds, skills, and ideas that collectively contribute to our success. In the US our sites have put in place Affirmative Action Programs (AAP) in which are designed to attract, retain and develop a diverse pool of talent. In the UK our early year career apprenticeships and in the US our internship programmes have been successful in attracting new talent in to the Group. We use our enhanced family-friendly employment practices, including flexible working to make G&H an attractive employer to a broader range of people.

The Board and Executive management team monitor the representation of women and ethnic minorities at different levels and across different functions within our "talent pools". Our recruitment partners are instructed to include female candidates in all shortlist submissions. Over time this will improve the representation of women at all levels, notably in leadership positions. At the end of FY2024, 25% of the Group's Directors and Senior Leadership team were female compared with 21% at the same time last year. Female representation on the Board is now at 33% (2023: 28.6%).

Supporting our Communities

We support the communities in which we operate. Through our newly launched G&H Giving programme we encourage employees to participate in volunteer activities and community service projects. To support this, employees are allowed to take time off work for volunteering. We also support charitable organisations through donations and fundraising events, and we partner with local schools. Each of our site general managers has been allocated money to donate to local charities preferably in the form of a "match" for amounts raised by our employees. As a result, we know we are supporting those causes that are important to our employees.

The Group supports and develops students and apprentices, especially in the field of engineering and technology. We frequently host students from our local schools to foster their interest in a career in photonics and to hopefully generate the Group's future role applicants.

The Group has long-standing relationships with several universities in the UK, including Herriot Watt Edinburgh, Strathclyde, Glasgow, Exeter and University College London with whom we work on collaborative projects as well as providing support to academic research projects.

Environment

G&H is proud that many of our products are supporting the cleaner, more efficient generation and use of energy across a range of applications. We are also working to ensure the environmental impact of our own sites and manufacturing activities are reduced as much as possible. Our investments in solar panels, voltage optimisation systems and our policy of purchasing electricity only from renewable sources when our existing energy contracts are renewed are all lowering our greenhouse gas emissions. We have developed a plan with the objective of delivering annual reductions in the energy used by the Group and therefore its carbon equivalent emissions and are pleased to report that we remain on track to achieve net zero Scope 1 & 2 emissions by 2035.

During FY24 we achieved a reduction on 14.3% in our carbon intensity measure as defined on page 78. Our programmes to transition our US sites to purchase all of their electricity needs from clean, renewable sources is gaining momentum following our UK sites which have already achieved that milestone.

We continue to maintain links with other companies within our sector and seek to learn from them regarding initiatives to reduce energy consumption. We use the structure of ISO 50001 – Energy Management Systems – as best practice guidance to help us identify where the greatest reductions in energy use can be achieved. Building upon last year's ISO14001 – Environmental Management – accreditation at our Ilminster and Torquay sites, in FY2024 we attained the same accreditation for our Ashford, UK and Keene, NH sites. Keeping this momentum going, we have identified two further target sites, Plymouth and Rochester, NY state for accreditation in FY2025.

Our Health, Safety and Environmental function has developed a standardised approach to Environmental Management Systems, which has enabled the deployment to new sites to be accomplished more quickly than originally planned and that same model will be applied to any future acquisitions made by G&H. In FY2024 we have extended our measurement of the Group's environmental impact to include the monthly recording of waste types and water consumption.

Environmental and Sustainability Governance
Oversight and governance of our environmental strategy and performance is managed through our Sustainability Committee, chaired by our non-executive director Susan Searle.

The introduction of our Board's Sustainability Committee supported by its Sub-Committee which is staffed with representatives from across the Group has provided further momentum and awareness within our business of not only environmental matters but also our broader sustainability agenda. An internal framework has been developed that encompasses all these factors under the banner of the 'G&H Sustain' initiative.

We are also extending our work in the area of environmental sustainability into our supply chain. For a number of years G&H has partnered with Assent Compliance to proactively engage with our supply chain. This year we incorporated the Supply Chain ESG Module as a means of extending our ESG awareness throughout our value chain.

Investing to reduce our emissions

We continue to invest in our sites to help them reduce their emissions:

- Our Torquay facility has a 297 kWp solar PV system installed which provides ~18% of the site's electricity needs along with a Voltage Optimisation System. Having switched gas heating to electrical alternatives the site has become the first within the G&H Group to be net neutral for Scope 1 & 2 GHG emissions.
- Our Ilminster facility has a 302 kWp solar PV system which provides ~7% of the site's electricity needs and this year introduced a Voltage Optimisation System.
- Our Ashford facility benefits from two phases of Solar PV, phase 1 – 150Kwp, Phase 2 – 35KWp which now also incorporates 9 battery storage units that provides ~50% of the site's electricity needs.
- Our recent acquisition, G&H | Artemis (Plymouth), already has a Voltage Optimisation System but will also add a PV Solar 129KWp installation during FY2025.

As a result of these investments, we will have the capacity to generate approximately 900 kWp of electricity from solar sources. Collectively these have generated around 2,500 MWh's of electricity since their installation.

We conduct annual energy audits at each of our sites. These audits identify areas for improvement and track existing initiatives through which the site will not only reduce its energy usage over time but also reduce its impact on the environment in the near term. These include:

- LED lighting where not already installed.
- Assessments of alternative forms of heating.
- Exploring heat recovery from manufacturing equipment.
- Installing battery systems to harness excess Solar PV and further improve site efficiencies.
- The double glazing of windows where not already installed.
- Upgrade of equipment with improved energy efficiency.

The sites' progress on these energy reduction actions is reported monthly to our Executive Committee and Board. Additionally, they are reviewed by the Executive Committee quarterly and supported where required with financial investment.

Water usage

As well as measuring and reducing our CO2 emissions we are also now collecting centrally from local data the amount of water we use across the Group. We are committed to reducing our water usage.

In FY2024 we have established our baseline measures against which we will be able to report the Group's progress against its reduction plans.

WATER CONSUMPTION	CURRENT REPORTING YEAR FY2024
Cubic Metres	23,594

Image: Matt Hardy/Unsplash

Energy Use and Scope 1 & 2 Emissions

We are targeting to be Net Zero for Scope 1 & 2 emissions by 2035. We are pleased that in FY2024 we made a further significant reduction in our emissions. During FY2025 we will also be assessing which of the Scope 3 emission metrics it may be practical for us to report against and what reduction targets may be possible.

The primary drivers of our Scope 1 & 2 emissions reduction in the year were:

- The transfer of our Cleveland, Ohio site to renewable, purchased electricity.
- A reduction in energy consumption as a result of site improvement activities.
- Further investment in solar panels.

Our emissions data is calculated centrally from data collected locally. In reporting our carbon dioxide emissions, we have followed the UK Government's Environmental Reporting Guidelines. We have also followed the Greenhouse Gas (GHG) Reporting Protocol and the Streamlined Energy and Carbon Reporting (SECR) guidelines. 2023 Conversion factors have been used for October 2023 to May 2024 inclusively, and 2024 Conversion factors used for June 2024 to September 2024 inclusively. In the US eGrid 2021 Conversion factors have been used for October 2023 to January 2024 inclusively, and eGrid 2022 Conversion factors used for February 2024 to September 2024 inclusively.

We have selected as our primary intensity measure carbon dioxide emissions per £1m of revenue for our global scope 1 and scope 2 GHG emissions (expressed in tonnes of carbon dioxide equivalent). We are using an operational control boundary for direct GHG emissions. For Scope 1 emissions we include our total owned and leased vehicles' direct emissions impact. By far the largest element of our energy usage is our US Scope 2 purchased electricity. Our reported data is collected from metered sources.

	CURRENT REPORTING YEAR FY2024			COMPARISON REPORTING YEAR FY2023		
	United Kingdom	Rest of World	Total	United Kingdom	Rest of World	Total
Emissions from activities which the Group own or control including combustion of fuel and operation of facilities (Scope 1)/tCO2e	163	304	467	164	275	439
Emissions from electricity, heat, steam and cooling purchase for own use (Scope 2)/tCO2e	352	1,712	2,064	75	2,622	2,697
Total gross Scope 1 & Scope 2 emissions/tCO2e	515	2,016	2,531	239	2,897	3,136
Energy consumption used to calculate above emissions:/MWh	7,210	13,551	20,761	5,784	12,881	18,665
Tonnes of carbon dioxide equivalent per £1 million of revenue	7.2	29.5	18.0	3.8	33.5	21.1

	SCOPE	REPORTED
Scope 1 direct GHG emissions	Includes emissions from activities owned or controlled by G&H that release emissions into the atmosphere. Examples include emissions from combustion in owned or controlled boilers, vehicles.	Report includes: • Emissions from combustion of gas and fuel for transport purposes.
Scope 2 energy indirect emissions	Includes emissions from G&H's own consumption of purchased electricity, steam, heat and cooling. These are a consequence of the group's activities but are from sources not owned/controlled.	Report includes: • Emissions from purchased electricity.

Energy Use Notes

Note 1
Intensity Measure – this measure has not been adjusted to reflect constant exchange rates between the current and comparison years.

Note 2
The above figures include the G&H | Artemis and G&H | GS Optics businesses acquired during FY2023.

Note 3
The above figures include our EM4 business in the period to 18 March 2024 when the business was sold. In that period the EM4 business consumed 496MWhs or purchased electricity from renewable sources meaning that the business' GHG emissions in the period were zero.

Note 4
Energy consumption increased by 11.2% (18,665 MWh's to 20,761 MWh's). However, excluding the G&H | Artemis and G&H | GS Optics businesses that were acquired during the course of the previous financial year consumption reduced by 3.3% (17,722 MWh's to 17,145 MWh's).

Headline Performance Indicators

↓19.2%

Group GHG emissions reduced by 19.2% to 2,532 tCO2e compared to 3,135 tCO2e in FY2023.

↓16.2%

The reduction in the intensity measure was 16.2% when measured on a constant currency basis.

↓14.3%

GHG emission intensity measure reduced by 14.3% to 18.0 tCO2e / £1m of revenue compared to 21.1 tCO2e in FY2023.

81%

Group energy purchased from renewable sources increased to 81% of all purchased energy for FY2024.

↓62.1%

On a constant currency basis, the Group has achieved a reduction in its GHG intensity measure of 62.1% compared to FY2020, its baseline measurement year.

629MWhs

The Group generated 629 MWhs of electricity from its own installed solar panels. Our Ashford site generated around half of its total electricity needs from its own solar panels.

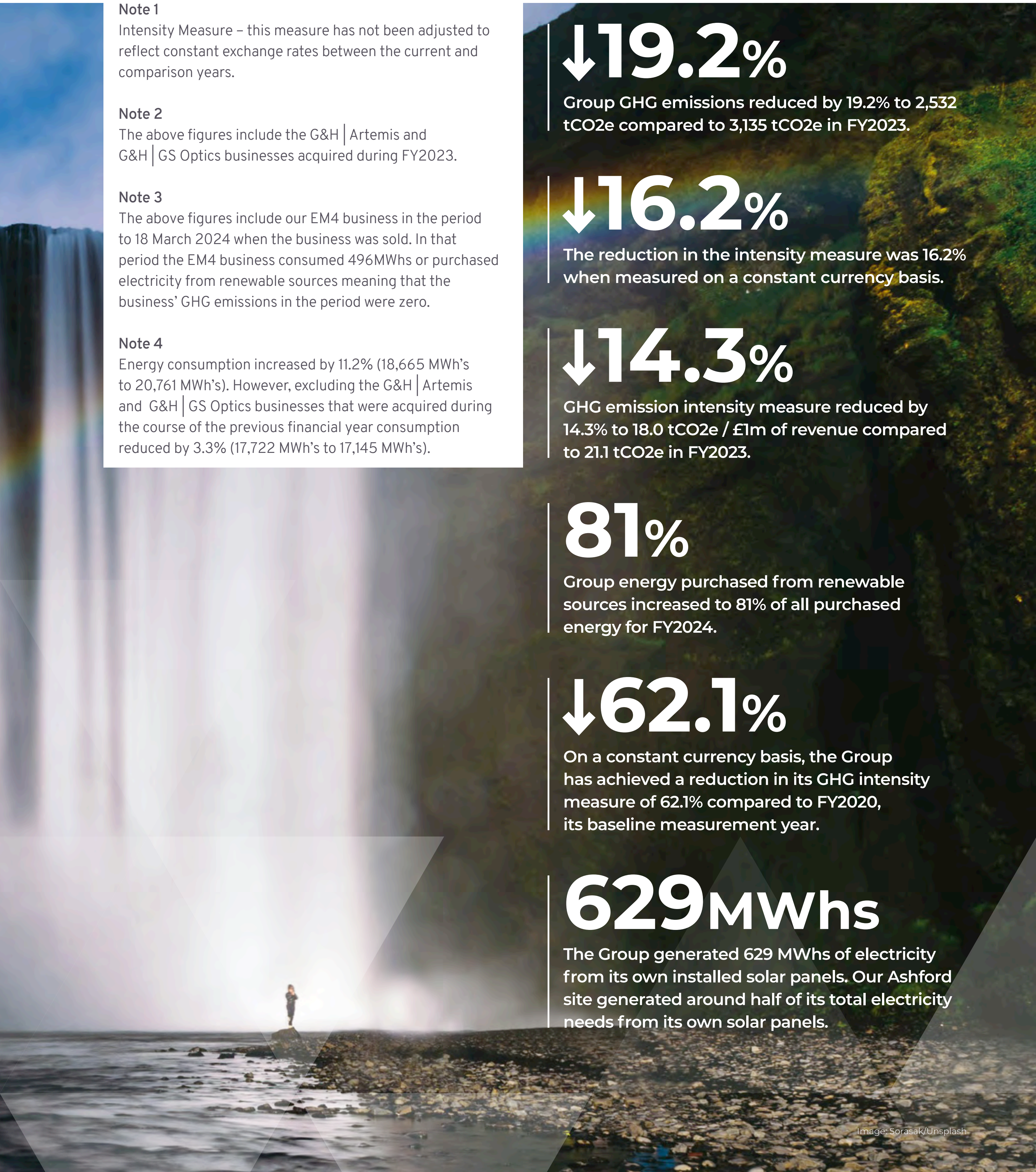


Image: Sorasak/Unsplash

Non-financial and sustainability information statement

As a global manufacturer of high technology optical products, we understand that climate change presents both risks and opportunities to our business and key markets, and are committed to identifying, assessing and responding effectively to these. Following our initial qualitative assessment of climate-related risks and opportunities in 2023, in 2024 we enhanced our analysis by taking into account the impact of these risks and opportunities under various climate scenarios and time horizons.

The Board notes the requirement for mandatory climate-related disclosures within the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, which this report addresses.

Governance

Board oversight of climate-related risks and opportunities
At Gooch & Housego, the Board of Directors has ultimate oversight and responsibility for our sustainability strategy, targets, disclosures and reporting. This includes overall accountability and responsibility for climate-related issues such as risks and opportunities, monitoring the company's progress in achieving its climate related targets, and assessing climate-related performance objectives for Executives. The Board reviews climate and environmental risks and opportunities as part of its periodic Group Risk Review meetings, and receives monthly updates via board presentations and board packs from the Head of Compliance and Quality, covering a range of environmental and other key sustainability topics. This includes climate-related matters such as emissions, and progress against the business's Scope 1 and 2 net zero target. In addition, in-depth reviews are undertaken at least bi-annually.

The Board is supported by the Board-level Sustainability Committee and its subcommittee. The Sustainability Committee meets twice per year and is chaired by non-executive director Susan Searle, who brings broad expertise in ESG matters to drive progress on the Group's activities in this area, as demonstrated through her other non-executive roles including as Chair of Greenback Recycling Technologies. The committee oversees actions to minimise the impact of the Group's operations on the environment and planet, as well as ensuring the Group's strategy is aligned with its environmental and social responsibilities. The committee is accountable for ensuring progress against Gooch & Housego's KPIs and targets, such as implementation of ISO 14001 certification, in line with stakeholders' expectations.

Management of climate-related risk and maintenance of systems and processes to manage those risks is the responsibility of the Board of Directors, with the Audit Committee supporting them in this role. The Audit Committee has responsibility for reviewing the effectiveness of the risk management framework that incorporates climate-related risk and opportunities. The Remuneration Committee supports the Board by assessing Executives' performance against their short-term incentive plan objectives.

The Board's activities during the financial year included the approval of the Group's updated climate risk assessment as described in this section, in addition to approving the Group's registration to participate in the EcoVadis Assessment, and site-based activities such as the development of additional battery storage at Ashford. The Board continues to regularly monitor the Group's progress in reducing its emissions intensity through the transition to purchased renewable electricity. In November 2024, the Remuneration Committee assessed the Executive Committee's performance against Short Term Incentive Plan objectives including a 10% reduction of the Group's carbon intensity.

Management's role in assessing and managing climate-related risks and opportunities

At management level, the Executive Team are kept informed on sustainability and environmental issues and the company's progress against its initiatives via a monthly board report from the Head of Compliance and Quality.

The Executive Team play key roles in the Group's climate-risk management process:

- Chief Executive Officer: responsible for the overall integration of climate related considerations in our Group strategy, and a member of both the Sustainability Committee and Subcommittee.

- Chief Financial Officer: responsible for climate reporting and compliance with disclosure requirements, and a member of both the Sustainability Committee and Subcommittee. The Chief Financial Officer is also responsible for overseeing the implementation of environmental and energy efficiency projects at our sites.

A cross-functional Sustainability Subcommittee is in place to propose and then support the implementation of the Group's sustainability strategy at a regional/site level, with regional EHS managers among its members. Meetings take place on a quarterly basis and allow EHS managers along with project leads to provide sustainability updates at a site level. Susan Searle, a non-executive director, attends this meeting on a bi-annual basis, which helps the flow of information across all levels of the business. The subcommittee reports into the group level Sustainability Committee on a bi-annual basis.

At the divisional level, EHS managers organise quarterly meetings related to sustainability with employees, and have separate meetings to discuss environmental touch points as part of our group-wide ISO 14001.

Our climate-related governance structure is summarised in the figure below:

Image: Derek Sutton/Unsplash

Risk Management

Our process for identifying, assessing and managing climate-related risks

Identification of climate-related risks is fully integrated into Gooch & Housego's risk management processes and considered as part of the overall Group risk management process. Risks are managed through quarterly functional reviews, and progress against our agreed roadmaps are reviewed in meetings of our Sustainability Committee.

Climate-related risks are assessed in the same manner as other Group risks, so that their relative significance is comparable. Our climate risk assessment takes into account all existing and emerging risks and opportunities, and all risk categories outlined in the CFD recommendations. We considered risks and opportunities in relation to all our global operations, and the Group's largest sole source suppliers in addition to the Group's contract manufacturing partners. While all categories were assessed, not all risk categories were applicable or material to the business. A summary of the risks and opportunities identified in this assessment can be found from page 85 of this Annual Report.

Climate risk is identified both through bottom-up and top-down processes. Physical risks are rolled up from business unit level, and through surveys of functional owners within the business, conducted annually with oversight by the Group Financial Controller. In addition, a top-down assessment is conducted of strategic and market risks. This year both physical and transition risks were assessed with the assistance of third-party consultants, using Munich Re's Location Risk Intelligence tool, which provides a geospatial natural hazard risk assessment across future time horizons. Our findings were discussed with site representatives at each material site to improve awareness and understand the current mitigations facilities have for such hazards.

Climate-related transition risks were determined by senior management in discussion with sustainability consultants and took into account input from our sustainability team and functional leads. The process also identified risk mitigation actions, and our management team will continue to monitor progress against these actions through monthly reports and the use of internal dashboards.

In order to assess the relative magnitude of climate-related risks, the Group has adopted the following scale. The magnitude of opportunities is assessed using the inverse of risks' financial impact.

	LIKELIHOOD	IMPACT
LOW	• Highly unlikely to occur • No supporting legislation in any relevant market	• No regulatory impact • Very low or low financial impact (<£0.3m profit) with limited impact on business operations or key customers • Minor adverse comment in local media
MEDIUM	• Unlikely to occur • Legislation likely to be in place in some markets	• Moderate regulatory or legal obligation • Moderate impact on relationships with customers with medium impact on the financial health of the business (£0.3-£1.0m profit impact) • Unfavourable coverage in national media • Disruption to services
HIGH	• More likely than not to occur • Legislative instruments in place or highly likely to be across most markets	• High potential for disclosure to market, resulting in significant penalties and high likelihood for a fall in share price • Loss of key customers as well as very significant contracts • Widespread critical coverage in national/ international media • Closure or suspension of business operations • High or very high (>£1m profit) financial impact • High staff turnover or departure of key personnel


Image: Dan Meyers/Unsplash

Strategy

Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
Based on our analysis and quantification of climate-related risks, in aggregate we assess the Group's risk exposure to be moderate. The magnitude of climate-related opportunities is currently assessed to be mostly low, although development of products that may facilitate the low-carbon economy are judged to be a medium opportunity. Given the long time frames over which climate-related risks and opportunities may manifest there is a high level of uncertainty in our longer-term impact calculations for both risks and opportunities.

Overall we consider that the Group's existing business strategy and ambitious decarbonisation agenda (net zero Scope 1 and 2 emissions by 2035), provide financial and strategic robustness to climate change. All risks have well-established mitigations that substantially reduce the net risk to the business. In particular the Group's transition to net zero is incorporated into 'business as usual' in regard to operational and capital expenditure. There are no effects of climate-related matters reflected in judgements and estimates applied in the financial statements. We will continue to develop our analysis as new data becomes available, both internally and externally, and will continue to monitor our climate exposures and initiatives through our overall risk management framework.

Our approach to scenario analysis
In 2024 the Group undertook a thorough analysis of the physical and transition risks affecting the Group with the assistance of a third-party sustainability consultancy. This involved the use of public climate scenarios to provide comparisons across potential climate outcomes.

Physical risk scenarios
Four climate scenarios were used to analyse climate-related physical risks. These are the default scenarios in the Munich Re location analysis software we use, modelled by the Intergovernmental Panel on Climate Change (IPCC).

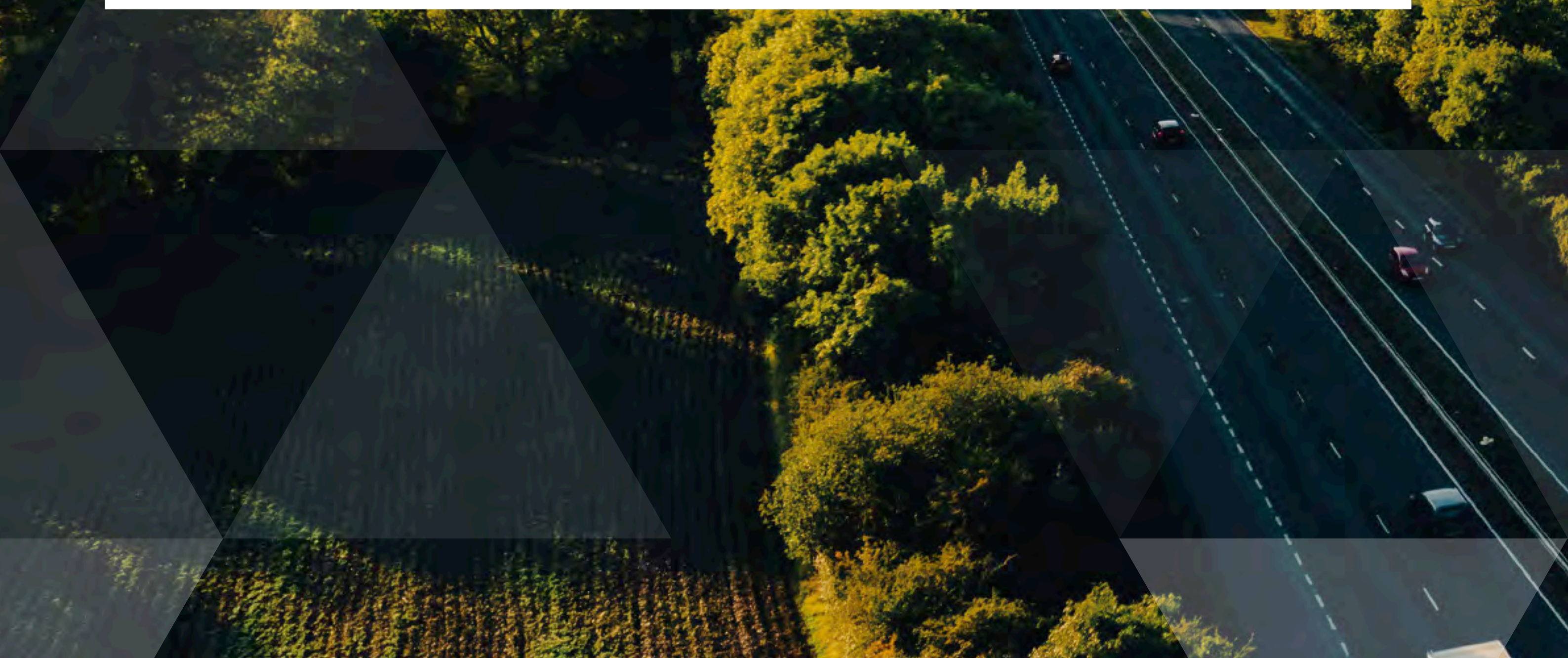
- RCP 2.6/IPCC SSP1: a climate-positive pathway, likely to keep global temperature rise below 2 °C by 2100. CO2 emissions start declining by 2020 and go to zero by 2100.

- RCP 4.5/IPCC SSP2: an intermediate and probably baseline scenario more likely than not to result in global temperature rise between 2 °C and 3 °C, by 2100 with a mean sea level rise 35% higher than that of RCP 2.6. Many plant and animal species will be unable to adapt to the effects of RCP 4.5 and higher RCPs. Emissions peak around 2040, then decline.

- RCP 7.0/IPCC SSP3: consists of a baseline outcome rather than a mitigation target and represents the medium-to-high end of the range of future emissions and warming resulting from no additional climate policy.

- RCP 8.5/IPCC SSP5: a bad case scenario where global temperatures rise between 4.1-4.8°C by 2100. This scenario is included for its extreme impacts on physical climate risks as the global response to mitigating climate change is limited.

The physical climate-related assessment covered the Group's own operations and 29 selected supplier facilities, in addition to the Group's 5 contract manufacturer sites. Supplier facilities were prioritised by focusing on sole suppliers above a financial materiality threshold. This year, downstream physical risks were not analysed given the significant diversification of the Group's customers was considered to be a strong mitigation against any downstream climate risk exposure.



Transition risk and opportunity scenarios
Gooch & Housego additionally used two scenarios for analysis of transition risks and opportunities, with a horizon of 2050. These scenarios, derived from the International Energy Agency (IEA) are more descriptive and therefore especially useful for modelling more positive climate forecasts.

- Net Zero 2050 (NZE): an ambitious scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO2 emissions by 2050. This meets the TCFD/CFD requirement of using a "below 2°C" scenario and is included as it informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi), which validates corporate net zero targets and ambition.

- Stated Policies Scenario (STEPS): a scenario which represents the roll forward of already announced policy measures. This scenario outlines a combination of physical and transitions risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today's policy settings.

Time Horizons
Climate-related risks and opportunities were identified and assessed over the following time horizons:

TIME HORIZON	RATIONALE
SHORT 0-5 YEARS	In-line with specific business plan forecasting
MEDIUM 5-12 YEARS	Encompassing the Group's ambition for net zero by 2035 (Scopes 1 and 2)
LONG >12 YEARS	Long enough to encompass long-term industry and policy trends, such as UK net zero by 2050 and for climate-related risks to manifest

Where appropriate scenarios were supplemented by additional sources that are specific to each risk. We note that scenario analysis involves a range of assumptions and limitations, applicable to both physical and transitional risks, including:

1. Scenarios often only provide high level global and regional forecasts.

2. Not all risks are easily subject to scenario analysis.

3. Scenario analysis requires analysis of specific factors and modelling them with fixed assumptions.

4. It is assumed that Gooch & Housego will have the same carbon footprint and the same business activities in the future as are in place today.

5. Impacts are be considered in the context of the current financial performance and prices.

6. Impacts are assumed to occur without the company responding with any mitigation actions, which would reduce the impact of risks.

7. Impacts are modelled to occur in a linear fashion, when in practice dramatic climate-related impacts may occur suddenly after tipping points are breached.

8. The analysis considered each risk and scenario in isolation, when in practice climate-related risks may occur in parallel as part of wider set of potential global impacts.

9. Carbon pricing was informed by the Global Energy Outlook 2023 report from the International Energy Agency (IEA).

10. There will be opportunities in future years to increase the sophistication of modelling as new data is made available both internally and externally to support a meaningful quantitative assessment.

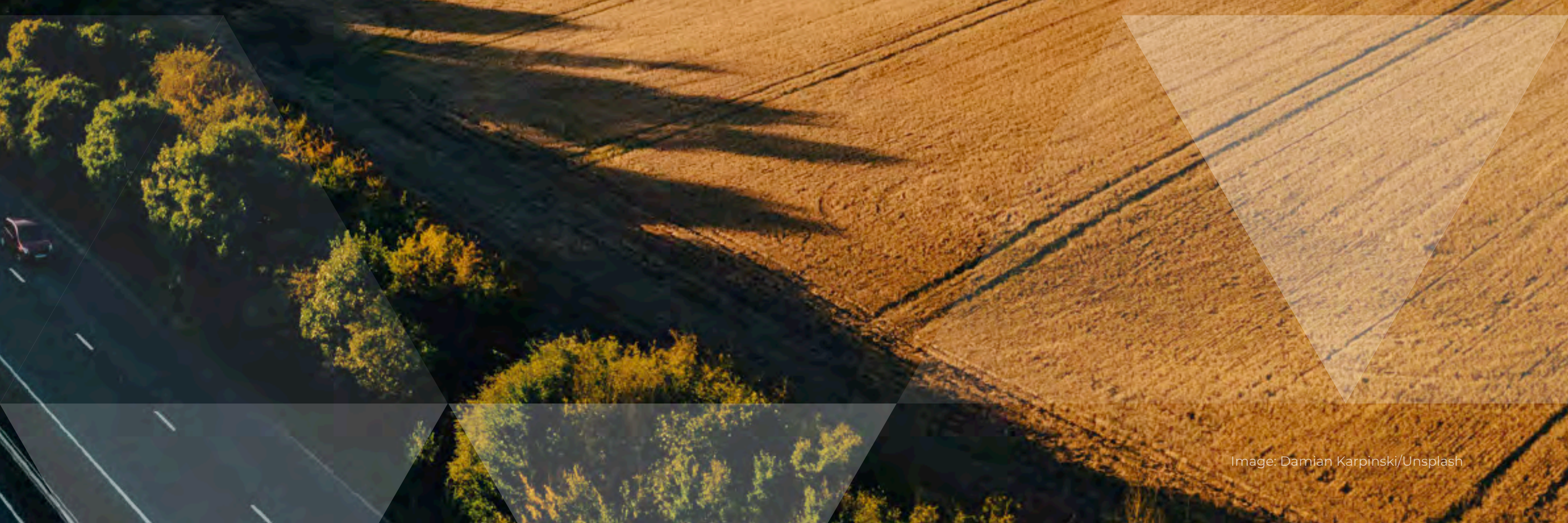


Image: Damian Karpinski/Unsplash

Key risks

Climate-related physical risks
Gooch & Housego currently has nine manufacturing sites across the UK and USA, with sales offices in France, Germany and Japan. This year in collaboration with an external consultant we used geospatial risk modelling software to analyse the Group's exposure to climate-related natural hazards. In addition, we explored the risk of natural hazards affecting our key sole suppliers and contract manufacturing partners. Our natural hazards assessment indicated that two of our sites in the USA are currently assessed to be at a high to high-medium exposure to fire weather stress, and that an additional facility is predicted to be at a very high risk of river flooding in future time horizons. However, no such natural hazards have previously impacted these facilities and all have robust mitigations as summarised in the table below.

RISK	TCFD CATEGORY	AREA
1. Damage/disruption to own operations due to fire, weather, stress and wildfires	Physical	Own operations
2. Damage/disruption to own operations due to flood events	Physical	Own operations
3. Disruption to supply chain due to climate-related natural hazards	Physical	Upstream

Climate-related transition risks
This year we also enhanced our transition risk assessment by conducting more detailed analysis of a wide range of climate risk exposures and considering the impact of climate scenarios. Risks that were explored and ultimately dismissed as insignificant included the risk of operational exposure to carbon pricing mechanisms in the UK, and potential exposure to shortages of supply in critical metals and compounds given their high demand for other uses in the energy transition. Following quantification of their financial impact both risks were ultimately deemed insignificant, given the low non-renewable energy usage of our UK facilities and continued decarbonisation trajectory, and secondly given the relatively low volumes of key compounds/metals that are purchased by the Group on an annual basis.

Our key climate-related transition risks are summarised below, affecting our global operations:

RISK	TCFD CATEGORY	AREA
4. Carbon pricing mechanisms	Regulation	Upstream
5. Technology risk	Market	Own operations
6. Reputational risk	Market	Own operations

POTENTIAL FINANCIAL IMPACT	TIME HORIZON	LIKELIHOOD	MAGNITUDE OF IMPACT	SCENARIO WITH LARGEST POTENTIAL IMPACT	MITIGATING ACTIONS
• Lost production/revenues • Cost of asset damages • Increased insurance costs associated with higher exposure • Revenue losses from downtime	Short	Medium	High	RCP 8.5/SSP5	• Fire prevention methods including clearing of vegetation and fire-proofing facilities • Insurance for asset/property damage and business interruption
• Lost production/revenues • Cost of asset damages • Increased insurance costs associated with higher exposure • Revenue losses from downtime	Medium-Long	Medium	High	RCP 8.5/SSP5	• Ability to transfer work to other facilities • Insurance for asset/property damage and business interruption • Local infrastructure including storm drains and manmade flood channels
• Lost production/revenues • Higher costs of purchased goods	Short-Medium	Likely	High	RCP 8.5/SSP5	• Dual sourcing strategies • Redundancy in critical materials/ components • Insurance in the event of downtime at a contract manufacturing partner

POTENTIAL FINANCIAL IMPACT	TIME HORIZON	LIKELIHOOD	MAGNITUDE OF IMPACT	SCENARIO WITH LARGEST POTENTIAL IMPACT	MITIGATING ACTIONS
• Price of carbon related to GHG emissions associated with upstream value chain increases costs (manufacturing of raw materials and shipping) where suppliers pas on the added costs to their customers	Medium-Long	Likely	Medium	NZE	• Scope 3 footprinting planned for FY25 to improve visibility of key suppliers • Subsequently we may engage with key suppliers to encourage decarbonisation of upstream value chain • Emissions-related criteria may in future be selected as an aspect of supplier selection criteria • Potentially explore incorporation of low carbon materials and improvements to material efficiencies to reduce spend on materials with high emissions
• Increased capital expenditure due to potential replacements and/ orupgrades of machinery with high emissions intensity, as part of group's decarbonisation strategy	Medium-Long	Medium	Medium	NZE	• Clear roadmap of required upgrades by 2035 should allow for most upgrades to fall under BAU expenditure
• Increased cost of capital and/ or loss of revenue in the event of being perceived as a laggard on sustainability issues and not meeting stakeholders' ESG reporting requirements, or delivery of targets and the net zero roadmap	Short-Medium	Medium	Medium	NZE	• Improved sustainability governance at G&H, including recent establishment of a board-level Sustainability Committee and Subcommittee • Proactive reporting to rating agencies/ frameworks including CDP and Ecovadis • Continued rollout of ISO14001, currently covering 72% of the workforce

Image: Michael Pointner/Unsplash

Key opportunities

OPPORTUNITY	TCFD CATEGORY	AREA	POTENTIAL FINANCIAL IMPACT	TIME HORIZON
1. Products aiding the transition to a low carbon economy	Product & services markets	Own operations, Downstream	• Higher revenues, profitability from products catering to low carbon economy, such as for EV technologies, advanced batteries, and renewable energy	Medium-Long
2. Improvements to resource efficiency	Resource efficiency	Own operations	• Cost reductions from reduced resource consumption and improved efficiency	Medium
3. Energy sourcing	Energy source	Own operations	• Decreased exposure to carbon pricing through installation of renewables and purchase or renewable energy contracts • Reduced energy costs	Medium-Long
4. Reputational opportunity	Reputation	Own operations, Downstream	• Increased access to capital and increased revenues from customers with sustainability criteria	Short-Medium

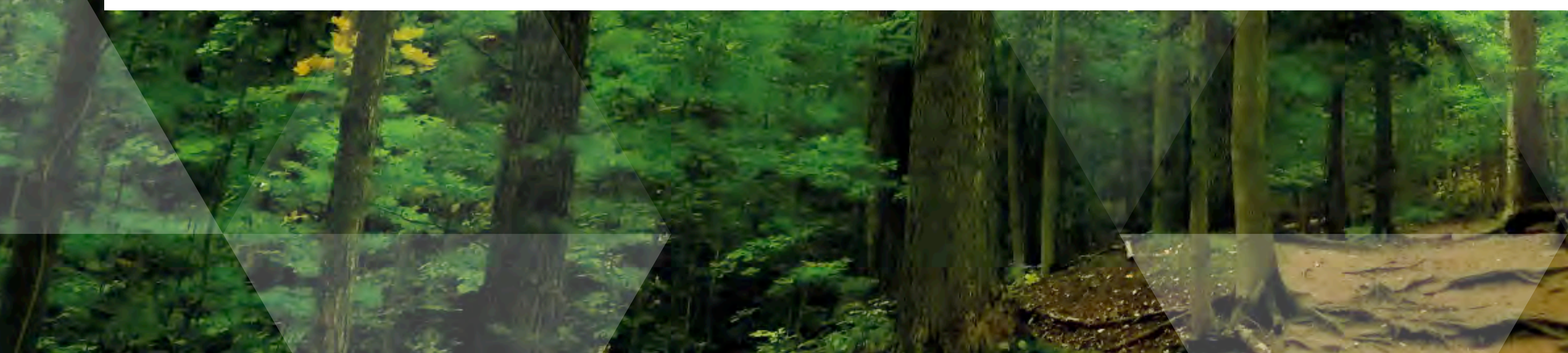
Metrics and Targets

Gooch & Housego currently reports Scope 1 and Scope 2 emissions in accordance with UK SECR regulation and calculated using the Greenhouse Gas (GHG) Reporting Protocol. While the group does not currently report its Scope 3 emissions, we intend to assess these categories in the near term to determine which categories can be reliably and effectively measured. Categories that are under consideration for future assessment include Category 4 (Upstream Transportation & Distribution), 5 (Waste), and 9 (Downstream Transportation & Distribution).

In addition to its absolute Scope 1 and 2 emissions, the Group has disclosed its operational emissions (Scope 1 & 2) per £m of revenue since FY2020, with significant annual improvement year-on-year.

Gooch & Housego's key target is to achieve net zero Scope 1 and 2 emissions by 2035 from a 2020 baseline, which we are currently on track to achieve, with interim targets to reduce emissions 10% by FY24 and a further 10% by FY25 and FY26. The FY24 target has been met, following an 62.1% reduction from 2020. The Group will explore the option of setting SBTi aligned targets, following an assessment of Scope 3 emissions in due course. The executive directors in the business have short and long-term incentives which include measures related to the Group's ESG agenda such as the progress of sites' ISO14001 accreditation, and reductions in the Group's carbon intensity. These performance objectives are assessed by the Remuneration Committee. In the future we will look to introduce additional targets and performance measures.

The Group tracks exposure and mitigations to each respective climate-risk and opportunity through the following metrics/KPIs:



	LIKELIHOOD	MAGNITUDE OF IMPACT	SCENARIO WITH LARGEST POTENTIAL IMPACT	MITIGATING ACTIONS
	Likely	Medium	NZE	• Strategic investment in products that improve customers' energy efficiency • Focus of R&D investment on advanced fibre technology to optimise footprint, bandwidth density and reliability of fibre optic components in subsea networks
	Likely	Low	NZE	• Employee engagement on reducing energy consumption • Installation of LED lighting • Installation of insulation to improve energy efficiency • Replacement/upgrading of machinery to more efficient models • Improvements to recyclability and reuse of product packaging by customers
	Unlikely	Low	NZE	• Various energy efficiency initiatives • Use of REGO-certified or equivalent certifications at 75% of UK facilities, with remaining electricity produced by onsite renewable installations • Capital investment strategy especially focused on the transition from natural gas to alternative solutions, such as hydrogen
	Unlikely	Low	NZE	• Improved sustainability governance and internal controls to ensure timely and accurate reporting

RISK	METRIC TO TRACK
1. Damage/disruption to own operations due to fire, weather, stress and wildfires	• Days of facility downtime due to wildfire incidents
2. Damage/disruption to own operations due to flood events	• Days of facility downtime due to flood events
3. Disruption to supply chain due to climate-related natural hazards	• Price of purchased goods • Inventory levels and buffer stocks
4. Carbon pricing mechanism (upstream)	• Scope 3 emissions (planned for FY25) • IEA carbon pricing forecasts
5. Technology risk	• Investment in new technologies
6. Reputational risk	• ESG Rating Agency scores • Scope 1-3 emissions (Scope 3 planned for FY25)

OPPORTUNITY	METRIC TO TRACK
1. Products aiding the transition to a low carbon economy	• Revenue from low carbon products (planned for FY25) • GHG Intensity Measure – emissions per£M of revenue • % of revenue resulting from low carbon end applications
2. Improvements to resource efficency	• Waste, water, energy consumption, energy efficiency/FTE or £m
3. Energy sourcing	• Group energy use, % renewable electricity, Scope 2 emissions
4. Reputational opportunity	• External ESG ratings • Scope 1-3 emissions (Scope 3 planned for FY25)

Image: Richard Burlton/Unsplash

Governance

Corporate Governance

At G&H we strive to maintain the highest standards of Corporate Governance. We conduct our business activities honestly and with integrity. For more information on the Group Corporate Governance Framework see page 108.

We have put in place a G&H Code of Conduct a supported it with a suite of policies. The policies are published on our website at **www.gandh.com** These policies are operated across all of our sites. We provide training to ensure employees understand and implement our policies. We also monitor our suppliers' compliance through a programme of audits.

Code of Conduct

The G&H Code of Conduct covers:

a) operating our business in an ethical manner
b) the provision of a safe and healthy work place
c) business conduct that demonstrates respect for co-workers, suppliers, customers and partners
d) the Group's commitment to the principles of equality and diversity and compliance with all relevant equality and anti-discrimination legislation
e) excellence in management practice through the ongoing development of business aligned human resource systems and initiatives, structured training and development programs for employees through which they can enhance the skills, knowledge and capability necessary for further growth within the organisation.

Group health & safety statement: Managing health and safety is a top priority and is a central element of managing the total risks faced by our business.

Equal opportunity statement: The Group is committed to providing equal opportunities for all employees and applicants for employment.

Anti-corruption and bribery: G&H takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever it operates.

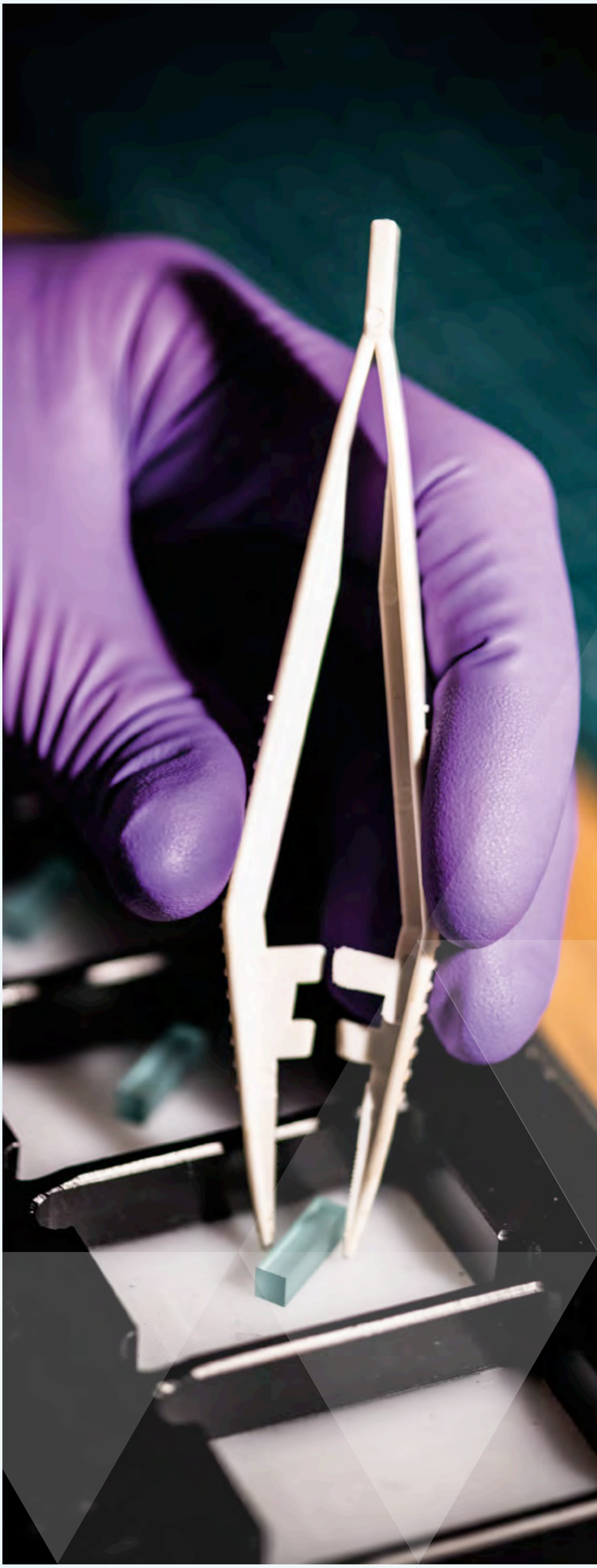
Fraud policy: The Group has in place systems designed to mitigate the risk of fraud.

Modern slavery: G&H is committed to preventing slavery and human trafficking in its corporate activities, and to ensuring that its supply chains are free from slavery and human trafficking.

Environmental: G&H aims to reduce the environmental impacts of its activities and to help its customers, suppliers and partners to do the same.

Supplier code of conduct: Which sets out the minimum level of behaviours and practices we expect to see applied by our suppliers regardless of where they operate.

Conflict minerals: We believe in the ethical sourcing of materials used in the manufacturing processes within G&H. G&H will not purchase any materials which originate from any areas of war or conflict.



Ethics

Human Rights

99% of the Group's employees are based within the major advanced economies of the UK, USA, France and Japan, which have strong legislation governing human rights. The Group complies fully with applicable legislation in these areas, and the other countries in which it operates, to ensure the rights of every person (whether employees, suppliers, clients or stakeholders) are respected.
We put in place employment policies and practices which support and promote diversity and equal opportunities to make sure all employees are treated with dignity and respect, and all staff are provided with a safe, secure and healthy environment in which to work, regardless of where in the world they are located.

Supply Chain

It is important to us that our suppliers operate to the same high standards that we set ourselves. We support them in this be establishing clear contractual commitments and back that up through on site audits. Our supplier contracts cover areas such as Modern Slavery, Safe working practices and Anti-Bribery/Corruption to ensure the supplier adheres to our policies.
We undertake annual risk assessments of our suppliers and the outcome of that process determines not only the decision as to whether to work with a supplier but also those suppliers that are selected for an on-site audit visit to ensure they are in compliance with our policies. We have a team of four G&H employees permanently based in our large contract manufacturing partners' facility.

Whistleblowing

We have a whistleblowing policy which encourages open and honest communication where incidents of non-compliance are seen in our business. Whistleblowing issues are reported directly to management, and any significant issues, should they arise, are reported to the Audit Committee and the Board. In each instance, cases are investigated in detail and appropriate action taken.

Compliance with Regulations and Standards

We do not tolerate practices which contravene industry best practices. Regulatory demands upon us vary around the world; however, we have established a core compliance team to ensure the Group fully adheres to legislative and regulatory requirements whilst adapting to local needs as a minimum. We support this with online training tools through which we make sure our employees know what is expected of them.

S172 Statement

Our stakeholders are key to the long-term sustainability of our business. The importance of open and meaningful engagement with all our stakeholders is fully embraced by our Board members and is encouraged through all levels of the Group. The Board has identified its key stakeholders and has considered how it engages with these groups so as to maintain a clear and current understanding of their views.

Some of those engagements are undertaken directly by the Board and some by the Group's senior managers and reported back to the Board. Throughout the year the Board assesses how its decisions and the Group's activities impact our various stakeholders.

As a Board we have a duty to promote the success of G&H for the benefit of our members whilst having regard to the interests of our people, the success of our relationships with suppliers and customers and the impact of our operations on the environment and communities in which we operate. Stakeholder considerations are included in all Board discussions and decisions. Presentation and other materials provided to the Board help it understand the benefits and risks associated with its proposed activities. If a chosen course of action adversely affects one group of stakeholders for the collective benefit of others we always try to ensure they are treated fairly.

The Board is focused upon the long term consequences of its decisions as well as more immediate operational matters. For example, our approach to partnering with customers on their next generation product developments allows us to build long term and mutually beneficial relationships which will live for many years. Our technology road maps will deliver benefits potentially many years in the future meaning that we are investing now for the future benefit of the Group.

The Board's oversight of the Group's risk management process through which the senior leadership team provide updates of the Group's risk environment together with associated action plans to mitigate those risks, is another example of how the long term sustainability of the Group is managed by the Board.

The Board understands the importance of maintaining high standards of corporate governance and avoiding reputational issues that may follow if the Group does not. Consequently, we strive to follow best corporate governance practices and have a governance framework in place that allows us to make reasoned and informed decisions. Further information on how the Board and its Committees operate can be found in the Corporate Governance Report.

The Group has in place specific polices to ensure all Group employees operate in an honest and ethical way. Details of these can be found in the ESG Report.

We have set out below details of our engagement with stakeholders. This constitutes our Section 172(1) Statement. Further information on how these duties have been applied can be found throughout the Annual Report.

Customers

Our customers rely upon us for innovative, advanced solutions for their photonic needs. We invested £7.8m in research and development in FY2024 in products and solutions that seek to address their current and emerging needs. We understand that our customers depend upon us to supply our products on time and to the required quality.

How we engage

G&H has a track record of working with our customers on their next generation development needs, often many years prior to entering in to volume production. The Board is regularly updated on the work of our engineering teams on our technology roadmaps to ensure we are progressing to plan and those plans address the needs of our identified launch customers.

In June 2024 we used a third party organisation to undertake a survey of our customers. The survey covered all sites in the Group and customers were given the option of providing their feedback anonymously if they wished to.

Outcomes

We saw a significant increase in the response rate year on year and a marked improvement in our net promoter score. The survey results showed that G&H continued to perform well in the areas of product quality and technical support but delivery performance continued to be an area of concern with customers wanting to see shorter lead times and better on time delivery performance. This continues to be a key area of focus for the business and we have seen significant reductions in our overdue backlog in the second half of FY2024.

Priorities for FY2025

We will continue to work on further reducing our overdue backlog and the time taken to respond to our customers' requests for proposals. We will conduct another customer survey to measure our progress on these objectives through the eyes of our customers as well as gathering further feedback from them on other aspects of our performance.

The Board reviews progress on the key projects within our technology roadmaps on a regular basis. The aim of this continues to be to ensure our resources are deployed in the most efficient manner on the projects with the highest potential returns. We expect this to help accelerate our time to market for our next generation products. Our R&D spend in FY2024 totalled £7.8m and we brought 48 new products to market.

Employees

Our people play a crucial role in helping us pursue our strategic goals. We work to provide them with safe working conditions, attractive terms of employment and the ability to develop their careers in a fair and engaging workplace.

How we engage

We have a number of channels through which we engage with our employees. There are regular all hands meetings whereby local site management engage with an receive feedback from site employees. During the year we introduced a monthly 'One G&H' slide pack to be delivered to all sites which is available for our site general manager to use at their regular all-employee briefing sessions. This further helps to give our team members visibility of developments in other parts of the G&H Group. These are supplemented by regular, more detailed feedback sessions with employee representative groups.

When members of the Group Executive visit sites they will typically either join the site's all hands meeting or schedule a separate session through which they can receive feedback from employees.

In April 2024, the Group introduced a company-wide quarterly newsletter, The Pulse. This features a variety of content aimed at keeping our employees informed, engaged, and inspired. From updates on company initiatives and spotlights on team members, this newsletter is a valuable resource that connects everyone in our organisation.

Jim Haynes is our designated non-executive director for employee engagement. Following the meetings Jim held with employee representatives from all sites in FY2023, the feedback received was given back to employees at all-hands meetings during the year together with the actions proposed to address it. Further details are given on pages 73 and 109.

We have invested in a new HR Information System which went live at the beginning of October 2024. This system provides a "one-stop shop" for both employees and their managers for employee performance assessments, learning and development plans as well as remuneration details and available employment benefits.

Outcomes

We achieved a further reduction in lost time accidents in the year and are working to eliminate these completely. We continue to run "Spot it, Stop it" campaigns in the business to increase awareness on the importance of near miss reporting as a way or preventing accidents from happening. We have seen an increase in near-miss reporting as a result of this, which enables us to take corrective action where necessary before any incident occurs.

We have extended our mental health first aider programmes and held a number of awareness workshops during the year intended to help managers recognise early warning signs of mental health issues amongst their teams.

Our CEO, Charlie Peppiatt visited each of the Group's sites to present an update on progress on our Strategy in the year. More detailed sessions were then held with the site's management team to discuss how the site was expected to contribute to the various strategic objectives that underpinned the achievement of the strategic financial plan.

We continued to work on addressing the feedback received by Jim Haynes from his structured programme of interactions from site employee groups. In November 2024, we have launched an all-employee engagement survey, the results of which will be reviewed by the Board in detail.

Priorities for FY2025

We will ensure there is regular feedback to our teams on the progress of the Group against its strategic plan.

We will also work hard to promote diversity and inclusion across the Group. We have an objective to increase female representation amongst our management teams.

More details of our engagement with our employees and the results of those engagements are set out in the ESG Report.

Shareholders

We maintain strong relationships with shareholders. We want to ensure they understand our strategy, progress and performance and that we understand how they view our business. Our shareholders rely upon us to create value over time. We have consistently increased our dividend over the years. In FY2024 we paid £3.4m in dividends to our shareholders.

How we engage

We engage with our shareholders through Investor Roadshows led by the Chief Executive Officer and Chief Financial Officer.

During the year we hosted a number of shareholder visits across our UK sites to enable to them to gain a deeper understanding of our capabilities and strategy.

The Group's brokers provide independent feedback to the Board on shareholder opinions and their views on our meetings with investors. Regular trading updates are provided as well as the Annual Report.

We understand the focus many of our shareholders place on the area of Executive Director remuneration. Brian Phillipson, the chairman of our Remuneration Committee until 31 May 2024, consulted with our principal shareholders on the recent renewal of the Group's Long Term Incentive Plan.

Outcomes

Our shareholders have been briefed on progress on the Group's strategic objectives.

The views expressed by investors were reflected in the Group's revised Long Term Incentive Plan under which the first awards were made in January 2024.

Priorities for FY2025

We will continue to offer an extensive investor engagement focused primarily around our Roadshows in June and December 2025. This will include specific updates on our progress towards the achievement of our strategic priorities.

Suppliers

The supply of goods and services to our operations is critical to our overall success. Our suppliers expect from us fair contracting, on time payments and accurate forecasting of our future requirements. We review the performance of our suppliers on a monthly basis and work with them to implement improvement programmes.

How we engage

Our Supply Chain Management team are responsible for the engagement with our suppliers. We have put in place supply contracts which include the minimum standards which we expect our suppliers to operate to. During FY2024 we continued to build on the relationship with our main contract manufacturing partner as we worked with them to increase their output.

We have a team of four employees permanently based at our principal contract manufacturing partner's facility in Asia to ensure we keep them informed of our latest forecast demand profiles as well as working with them to explore ways in which we can jointly improve their operations and reduce the cost of manufacture. Our two business systems are connected with suitable security controls in place, allowing our two organisations to communicate in a very timely manner.

For our other suppliers we have a team of supplier quality engineers who undertake on site visits to our suppliers to audit their compliance with the standards we expect of them. The selection of suppliers to audit in any period is based upon a risk assessment tool which considers both the materiality of the supplier to G&H's operations as well as the control environment in place at the supplier's facility.

Outcomes

We established relationships with new suppliers during the year to help de-risk our production programmes sensitivity to shortfalls in electronic component supply.

In FY2024 we used Assents' Supply Chain ESG Module as a means of extending awareness of ESG matters throughout our supply chain.

We made further progress in the year in transferring further product lines to our contract manufacturing partners. In particular our contract manufacturing partner in southeast Asia was fully qualified for the production of high-reliability fused fibre couplers and has increased its output to achieve volume production supplying directly from its facility to our customers.

Priorities for FY2025

During FY2025 we intend to start monitoring our suppliers' impact on the environment by reviewing which elements of the Group's Scope 3 emissions arising from our supply chain we are able to measure and reduce. We intend to work with Carbon Disclosure Project (CDP) to help us with this activity using their questionnaires and processes to help our suppliers provide the information we are seeking. Once we have completed these initial assessments we will then work with our suppliers with higher carbon footprints to see how these may be reduced.

As part of our strategic plan rolled out in FY2023 we made it clear that we intend to increase the proportion of the Group's revenue that is derived from products that have been subcontracted to our contract manufacturing partners from less than 10% to around 25% by the end of the plan period. Progress against this objective was made in FY2024 and in the coming year we will identify further products that we believe are suitable to be outsourced.

Communities

We strive to engage with the communities in which we operate in a responsible manner. We aim to make a positive contribution to our communities though the employment we provide, the suppliers we work with and the taxes we pay. Our site general managers each have funding allocated to them to support local charities. We ask them to focus on those charities that their site employees care about and so they frequently spend these funds in the form of a match for amounts raised by our employees themselves.

How we engage

We invest in job creation. We attend job fairs close to our sites to encourage school and college leavers to join G&H. We also have established relationships with universities and fund PhD studies in the field of photonics.

Our facilities offer high quality employment across a range of functional areas. We are pleased to offer apprenticeships to employees at the beginning of their career journeys. We have supported the charity MIND through fund raising activities.

Outcomes

Thanks to the growth in demand for the Group's products we were able to add new roles during FY2024 at most of our facilities. We held a number of apprentice days where local school leavers were able to visit our facilities and see the work we do.

Our growing business meant we were able to increase the volumes of products and services we bought from our suppliers many of whom continue to be local to our facilities.

Priorities for FY2025

We will continue to support our employees in contributing to local causes close to their hearts. We will also engage positively with our local communities about any changes to our operations.

Where to find out more

Employees – ESG Report

Investors – Corporate Governance Report

Environment – ESG Report

Society – ESG Report

Long-Term Success – Strategic Report

Principal Risks and Uncertainties

The Group has a process for the identification and management of risk as part of the governance structure implemented by the Board. Management of risk and maintenance of systems and processes to manage those risks is the responsibility of the Board of Directors. In managing and mitigating risk, a comprehensive and robust system of controls and risk management processes has been implemented. The Board's role in the risk management process comprises:

- Promoting a culture of integrity throughout the business;
- Making risk management a core part of the business;
- Setting the appetite for risk;
- Identifying the key risks and ensuring they are effectively communicated and managed; and
- Establishing overall policies for risk management and control.

The Group maintains a risk register which is approved annually by the Board. The Group's functional heads and leadership team all have input into the risk identification process. The register clearly identifies who in the organisation has responsibility for the day-to-day management of the identified risks, and has a timeline for any required mitigating actions. The risks are ranked according to their likelihood of affecting the business and the estimated financial impact they may have. The risks identified can be categorised in to four key areas: strategic risk, operational risk, commercial risk and financial risk.

The assessment of key risks during the year has not identified any new significant risks. A number of the risks identified in the 2023 Annual Report have reduced in severity during the year. The Board is satisfied that the mitigating actions taken in response to the identified risks are appropriate and will keep this under review. The Board is conscious of the importance to our stakeholders of our ESG agenda and the potential impact of climate change on the operations of the Company. In response to this risk the Board has established a Sustainability Committee to ensure that the Company's strategy and operations are conducted in a sustainable manner and consistent with our corporate values.

The Audit Committee has responsibility for reviewing the effectiveness of the risk management framework and internal controls and ensures that the Group complies with relevant regulations and laws. Although the Group does not have an internal audit function, the function of internal control is discharged by the Group Finance team. Its responsibility is to monitor compliance and conduct or, where appropriate, commission specific reviews. The Audit Committee has reviewed the work undertaken by Group Finance to review compliance with the Company's financial control framework during the year.

The following represent the significant risks and uncertainties identified in the Group's risk register.

Geopolitical risk

RISK

As a result of the ongoing war in Ukraine and administration changes in certain countries, there is a growing risk political instability results in disruption and increased protectionism in the form of higher trade tariffs in some of our geographic markets, as evidenced by the stated intentions of the new US administration. This could impact the Group's sales in to these markets. There is a further risk that our incoming supplies from these markets could be blocked by government action.

MITIGATION

We regularly review order flow from our various geographic markets and target new markets to mitigate the risk from politically unstable regions.

The geographic spread of our customers limits the impact of any one market on the results of the Group as a whole.

The Group's in house production activities are all now located in either the UK or the US. We are able to supply from our US facilities to mitigate the impact of any new US import tariffs.

The Group is developing its low cost region supply chain, which does not include China, to allow supply of finished product directly from the region thereby reducing the impact of tariffs.

Our supply chain team actively seek new, alternative sources of supply to reduce our dependence upon suppliers in unstable regions.

CHANGE FROM FY2023

Sustainability, climate change and the environment

RISK

We do not deliver on our commitments to enable a sustainable future, leading to reputational damage.

Our operations may be impacted by the effects of climate change.

MITIGATION

Our ESG agenda is closely monitored by the Board via regular Sustainability Committee meetings.

In FY24, we have engaged CEN Advisory to help us identify the climate change related risks that may impact upon our operations and how best to mitigate them. Further details are given in our Sustainability Report.

Our annual report updates our stakeholders on progress towards delivering against our stated targets.

Net zero Scope 1 and 2 commitment published.

Engagement with our stakeholders to obtain feedback on their concerns in this area, and on their views on our progress.

CHANGE FROM FY2023

Security of materials supply

RISK

Shortages in certain commodities such as electronic components could have an effect on our ability to manufacture products.

We utilise a number of sole source suppliers in the business, and certain of our suppliers are based in higher risk regions. An interruption in supply could have an adverse effect on our manufacturing operations.

Export restrictions such as those being imposed by China on certain key raw materials could affect our ability to produce.

MITIGATION

Our supply chain team have undertaken a comprehensive review of existing supply arrangements to identify and mitigate risk.

They regularly monitor the availability of key components and seek to put in place long term agreements with critical suppliers to ensure continuity of supply. Buffer stocks are held where necessary, although these would not be sufficient in the event of a protracted delay in supply.

Our engineering teams work to identify and qualify alternative sources of supply to mitigate risk where this is possible.

Our supplier audit programme is designed to identify supply chain risk, and we work with our suppliers to mitigate those risks identified.

CHANGE FROM FY2023

Order intake and global economic trends

RISK

There is a risk of slower than expected economic growth and recovery especially in the semi-conductor market impacting demand for some of our products.

MITIGATION

Orderbook coverage is regularly reviewed in detail and regular reviews are held identifying new business opportunities.

We regularly meet with our customers to receive updates on their view of growth trends within their end markets.

We use this information in scheduled meetings between our site operations teams and our business development staff to scale our operations accordingly.

CHANGE FROM FY2023

Competition

RISK

There is an ongoing risk of loss of market share or price erosion due to the activities of competitors in our marketplaces. This could lead to a reduction in revenue and/or profitability.

MITIGATION

There has not been a significant change to the competitive landscape during the year, but this remains a key area of focus for the G&H management team.

Maintenance of our product quality and on-time delivery performance remain top priorities and we have continued to reduce our past due backlog in the year.

We also seek to stay ahead of our competition by bringing new, technologically superior products to the market. This will help us to counteract the emergence of lower cost competitors in the market.

Our sustained investment in R&D enabled us to launch 48 new products during FY2024.

The Group's continuous improvement plan targets increased efficiency and lower waste, ultimately aimed at margin improvement. This, combined with our manufacturing footprint and outsourcing strategy, is enabling more agile manufacturing, thereby helping to sustain our cost competitiveness in the market.

Our business development teams maintain a strong presence in the marketplace and attend key trade shows which enables them to monitor competitor activity and respond accordingly.

CHANGE FROM FY2023

Information and cyber security

RISK

There is a risk of loss of digital intellectual property/data or our ability to operate systems due to internal failure or external attack.

MITIGATION

Clear ownership of cyber risk and IT controls.

Data is appropriately stored and backed up with IT system recovery plans in place. These plans are regularly tested.

Employee training programmes and regular communication have been put in place to warn employees of the risk of cyber-crime.

CHANGE FROM FY2023

Inflation

RISK

Inflation in our core markets has reduced significantly in FY24 and we have started to see central banks lowering interest rates.

However, if the lower interest rates were to have unintended inflationary consequences, it would have an effect on the Group's cost base through increased staff costs, material costs and overheads, including power costs.

MITIGATION

Our sales team works to pass on input price increases to customers by increasing sales prices.

Our global supply chain team is closely monitoring purchase price variances to identify price increases from suppliers. The team is focused on achieving savings.

CHANGE FROM FY2023

Staff recruitment and retention

RISK

The Group recognises the importance of retaining and developing its workforce in order to achieve its strategic objectives.

Whilst this remains a key risk, we have seen this risk reduce in the current financial year.

MITIGATION

Our people are at the heart of our business. We have put in place development and reward schemes to encourage individuals to play a long-term role in the future development of the Group.

We have thorough on-boarding processes for new employees to help new starters to settle into their new roles.

Our HR teams review local market conditions on an ongoing basis and take appropriate action where necessary.

Succession planning is reviewed by the senior management team on a regular basis.

We are investing in a new HR Information System that will provide a one stop shop for the identification of employee succession and training needs.

CHANGE FROM FY2023

M&A strategy

RISK

M&A remains a key part of our growth strategy and we have an in-house team who identify and review opportunities in this regard with assistance from an external consultant where required. There is a risk that we may not be able to identify the right acquisition targets to enable the Group's growth strategy.

There is also risk attached to the performance and integration of acquisitions made by the Group.

MITIGATION

Dedicated teams are established to manage the integration of acquired businesses. These teams meet on a regular basis to review progress against agreed integration milestones. Our business development and R&D teams work closely with the acquired businesses to drive commercial synergies and create value.

Regular meetings continue to be held internally to review new acquisition opportunities which present themselves and those which are identified by our in-house team.

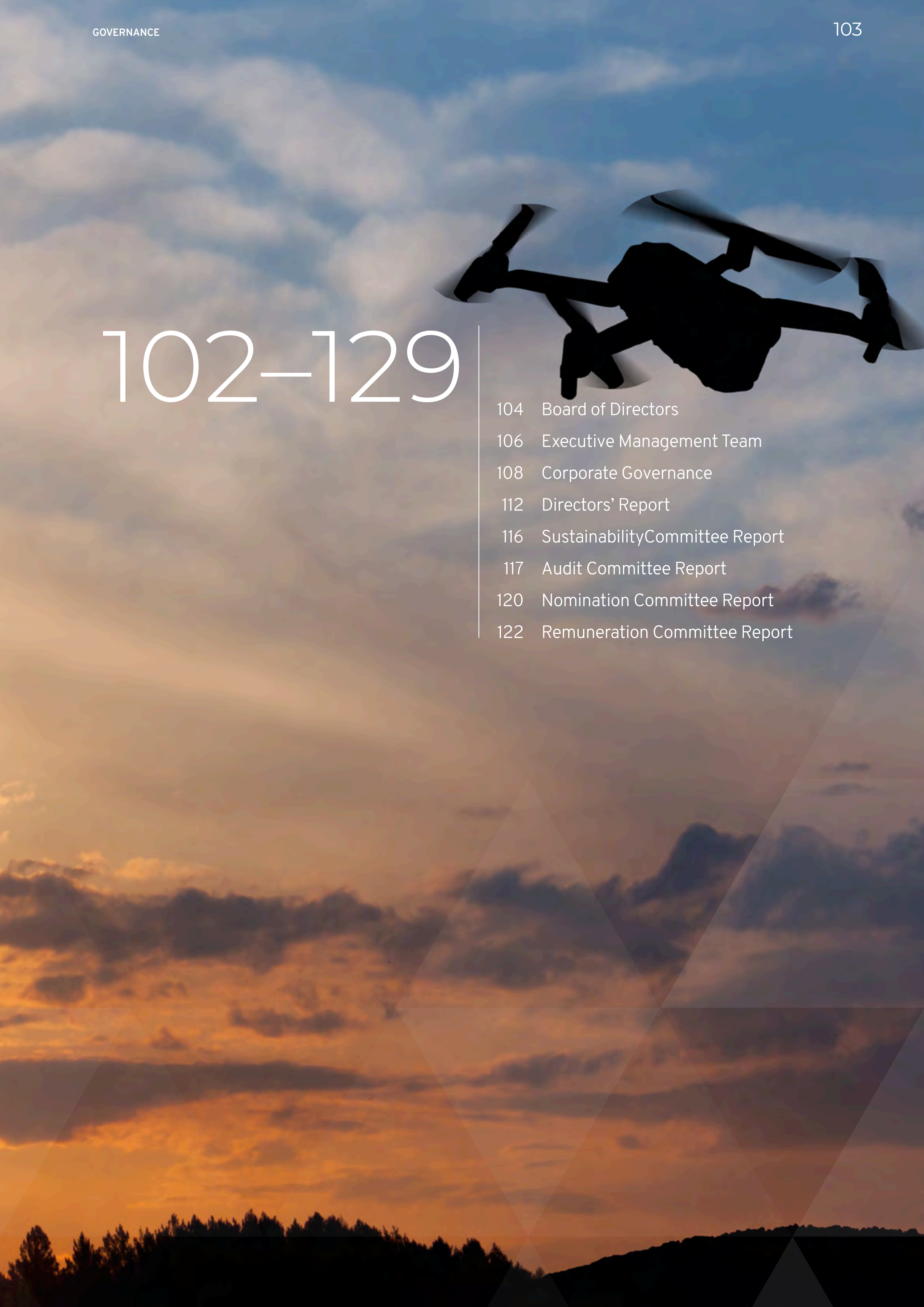
Acquisition targets are subject to full legal, financial, operational and commercial due diligence prior to acquisition.

CHANGE FROM FY2023

The strategic report has been approved by the Board of Directors and signed on its behalf by:

Charlie Peppiatt
Chief Executive Officer
3 December 2024

Governance



102–129

Board of Directors

The right blend of **skills** and **experience**

Executive Directors

Charlie Peppiatt

Chief Executive Officer

Appointed
14 September 2022

Charlie joined Gooch & Housego PLC in September 2022 from TT Electronics PLC where he was Executive Vice-President since 2018 when TT acquired Stadium Group Plc. Charlie was CEO at Stadium, an AIM listed company, from 2013 until its acquisition by TT.

Previously he was Vice President of Global Operations for Laird PLC, a FTSE 250 electronics company. Charlie has held senior roles globally in hi-tech businesses supplying into the medical, telecoms, Industrial and A&D sectors.

Chris Jewell

Chief Financial Officer

Appointed
9 September 2019

Chris has 25 years' experience working in senior finance roles in international engineering and manufacturing businesses, operating in Europe, North America and Asia. Prior to joining Gooch & Housego PLC Chris was Group Director of Financial Control at TT Electronics PLC, Senior Vice President of Finance at Cobham PLC and Finance Director of MBDA UK. He qualified as a Chartered Accountant whilst working with Ernst & Young.

Chris holds master's degrees from Cambridge University and the London School of Economics. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Non-executive Directors

Gary Bullard

Non-Executive Chairman

Appointed
21 February 2018

Gary previously held senior management positions, including sales and marketing roles, at IBM and BT Group PLC and was a non-executive director of Chloride Group PLC and Rotork PLC. Gary most recently held the position of President of Logica UK until October 2012 and was a member of the Executive Committee of Logica PLC.

Gary is a non-executive director of Spirent Communications PLC and non-executive Chair of AFC Energy PLC. He is also acting as interim Chief Executive Officer of AFC Energy plc for the period from 5 September 2024 to 6 January 2025.

Gary is Chair of the Nomination Committee and a member of the Remuneration and Sustainability Committees of the G&H Board.

Louise Evans

Appointed
11 May 2020

Louise has wide financial leadership experience, having held Group Finance Director roles at Braemar Shipping Services PLC and Williams Grand Prix Holdings PLC. She has also held senior positions at RPS Group PLC and Reynard Motorsport. She qualified as a Chartered Accountant whilst working with Ernst & Young.

Louise is a non-executive director and Audit Committee chair of AB Dynamics PLC and the International Foundation for Aids to Navigation, and is also an independent director of World Rugby.

Louise holds a bachelor's degree in Management Science from the University of Wales and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Louise was appointed Senior Independent Director with effect from 1 June 2024 and is Chair of the Audit Committee and a member of the Remuneration, Nomination and Sustainability Committees of the G&H board.

Jim Haynes

Appointed
12 February 2021

Jim has over 35 years' experience in the Optoelectronics industry, where he has held senior management positions in operations, engineering and business.

Jim has worked for Nortel Networks, Agility Communications and Oclaro PLC, where he was COO. He was also a Non-Executive Director at Andor PLC, and until February 2023 was an advisor at Silicon Photonics start up, Rockley Photonics.

Jim holds a Bachelor's Degree in Material Science from the University of Wales.

Jim is a member of the Audit, Remuneration, Nomination and Sustainability Committees of the G&H board. Jim is also the Non-Executive Director with responsibility for the Board's engagement with the workforce.

Susan Searle

Appointed
3 April 2023

Susan was a founder of Touchstone Innovations plc, and formerly its CEO. She has served on a variety of public and private company boards in engineering, healthcare and advanced materials, and held a variety of commercial and business development roles with Shell Chemicals, the Bank of Nova Scotia, Montech (Australia), and Signet Group plc. Previously Susan was the Senior Independent Director and Remuneration Committee Chair of Horizon Discovery Group plc and Chair of two investment businesses; Mercia Asset Management plc and Schroder UK Public Private Trust plc.

Susan is Non-Executive Director and Chair of the Remuneration Committee of QinetiQ Group plc, Chair of Greenback Recycling Technologies Limited and a Non-Executive Director of Bibby Line Group.

Susan holds an MA in Chemistry from Oxford University.

Susan is Chair of the Sustainability and Remuneration Committees and a member of the Audit and Nominations Committees of the G&H board.

Executive Management Team

The right blend of **skills** and **experience**

Charlie Peppiatt

Chief Executive Officer

Appointed
2022

Charlie Peppiatt assumed the position of Chief Executive Officer at Gooch & Housego Plc in September 2022, steering the company with a wealth of leadership experience. Before his tenure at G&H, Charlie held the role of Executive Vice President at TT Electronics Plc from 2018, a position he assumed following TT's acquisition of Stadium Group Plc. His leadership as CEO at Stadium, an AIM listed company, spanned from 2013 until its acquisition by TT. Charlie's career trajectory also includes a significant stint as the Vice President of Global Operations for Laird Plc, a prominent FTSE 250 electronics company. With an international perspective and senior roles in cutting-edge industries serving the medical, telecoms, industrial, and A&D sectors, Charlie brings a profound and diverse experience to his pivotal leadership role at G&H.

Chris Jewell

Chief Financial Officer

Appointed
2019

Chris Jewell joined Gooch & Housego Plc as Chief Financial Officer in September 2019, bringing with him a wealth of financial expertise to the executive team. Before joining G&H, Chris served as the Group Director of Financial Control at TT Electronics Plc, Senior Vice President of Finance at Cobham Plc, and Finance Director of MBDA UK. Chris has masters degrees from Cambridge University and the London School of Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales. His multifaceted skill set encompasses strategy, financial management, international business, restructuring, with specialised expertise in the aerospace and defence sector.

Bill Keating

Executive Vice President Optical Systems

Appointed
2024

Bill Keating is the Executive Vice President Optical Systems. Prior to his time at G&H, Bill was Regional President Americas for Oxford Instruments, a UK listed company which designs and produces microscopy systems, semiconductor equipment, low-temperature systems, imagining detectors and x-ray sources. Bill has more than 25 years' experience in general management in a variety of life sciences, A&D and industrial technology businesses supplying complex engineered solutions to a global customer base.

Bill holds an MBA from the University of Rhode Island and a BS in Electronic Engineering Technology from Wentworth Institute of Technology and has pursued graduate coursework in Information Technology and Organisational Behavior.

Stratos Kehayas, PhD

President, Photonics

Appointed
2013

Dr. Efstratios (Stratos) Kehayas serves as the President of our Photonics Division. Dr. Kehayas holds a Ph.D. from the National Technical University of Athens and a Master's degree in photonics from Imperial College London. As the co-founder and Managing Director of Constelex Technology Enablers, a startup acquired by G&H in 2013, he has significantly contributed to the development of novel fibre-optic systems for satellite laser communications and harsh environment fibre sensing. Stratos' skills include entrepreneurial leadership, cross-functional team leadership, new product development, and strategic product marketing, making him a driving force in G&H's technological innovation.

Melinda Chudleigh,

Chief People Officer

Appointed
2023

Melinda Chudleigh serves as the Chief People Officer at G&H, bringing 25 years of invaluable expertise in human resources and organisational development. Her distinguished background includes senior talent leadership roles at Mentor Graphics Corp, Novell Inc, Qorvo, TT Electronics, and Xytech Systems. Melinda is recognised for spearheading initiatives that enhance employee engagement and talent development. Her unwavering commitment to creating inclusive and supportive work environments aligns seamlessly with G&H's values, making her a key player in shaping and implementing the company's talent strategy.

Bryan Bothwell

Executive Vice President Life Sciences

Appointed
2024

Bryan is the Executive Vice President, Life Sciences. He has a wealth of life sciences leadership experience, having most recently led a business unit focused on developing medical point-of-care diagnostics solutions and medical devices using sensor technology.

Bryan holds Masters degrees in Business and Electrical Engineering from Babson's FW Olin Graduate School of Business and Oregon Health and Sciences Universities respectively. He holds undergraduate degrees in Biology and Biochemistry.

His background is in business development, strategic planning, and commercialisation across the medical device, biotech, and high-tech industries.

Corporate Governance

Introduction

The Board is accountable to shareholders and is committed to the highest standards of corporate governance. To this end, the Group has adopted the UK Corporate Governance Code (2018). The Code is available to download at **www.frc.org.uk**.

The Board of Gooch & Housego PLC reviewed its corporate governance procedures at its September 2024 meeting. Following the actions taken in previous years to ensure full compliance with the Code, no further actions were required this year and the Board consider the group to have fully complied with the Code during the year ended 30 September 2024.

How we Govern the Group

The Board leads the group's governance framework. It is responsible for setting the strategic targets for the group, monitoring progress made, approving proposed actions and for ensuring that the appropriate internal controls are in place and that they are operating effectively.

The Board is assisted by four principal committees (Audit, Nomination, Remuneration and Sustainability) each of which is responsible for dealing with matters within its own terms of reference, which are available on the group's website.

The Board

The Board currently comprises two executive and five non-executive directors. The directors holding office during the period of this report and their biographies are detailed from pages 104 to 105 and are also available on our website; **www.gandh.com**.

Brian Phillipson retired on 30 September 2024 after having completed his nine year tenure.

The Executive Directors have rolling service contracts that are subject to either six or 12 months' notice. The Chairman and Non-Executive directors do not have contracts of service. The terms of appointment of the Directors are available for inspection during business hours at the registered office of Gooch & Housego PLC and are also available at the AGM.

All the Non-Executive directors are considered by the Board to be independent of management and free of any relationships which could materially interfere with the exercise of their independent judgement.

The Nomination Committee is responsible for approving appointments to the Board. The Board understands and recognises the benefits that diversity can bring, and our recruitment partners are briefed on our requirements in this regard.

Roles and Responsibilities

There is a documented clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure that there is a balance of power and authority between leadership of the Board and executive leadership.

All Directors are entitled to seek independent, professional advice at the Group's expense in order to discharge their responsibilities as Directors. Gooch & Housego PLC maintains appropriate directors' and officers' insurance cover.

External Roles for Directors
The Board reviews the Directors' external commitments on an annual basis to ensure they are sufficiently available to enable them to discharge their responsibilities, particularly if there were exceptional circumstances that might require additional time at short notice. The Board is cognisant that the Chairman, Gary Bullard currently has three non-executive roles, two of which are as Chairman (including G&H). He is also acting as interim CEO of AFC Energy PLC for the period from 5 September 2024 to 6 January 2025. He has assessed his time commitments and confirmed to the Board that they do not hinder his ability to discharge his responsibilities as Chairman of G&H. Gary attended all of the scheduled Gooch & Housego PLC board meetings during the year and has no other external commitments other than his Board roles.

Board Activities
Day to day responsibility for the running of the Group is delegated to executive management. However, there are a number of matters where, because of their importance to the Group, it is not considered appropriate to do this. The Board therefore has a documented schedule of matters reserved for its decision. This schedule is available on the Group's web site.

There are typically eight routine board meetings a year, with additional meetings held as necessary to consider specific matters.

Meetings between the non-executive directors, without the executive directors present are scheduled in the Board's annual programme. These meetings are encouraged by the Chairman and provide the non-executive directors with a forum in which to share experiences and to discuss wider business topics, fostering debate in Board and committee meetings and strengthening working relationships.

The Board has established a procedure for Directors, if deemed necessary, to take independent professional advice at the Group's expense in the furtherance of their duties. The Chairman ensures that the Board is kept properly informed and is consulted on all matters reserved to it. Board papers and other information are distributed in a timely manner to allow Directors to be properly briefed in advance of meetings.

In accordance with best practice, the Chairman addresses the developmental needs of the Board as a whole, with a view to further developing its effectiveness as a team, and ensures that each Director refreshes and updates his or her individuals skills, knowledge and expertise.

A formal, comprehensive and tailored induction is given to all non-executive directors following their appointment, including access to external training courses, visits to key locations within the Group and meetings with members of the senior management team.

Louise Evans is the Senior Independent Director. Her role includes providing a sounding board for the Chairman and acting as an intermediary for the non-executive directors, where necessary.

The Board believes that Louise has the appropriate experience, knowledge and independence to continue this role.

The Board is responsible for setting the Group's strategy. The board calendar includes two strategy sessions per year. At these sessions, members of the leadership team present updates on strategic progress to the board in advance of wider discussions which form the basis of our ongoing strategy. Further details of our strategy can be found in the Strategic Report.

Board meeting attendance is presented in the following table.

Executive Directors		
Charlie Peppiatt	8/8	
Chris Jewell	8/8	
Non-executive Directors		
Gary Bullard	8/8	
Louise Evans	8/8	
Jim Haynes	8/8	
Susan Searle	8/8	
Brian Phillipson	8/8	Retired 30 September 2024

Maintaining a Dialogue with Shareholders
The Chairman ensures that the Board maintains an appropriate dialogue with shareholders. During FY2024, the Chairman met with a number of major shareholders independently of the Executive Directors.

The Chief Executive Officer and the Chief Financial Officer regularly meet with institutional investors to discuss strategic issues and to make presentations on the Group's results.

In addition to the full and half year results, the Group publishes Regulatory News Service announcements through the London Stock Exchange.

The Group's website contains an archive of information on the Group's history, leadership, governance, financial results, dividend history and up to date share price information.

Although the non-executive directors are not formally required to meet the shareholders of the Group, their attendance at the Annual General Meeting and at presentations of the interim and annual results is encouraged.

Engagement with the Workforce
Jim Haynes is our non-executive director with responsibility for engagement with the workforce. During FY2023, Jim met with employee Groups from all of our sites. There was a commitment to cascade this feedback back to employees during FY2024, and this has been the focus of Jim's efforts during the year. There was also a commitment to use the information to help refine the Group's strategy and also to further develop the "employee voice" structure within the company.

Site employee communication groups are now well established in all of our sites with regular monthly meetings. The intention is that Jim Haynes, and other Board members as appropriate, will attend a number of these meetings going forward.

We have also established a global employee representative group from across our site teams. This group will be responsible for the cross fertilisation of ideas between sites, and will meet formally with the Board of Directors twice a year to provide consolidated feedback.

In addition to further developing our engagement structure, we have focused on addressing some of the core points that employees have raised. In particular with regard to improved communications, we have formally introduced monthly business division updates, and a 'spotlight' communication to focus globally on a part of G&H each month.

As we enter 2025, we will launch our new annual employee survey, to get even broader feedback from employees.

The Board reviews the organisation's culture to ensure it is aligned with the Group's strategy. The Group's Mission, Vision, Values and Behaviours have been rolled out across the Group and further strengthen the Group's culture in support of its strategic aim. Further information on our work in this regard is given in the ESG Report.

Other ways in which we ensure appropriate engagement with our workforce are set out in the Strategic Report. These activities enable the Board to gauge the Group's culture and to make changes where necessary to ensure it is aligned with our strategy.

Board Effectiveness

The Chairman is responsible, with assistance from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, expertise and experience. During FY2024, the Board took the decision to undertake an external independent review of the Board and the Chairman. Louise Evans, as Senior Independent Director, led the appointment of the reviewer, and having met with a number of providers, recommended to the Board that Lorna Parker be appointed. Lorna has met with a number of the Directors during the year and is due to attend the November 2024 Board meeting in Ilminster. It is currently anticipated that Lorna will feed back her findings to the Board early in 2025.

The Board focuses on formulation of strategy, management of effective business controls and review of business performance. The Board is specifically responsible for the approval of annual and interim results and interim management statements, acquisitions and disposals, major capital expenditure, borrowings, director and company secretary appointments and removals, any material litigation, strategic forecasting and major development projects.

A framework of delegated authorities is in place that details the structure of delegation below Board level and includes matters reserved for the Board.

Board Committees

The Board has established a number of committees to assist in the discharge of its duties. The formal terms of reference for the principal committees can be found on the Group's website.

The Board has four formally constituted committees, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. A report on the activities of each of the other committees follows later in this report.

Accountability

The Directors acknowledge that they are responsible for the Group's system of internal financial control. The system can provide only reasonable, and not absolute, assurance against material misstatements and losses.

G&H adopts a formal risk identification and management process designed to ensure that risks are properly identified, prioritised, evaluated and mitigated to the extent possible. A formal group wide risk register is maintained and approved by the Board on an annual basis. This year, the risk register was reviewed at the March 2024 and September 2024 meetings.

There are defined lines of responsibility and delegation of authorities. There are also internal financial controls in existence which are centrally maintained and documented and provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used within the business.

The Audit Committee is responsible for reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk. It is also responsible for advising the Board on whether the Committee believes the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Group does not have an internal audit department. Each year, finance staff independent of the site being visited, perform detailed testing of compliance with the Group's comprehensive control framework. The results of this work were summarised and presented to the Audit Committee in September 2024. This showed significant progress during the year on the sites that had already been subject to review, and set a baseline for the two sites acquired in the year ended 30 September 2023.

Annual budgets and strategic plans are prepared for each business unit. Financial and operational reports enable the Board to compare performance against budget and to take action where appropriate.

Remuneration

The Remuneration Committee is responsible for setting remuneration packages of the Executive Directors which are designed to promote the long-term success of the Group and take account of current corporate governance practice. The committee ensures that performance related components of Executive Director remuneration are transparent, stretching and rigorously applied. The committee also monitors the level and structure of remuneration for other senior management.

No director is involved in deciding his or her own remuneration.

Directors' Report

The Directors present their report together with the audited consolidated financial statements for the year ended 30 September 2024. The Directors who held office during the year and up to the date of this report are shown on pages 104 to 105. Additionally, Brian Phillipson was a non-executive director until his retirement on 30 September 2024.

A review of the development and performance of the Group during the year and its future prospects is set out in the Financial Highlights and in the Financial Review. An outline of the business's principal activities, strategy and the Group's progress in the year towards these strategies is given in the Strategic Report. An analysis of the segmental information by market sector is given in the Operations Review.

Key Financial Performance Indicators (KPIs)
The Group uses a selection of KPIs to monitor and review the performance of the business. These are detailed from page 28.

Dividends
During the year ended 30 September 2024 a final dividend of 8.2p per share was paid for the previous financial year. An interim dividend of 4.9p was paid for the half year ended 31 March 2024 (2023: 4.8p).

For the year ended 30 September 2024, the Directors have proposed a final dividend of 8.3p per share (2023: 8.2p).

Substantial Shareholdings
As at 15 November 2024, the following shareholders had notified the Company that they held an interest in 3% or more of its issued ordinary share capital:

Shareholder	Number	% holding
Odyssean Capital LLP	3,250,000	12.60%
Octopus Investments	2,864,522	11.11%
Fidelity Worldwide Investment	1,527,327	5.92%
Schroders	1,507,758	5.85%
Royal London Mutual Assurance Society	1,219,031	4.73%
JM Finn & Co	1,070,845	4.15%
Canaccord Genuity Group Inc	1,051,559	4.08%
Perpetual	980,000	3.80%
abdrn plc	826,879	3.21%
St James' Place	800,266	3.10%

Save for these interests, the Directors have not been notified that any person is directly or indirectly interested in 3% or more of the issued ordinary share capital of the Company.

Treasury Policies

The Group's treasury policies are designed to manage financial risk to the Group that arises from operating in a number of foreign currencies and to maximise interest income on cash deposits, whilst maintaining the security of these deposits. As an international group of companies, the main exposure is in respect of foreign currency risk on the trading transactions undertaken by group companies and on the translation of the net assets of overseas subsidiaries. This exposure is principally to the US dollar.

Monthly cash management reporting and forecasting is in place to facilitate management of this currency risk. The operations of group treasury take place at head office.

All balances not immediately required for group operations are placed on short-term deposit with leading international highly rated financial institutions.

At a transactional level, the Group seeks to offset its exposure to foreign exchange movements by contracting with significant supply partners in US Dollars and undertakes regular financial reviews to assess whether it would be appropriate for the Group to enter into currency hedging contracts to mitigate the currency risk. During the year, the Group also entered into contracts to sell US Dollars at specific rates in the future. Further details are given in Note 29 to the financial statements.

The Group's bank borrowings are denominated in US Dollars, which acts as a partial hedge of a net investment against its US Dollar denominated companies within the Group.

Further information on financial risk is given in note 29 to the financial statements.

Research and Development

The Group has a continuing commitment to a high level of research and development and invested £7.8m in R&D in the year ended 30 September 2024 (2023: £7.4m). This commitment is to actively develop new technologies and capabilities that will become a key part of the Group's future product portfolio and revenue.

Statement of Employment of Disabled Persons

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. Full and fair consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and will be provided help with any necessary rehabilitation and retraining. The Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

Directors' Indemnities

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-adopted international accounting standards.

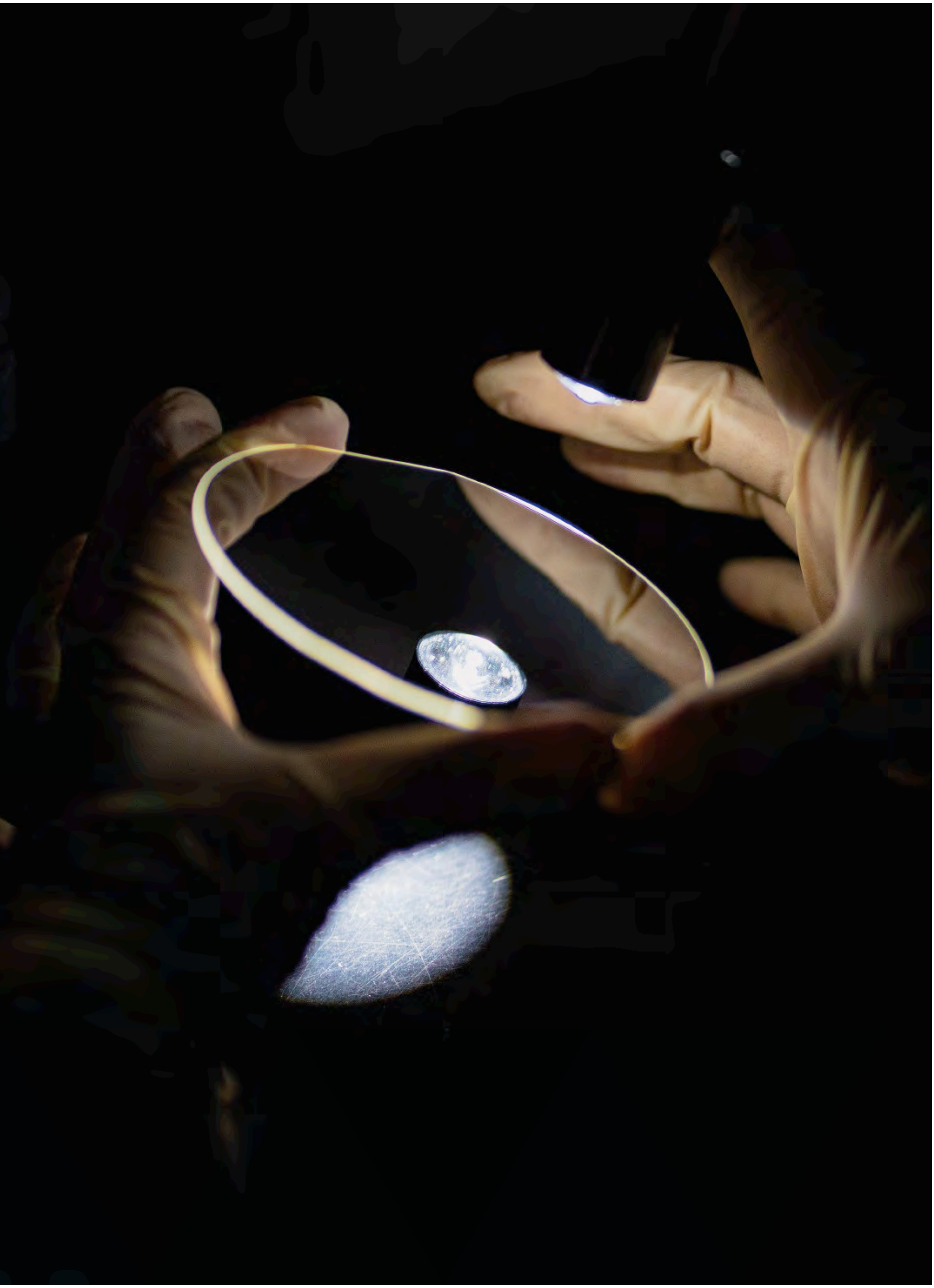
Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Directors' Confirmations
The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

Stakeholder Engagement
The ways in which we have engaged with our stakeholders in the year are set out in our S172 Statement and our ESG Report. Our streamlined energy and carbon reporting can be found on page 78.

Going Concern
The Directors have reviewed the current financial forecasts for FY2025. They have assessed the future funding requirements of the Group and compared them with available borrowing facilities. They have also reviewed forecast performance against our banking covenants. Details of the financial and liquidity positions of the Group are given on page 68.

At 30 September 2024, the Group has a strong balance sheet with net current assets of £46.8m. The Group's cash and undrawn committed and uncommitted facilities totalled £36.2m.

The Directors have reviewed severe but plausible downside scenarios that estimate the potential impact of the principal risks that the Group faces (see pages 99 to 101 of this report) on the financial forecasts. These include the impact of a possible recession and the resultant reduced demand in certain of the Group's markets, most notably commercial aerospace and the Industrial laser market driven by softness in consumer end market demand. They also included the effect of erosion of sales prices due to competition, the impact of delays to our production ramp up, the impact of inflation on input costs which cannot be passed on to customers, the potential impact of a cyber-attack and a reduction in forecast revenue to illustrate the potential effect of a loss of key personnel or inability to hire for a key role. The model also considered the loss of revenue and profit associated with a closure of one of our sites due to a legal non-compliance issue. Mitigating actions including cost and capital expenditure savings, and an extension of our payment terms with suppliers (in FY2025 only) have been factored into this analysis.

This assessment covered not only the coming 12 month period but also for the period to September 2027 in order to support the Viability Statement given below.

We have compared the downside risk adjusted cash projections and covenant performance against the Group's available cash and borrowing facilities and have been able to conclude that the Group would continue to be able to operate even if a number of the risks occurred simultaneously.

As a result of the assessments undertaken the Directors are satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Viability Statement
The Directors have also assessed the viability and long-term prospects of the Group for the period to September 2027 taking into account the Group's current position and the potential impact of the principal risk and uncertainties set out on pages 99 to 101 of this report.

Business planning processes within G&H require the preparation of detailed financial plans as part of an annual review and update of the Group's three-year strategic plan, a process in which all functions are involved. The Group's strategy is developed, and capital investment decisions are made, based on cash flow forecasts over a three year horizon.

The Group's strategy is key to understanding its prospects. Further details of the strategy can be found in the Strategic Report. By focusing on diversification in to attractive adjacent markets with our sub assembly and systems capabilities, thereby reducing the Group's dependency upon the Industrial laser market and by creating differentiated products and capabilities through our R&D investment we are making the Group sustainable for the long term. The Group's geographical and sector diversification helps to reduce the impact of many of the risks that the Group faces. Furthermore, the Group's revenue is not overly concentrated with any particular customers or markets.

We have determined that the period to September 2027 represents an appropriate period over which to provide the viability statement as this aligns with the business cycle and order intake trends of the Group.

As described above we have stress tested the Group's financial projections for the period covered by the viability statement, testing it for the severe but plausible risks that the business faces. This assessment confirmed that the Group would continue to be able to operate even if a number of the risks occurred simultaneously.

Based upon these assessments the Directors confirm that at the time of approving the financial statements, there is a reasonable expectation that the Group will have adequate resources to continue in operation over the period to September 2027.

Approved and signed on behalf of the Board of Directors by:

Charlie Peppiatt
Director
3 December 2024

Sustainability Committee Report

The Sustainability Committee was established in September 2023. It comprises all members of the Board together with Andy Back, the Group's Global Head of Quality and Compliance.

A subcommittee of the Sustainability Committee is chaired by Andy Back and comprises the Chief Executive Officer, the Chief Financial Officer and representatives from various functions within the business in both the UK and the US. The sub-committee meets at least four times a year, and the full committee meets at least twice a year.

Role of the Committee

- The key objectives of the Committee are to ensure that the Company's strategy and operations are carried out in accordance with our sustainability commitment, focusing on care for the environment, people and the communities where we operate whilst maintaining the economic stability of the company. The Committee will align this work with appropriate frameworks including the London Stock Exchange Guidance for Environmental, Social and Governance reporting and will ensure the company uses independent internationally recognised global disclosure systems for all our stakeholders to score and help manage G&H environmental impacts.

- During the year, the Committee agreed a number of workstreams to focus on across various functional areas. Further details of these workstreams are given in our Sustainability Report.

Area of Focus for the Sustainability Committee During FY2024

- GHG Emissions and energy consumption, together with updates on key improvement activities including use of solar power, voltage optimisation, LED lighting and our transition to green energy providers in the US.

- Progress against the Group's ISO14001 roadmap.

- Other sustainability projects such as waste management, recycling and use of sustainable packaging materials.

- Employee safety including numbers of work-related injuries, lost workdays and recordable incidents.

- Employee numbers, employee turnover, diversity and employee engagement.

- The extent of the Group's charitable giving, volunteering and education support.

- Customer satisfaction, on-time delivery and product performance.

- Leadership and governance including board diversity, ethics and anti-corruption training, trade compliance and risk management.

- Approval of the ESG disclosures in the Annual Report.

Membership and Attendance at Meetings Held in FY2024

Non-executive Directors		
Susan Searle	2/2	
Gary Bullard	2/2	
Louise Evans	2/2	
Jim Haynes	2/2	
Brian Phillipson	2/2	Retired 30 September 2024
Executive Directors		
Charlie Peppiatt	2/2	
Chris Jewell	2/2	

Approved by

Susan Searle
Chair of the Sustainability Committee
3 December 2024

Audit Committee Report

Membership
The Audit Committee is chaired by Louise Evans, a Chartered Accountant with significant recent experience in senior finance roles, and who the Board are therefore satisfied has recent and relevant experience. The Committee comprises Louise Evans, Jim Haynes and Susan Searle and is considered to have had an appropriate balance between those individuals with finance or accounting training and those from a general business background.

How the Committee Operates
The Committee met three times during the year as part of its standard schedule to consider matters planned around the Group's financial calendar. Attendance at those meetings is summarised below:

Non-executive Directors		
Louise Evans	3/3	
Susan Searle	3/3	
Jim Haynes	3/3	
Brian Phillipson	3/3	Retired 30 September 2024

At the invitation of the Committee, representatives of the external auditors, PricewaterhouseCoopers LLP, attended meetings together with the Chairman, Chief Executive Officer, Chief Financial Officer, and the Company Secretary. The Committee also seeks to meet regularly with the external auditors without the Executive Directors in attendance. During the year, the Committee met twice with representatives from PricewaterhouseCoopers LLP without others being present.

Responsibilities
The role and responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website and from the Company Secretary on request. The terms of reference are reviewed annually by the Committee.

The principal responsibilities of the Committee are:

- Reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk;

- Reviewing the results of internal controls testing and verification;

- Advising the Board on whether the Committee believes the Annual Report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;

- Considering and making recommendations to the Board as to the appointment, reappointment or removal of the external auditors and the approval of their remuneration and terms of engagement;

- Assessing the external auditors' independence and objectivity and the effectiveness of the audit process; and

- Reviewing the policy on the engagement of the external auditors to supply non-audit services.

Financial Reporting
During the year, the Audit Committee reviewed the appropriateness of the Group's interim and full year financial statements, including the consideration of significant financial reporting judgements made by management taking into account reports from management and the external auditors. The main areas of focus considered by the Committee during the year were as follows:

AREA OF FOCUS

Going concern and viability

The Committee reviewed management's going concern assessment and viability statements.

CONCLUSION

The Committee reviewed management's funding forecasts and the stress testing that had been performed on them, based upon the Group's principal risks and uncertainties. The Committee concluded that it was appropriate that the financial statements were prepared on a going concern basis and that a viability statement confirming that there is a reasonable expectation that the Group will have adequate resources to continue in operation over the period to September 2027 could be included in the Annual Report.

AREA OF FOCUS

Goodwill impairment reviews

Management perform annual impairment reviews of the carrying value of goodwill. These impairment reviews are based on future projected cash flows and are therefore inherently judgmental. The Audit Committee reviewed the key judgements underpinning the impairment reviews performed.

CONCLUSION

The Committee has reviewed the value in use calculations prepared by management for the UK, US and ITL CGUs.

The Committee has reviewed the sensitivity disclosures in note 18 and concluded that they are appropriate.

Based on the work performed, the Committee is satisfied that no impairment has arisen.

AREA OF FOCUS

Long term contract accounting and revenue recognition

Some of the Group's sites are engaged in long term development contracts. These contracts must be traded based upon an estimate of the contracts' outturn profitability which requires estimation and judgement.

CONCLUSION

Approximately 3% of the Group's revenue in the year was related to long term contracts. The Committee considered the procedures in place to monitor both the stage of completion and the outturn profitability of long term contracts within the Group. It also reviewed the procedures in place for the correct segregation of costs between contracts.

After careful consideration the Committee concluded that the judgements and estimates made in this regard were reasonable.

AREA OF FOCUS

Accounting for the disposal of EM4

CONCLUSION

The Committee has reviewed the accounting for and disclosure of the disposal of EM4 during the year and is satisfied that they are appropriate.

AREA OF FOCUS

Inventories

The Committee reviewed management's estimates in relation to inventory valuation and obsolescence.

CONCLUSION

The Committee reviewed the level of inventory at the year end, which has reduced in the year.

The Committee was satisfied that the provisions made adequately reflected the risk of impairment.

AREA OF FOCUS

Non-underlying items

The Committee considered the appropriateness of the measure of adjusted profits, quality of earnings, and the classification and transparency of items separately disclosed as non-underlying items.

CONCLUSION

The Committee was satisfied that the presentation of adjusted profit before tax provides a reasonable view of the underlying performance of the Group and that there was transparent and consistent disclosure of items shown separately as non-underlying items.

This was based on a review of the items added back in arriving at underlying profit.

The Committee was satisfied the FRC's guidance discouraging companies from excluding charges and credits associated with the pandemic from alternative performance measures had been followed.

AREA OF FOCUS

Tax Accounting

The Committee reviewed the accounting for deferred taxation in the year.

CONCLUSION

The Committee noted the prior year adjustment in respect of deferred taxation assets on losses, including the related narrative disclosure, and is satisfied that the revised position is correct.

AREA OF FOCUS

Fair, balanced understandable and comprehensive reporting

CONCLUSION

The Committee has reviewed the Annual Report and is comfortable that it provides a fair, balanced and understandable review of the year ended 30 September 2024.

As part of this review, the Committee has considered the alternative performance measures presented, and the degree of prominence given thereto in relation to statutory measures. The Committee has also considered the ESG disclosures and other reports to ensure that a fair review has been given.

Financial Systems and Controls
The Committee reviewed the results of the internal controls testing conducted by the finance team during the year. This work showed that significant progress has been made on the Group's internal controls. The Committee noted the areas requiring improvement identified by the testing and were satisfied that an appropriate plan is in place to do so.

During the year, the Committee reviewed and approved the latest delegation of authority framework in order to ensure appropriate controls are in place for the approval of certain matters and actions relating to expenditure, contractual exposure and other potential liabilities to the Group.

The Committee also reviewed the latest risk register and is satisfied that appropriate mitigating actions have been taken.

External Auditors
Under its terms of reference, the Committee is responsible for assessing the scope, fee, objectivity and effectiveness of external audits and for making a recommendation to the Board regarding the appointment, reappointment or removal of the auditors on an annual basis.

The Group's auditors, PwC, do not provide non-audit services to the business, and this combined with a new engagement partner being appointed for this year's audit, together with PwC's other independence safeguards give the committee assurance that their independence and effectiveness is not affected.

Approval

Louise Evans
Chair of the Audit Committee
3 December 2024

Nomination Committee Report

The Nomination Committee, which consists of the Chairman, all Non-executive Directors and the Chief Executive Officer, is responsible for the composition of the Board, and other senior management matters.

Role of the Committee

- Reviews the composition of the Board and its committees.
- Considers succession planning for Directors and other senior executives and in doing this considers diversity, experience, knowledge and skills.
- Identifies and recommends for Board approval suitable candidates to be appointed to the Board.
- Considers the gender balance of those in senior management and their direct reports.

Areas of Focus for the Nomination Committee During FY2024

- Succession planning for members of the Board.
- Diversity in the senior management team. Further details in this regard can be found in our Corporate Governance Report.
- Appointment of Senior Independent Director following the retirement of Brian Phillipson.
- Appointment of the external board evaluation service provider.

Membership and Attendance at Meetings Held in FY2024

Non-executive Directors		
Gary Bullard	1/1	
Susan Searle	1/1	
Louise Evans	1/1	
Jim Haynes	1/1	
Brian Phillipson	1/1	Retired 30 September 2024
Executive Directors		
Charlie Peppiatt	1/1	

Approval

Gary Bullard
Chairman of the Nomination Committee
3 December 2024


WF10X/20

Remuneration Committee Report

Annual Statement

Dear Shareholder

I was pleased to succeed Brian Phillipson as Chair of the Remuneration Committee on 1 June 2024 and would like to thank him for leaving everything in good order. Detailed below is the the Remuneration Committee Report for FY2024 which is divided into three sections, being:

- **This Annual Statement**, which summarises the work of the Committee, remuneration outcomes in FY2024 and how the Remuneration Policy will be operated for FY2025;
- **The Remuneration Policy**, which summarises the Company's current Remuneration Policy; and
- **The Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in FY2024.

Operation of the Remuneration Committee
It is an objective of the Group to attract and retain high calibre Directors and employees and reward them in a way which encourages the creation of value for shareholders while also fully meeting the expectations of shareholders and governance standards. The Chief People Officer ("CPO") attends the Committee meetings and works together with the Committee Chair and Company Secretary to the develop the meeting agendas. The CEO and CPO submit proposals to the committee as appropriate but do not take part in any decisions made. The Committee has three scheduled meetings each year to deal with ordinary business. In addition to these, the Committee meets on an ad hoc basis when necessary to deal with additional matters.

Membership and Meeting Attendance in FY2024

Non-executive Directors		
Susan Searle (Chair)	5/5	
Gary Bullard	5/5	
Louise Evans	5/5	
Jim Haynes	5/5	
Brian Phillipson	5/5	Retired 30 September 2024

Advisors to the Committee

FIT Remuneration Consultants LLP ("FIT") advised the Remuneration Committee on certain matters during the year. FIT is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at www.remunerationconsultantsgroup.com. FIT provides no other services to the Company and the Committee is satisfied that FIT have no conflicts of interest with G&H or its Directors.

Activities during the year

- Reviewed the FY2023 Remuneration Committee Report prior to its approval by the Board.
- Reviewed performance against the FY2023 annual bonus plan targets and resulting awards and agreed the metrics and targets for the FY2024 bonus plan.
- Reviewed and approved awards and targets for the FY2024 LTIP.
- Reviewed total reward for employees across the organisation.
- Reviewed our Gender Pay Gap reporting.
- Reviewed the level of diversity across the organisation.
- Monitored progress towards vesting of annual LTIP awards in order to determine their effectiveness in terms of retention.
- Documented how the Committee intends our remuneration schemes would operate in the event of a takeover of the Company.

Performance and Reward for FY2024

The Group reported a decrease in adjusted profit before tax from continuing operations from £10.3m to £8.1m. This meant that neither the profit nor cash elements of the Executive Directors' short term incentive scheme were met. I am pleased to report that very good progress was made in respect of the Executive Directors' personal objectives and in executing the Company's agreed strategy. As a result, annual bonuses were awarded to the CEO and CFO at 15% of salary. No LTIP awards vested in FY2024.

Implementing the Remuneration Policy for FY2025

In respect of the implementation of the Remuneration Policy for the CEO and CFO in FY2025:

Base Salary: The Committee reviewed the Executive Directors' salaries at its October 2024 meeting. It agreed to increase the salary of both Charlie Peppiatt and Chris Jewell by 1.7% with effect from 1 January 2025. This increase is in line with that given to the wider UK workforce.

Pension: Pension provision will continue to be provided at 6% of salary (workforce aligned).

Annual Bonus: Annual bonus will continue to be capped at 100% of salary albeit we have adjusted weightings to improve the linkage with key drivers for our revised strategy and encouraging an increased focus on reducing the second half weighting of our financial results. For FY2025, the cash target will account for 20% of the bonus plan, with the EPS element reduced from 50% to 35%. 25% of the bonus plan will be linked to achieving a target profit number in the six months ending 31 March 2025. Personal objectives will continue to account for the remaining 20%, and it was agreed that these would be linked to the four pillars of the Group's revised strategy for the coming year. The performance criteria of the financial elements will continue to operate such that pay out will commence at achievement of 90% of the target with maximum entitlement being achieved at 110% of target. Pay-out will be linear between those two levels.

LTIPs: LTIP Award levels for FY2025 will continue to be set at 120% of base salary for the CEO and CFO and vest after three years, subject to achievement of performance targets and a two-year post vesting holding period will operate. Performance metrics will continue to be based on sliding scale Total Shareholder Return ("TSR") targets for 50% of awards, EPS targets for 40% of awards and ESG targets for 10% of awards. TSR will continue to be measured against the constituents of the AIM100.

Shareholding guidelines: No changes have been made to our shareholding guideline policy which is considered to be well aligned to AIM best practice and which is detailed in the Remuneration Policy section of this report.

Remuneration and Retention of the Wider Workforce

At the October 2024 Committee meeting, the Committee reviewed the salary levels of the senior management team. It also reviewed the proposed level of awards to be made to the senior management team under the LTIP scheme. A key aim of this review continues to be ensuring there is an appropriate alignment between the remuneration of Directors and that of the senior management team. The Committee is satisfied that this is the case.

We have been investing in our HR function globally in FY2024 and will continue to do so. We have implemented Paylocity and now have better tools available to enable us to monitor employee engagement.

The Committee is confident that our combination of salary, bonus and annual long-term incentive schemes provides a good mix of incentives and rewards in both the short, medium and long terms. Furthermore, we believe our remuneration framework is effective in driving behaviours that are consistent with our Group values and strategy and is fully in line with external governance requirements and expectations. The Committee believes that the remuneration of the Executive Directors is appropriate based on its review of industry reports on remuneration and input received from FIT during the year. The company's employee engagement programme gives staff the opportunity to feedback to the Remuneration Committee via Jim Haynes and / or the wider engagement framework on matters related to staff and Executive Directors' remuneration. There was no significant feedback on Executive Director remuneration during the year.

The Committee is also satisfied that the existing policy provides clarity, simplicity, predictability, proportionality and avoids reputational risk and therefore the Committee's view is that the factors outlined in Provision 40 of the UK Corporate Governance Code have been adhered to;

The Committee values all feedback from shareholders and hopes to receive your support at the forthcoming AGM.

Remuneration Policy

The table below summarises our policy for FY2024 and its implementation for FY2025:

ELEMENT OF REMUNERATION	ELEMENT OF REMUNERATION	ELEMENT OF REMUNERATION
Base Salary	**Annual Bonus**	**Pension**
PURPOSE AND LINK TO STRATEGY	**PURPOSE AND LINK TO STRATEGY**	**PURPOSE AND LINK TO STRATEGY**
Takes into account experience and personal contribution to the Group's strategy. Attracts and retains executives of the quality required to deliver the Group's strategy.	Incentivise achievement of short-term financial targets that the Committee considers to be critical drivers of business growth.	Provide employees with market competitive pension scheme.
FY2024 POLICY AND APPROACH	**FY2024 POLICY AND APPROACH**	**FY2024 POLICY AND APPROACH**
• Reviewed annually with changes effective from 1 January if applicable • Consideration given to individual and Group performance • General pay increases across the wider workforce are also taken into consideration • Where the Group considers it appropriate and necessary, larger increases may be awarded in exceptional circumstances	• Awarded annually. • Based on broad performance measures. • Up to 50% payable based on EPS on a sliding scale between 90% and 110% of target. • Up to 30% of bonus payable based on operating cash flow on a sliding scale between 90% and 110% of target. • Up to 20% of bonus payable for achievement of personal objectives half of which are linked to ESG metrics.	• Defined contribution personal pension plan. • Executive Directors are entitled to employer pension scheme contributions of 6% of salary, which is consistent with the wider UK workforce.
OPPORTUNITY	**OPPORTUNITY**	**OPPORTUNITY**
Base salary increases are applied in line with the outcome of the annual review.	Maximum of 100% of base salary.	6% of base salary from 1 October 2024. The Committee keeps the benefit policy and benefit levels under regular review.
FY2025 POLICY AND APPROACH	**FY2025 POLICY AND APPROACH**	**FY2025 POLICY AND APPROACH**
The Remuneration Committee approved a 1.7% increase to the Executive Directors' salaries effective from 1 January 2025. This increase is in line with that given to the wider workforce.	Up to 35% payable based on EPS on a sliding scale between 90% and 100% of target. Up to 20% of bonus payable based on operating cash flow on a sliding scale between 90% and 110% of target. 25% of bonus payable for achieving a target profit level the half year ended 31 March 2025. No changes to the personal objectives element.	No changes proposed.

ELEMENT OF REMUNERATION

Long Term Incentive Plan (LTIP)

PURPOSE AND LINK TO STRATEGY

Incentivise executive performance over the longer term.

Performance measures linked to the long-term strategy of the business and the creation of shareholder value over the longer term.

FY2024 POLICY AND APPROACH

- Awards vest after three years subject to achievement of targets, and are then subject to a two-year holding period.
- TSR relative to the performance of the AIM100 for 50% of awards, with full vesting for performance in the upper quartile.
- The EPS target accounts for 40% of awards. Full vesting at 15% EPS growth per annum.
- 15% growth per annum target is in line with the Board's objective of doubling the size of the Group over a period of 5 years.
- Achievement of the Group's ESG agenda accounts for 10% of awards.
- Awards may vest pro rata following retirement.

OPPORTUNITY

Award levels are determined by reference to an individual's position and performance.

Annual awards of 120% of base salary for the CEO and the CFO.

Maximum award of 300% of base salary where an exceptional case may arise (e.g. on recruitment).

FY2025 POLICY AND APPROACH

No changes proposed.

ELEMENT OF REMUNERATION

Shareholding Guidelines

PURPOSE AND LINK TO STRATEGY

To promote share ownership for Executive Directors.

FY2024 POLICY AND APPROACH

- In-employment: The CEO and CFO are required to hold 200% and 100% of salary respectively in G&H shares to be built up through shares vesting under the LTIP over time.
- Post cessation: Executive Directors are required to hold shares with a value of 100% of salary for one year post cessation (excluding shares already held on appointment, any shares vesting in relation to the LTIP granted prior to 30 September 2021, or those purchased by Directors).

REQUIREMENT

In-employment:

CEO: 200% of salary

CFO: 100% of salary

Post cessation: 100% of salary for one year post cessation.

FY2025 POLICY AND APPROACH

No changes proposed.

Annual Report on Remuneration

Directors' Remuneration (Audited)

2024	Basic pay £'000	Performance related bonus £'000	Benefits in kind £'000	Pension contribution £'000	Sub-total 2024 £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive							
C Peppiatt	414	59	22	–	495	436	59
C Jewell	298	44	11	10	363	319	44
Non-executive							
G Bullard	96	–	–	–	96	96	–
B Phillipson[1]	54	–	–	–	54	54	–
L Evans	50	–	–	–	50	50	–
J Haynes	50	–	–	–	50	50	–
S Searle	50	–	–	–	50	50	–
	1,012	103	33	10	1,158	1,055	103

2023	Basic pay £'000	Performance related bonus £'000	Benefits in kind £'000	Pension contribution £'000	Sub-total 2023 £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive							
C Peppiatt	405	250	25	–	680	430	250
C Jewell	286	175	11	10	482	307	175
Non-executive							
G Bullard	87	–	–	–	87	87	–
B Phillipson	49	–	–	–	49	49	–
L Evans	49	–	–	–	49	49	–
J Haynes	49	–	–	–	49	49	–
S Searle[2]	25	–	–	–	25	25	–
	950	425	36	10	1,421	996	425

The above disclosure has been audited.

1 Brian Phillipson was paid on a mid-month to mid-month payroll cycle until his retirement when he was paid to the end of the month.

2 Susan Searle was appointed 3 April 2023.

Remuneration

Executive Directors are paid a base salary together with annual bonus payments based on the achievement of Group profitability, cash and personal, operational and ESG related targets. In addition, Executive Directors participate in a long-term incentive scheme and receive benefits in kind, including medical expenses and insurance.

Non-executive directors are paid a fee to attend board meetings and to serve as members of the Board as well as the Audit, Nomination, Remuneration and Sustainability committees. Further payments may be made in respect of additional services provided at the request of the Group. No such further payments were made in FY2024 or FY2023. The Board approved an increase to the Non-executive Directors' salaries of 1.7% with effect from 1 January 2025.

Benefits

Executive Directors receive private health insurance, life assurance and long-term disability insurance.

2024 Performance Related Bonuses
Bonuses in 2024 were based 50% on EPS, 30% on operating cash flow and 20% on personal strategic objectives. Details of the performance achieved against the EPS and cash flow targets are shown in the table below:

Financial targets	Threshold target	Maximum target	% payable at max	Performance outcome	% bonus awarded
EPS target (adjusted diluted)	35.0p	42.8p	50%	25.1p	–
Adjusted operating cash flow target	£23.9m	£29.3m	30%	£16.7m	–

Neither the EPS nor the cashflow targets were met so no bonus was payable in respect of these. No discretion was applied to these outcomes.

Personal strategic objectives, which accounted for 20% of the bonus opportunity, were set at the start of the year. These were subject to review and approval by the Remuneration Committee. They are focused on a range of activities which are key to enabling our strategic objectives.

Details of the objectives set are summarised in the table below:

Charlie Peppiatt, CEO	Chris Jewell, CFO
• Establish dynamic high-performance teams and a purpose-led culture to ensure G&H is a safe, engaging, diverse and inclusive place to work. • To contribute to the delivery of the Group's ESG agenda for FY24 • Drive the strategy to deliver exceptional G&H customer experience to ensure sustainable margin growth through the cycle. • Oversee the implementation of the strategy to deliver superior operational execution through operational excellence, optimised supply chains, outsourcing and continuous improvement activity across the business • Oversee value creation through introduction of technology and platform solutions delivering sustainable margin growth.	• To contribute to the delivery of the Group's ESG agenda for FY24. • To continue to lead the improvement of the group's financial control environment, including making a number of changes to key personnel • To support the delivery of portfolio change in line with the Group's strategy

The view of the Remuneration Committee is that excellent progress was made against the objectives set. Following due discussion at the October 2024 Remuneration Committee meeting, the Committee approved achievement levels of 15% out of the maximum 20% of the bonus for the CEO Charlie Peppiatt and 15% for Chris Jewell.

Directors' Pension Arrangements
The rate of Group pension contributions for executive directors is 6%. The policy is in line with the UK Corporate Governance Code 2018 which recommends that contribution rates for Executive Directors, or payments in lieu thereof, should be aligned with those available to the workforce.

The number of Directors who are currently accruing benefits under a pension scheme is 1 (2023: 1). Charlie Peppiatt and Chris Jewell have both sacrificed all or part of their entitlement to Group pension contributions of 6% of basic salary in exchange for a corresponding increase in basic pay.

Directors' Contracts
The Executive Directors have rolling service contracts. The Chief Executive Officer's contract is subject to twelve months' notice and the Chief Financial Officer's contract is subject to six months' notice. The Chairman and non-executive directors do not have contracts of service.

Malus and Clawback

Both the Long Term Incentive Plan and Annual Bonus scheme have malus and clawback clauses. These clauses permit the Remuneration Committee to reduce or cancel amounts due under these schemes at any time prior to payment or up to three years after payment if specific circumstances apply. These circumstances include the Director being dismissed for gross misconduct, the results of the Group being materially misstated, an error being identified in the performance conditions for the payments, or if the Remuneration Committee believe there to be circumstances giving rise to a reputational risk arising for the Group. The long term incentive plan also includes malus and clawback clauses related to corporate failure and/or insolvency. The Committee does also have a degree of discretion to apply malus and clawback to situations not specifically defined if considered appropriate.

Long Term Incentive Plan (Audited)

There were no vesting or exercises under the Long Term Incentive Plan by the Directors in either the year ended 30 September 2023 or 30 September 2024.

Director Shareholdings (Audited)

The Directors' beneficial interests in the issued ordinary share capital of the Company were as follows:

	Number of shares at 30 September 2024	% of salary As at 30 September 2024	Number of shares at 30 September 2023	% of salary As at 30 September 2023
Executive Directors				
Charlie Peppiatt	7,000	7%	5,000	6%
Chris Jewell	5,715	8%	5,715	10%
Non-executive Directors				
Gary Bullard	59,205	N/A	38,581	N/A
Louise Evans	473	N/A	473	N/A
Jim Haynes	2,500	N/A	–	–
Susan Searle	2,700	N/A	2,700	N/A
Brian Phillipson[1]	3,460	N/A	3,460	N/A

[1] Brian Phillipson retired on 30 September 2024.

Shareholding Guidelines

Executive Directors are required to maintain a qualifying interest in the ordinary shares of the Company. The Chief Executive Officer and the Chief Financial Officer are required to hold 200% and 100% of salary respectively in G&H shares, a holding which is expected to be built up through shares vesting under the LTIP over time. The Directors are not permitted to sell shares vesting under the LTIP unless the specified shareholding has been achieved, other than sale of shares to satisfy tax obligations.

Executive Directors are required to hold shares with a value of 100% of salary for a period of one year post cessation of employment at G&H. This requirement does not apply to shares already held by Executive Directors on appointment or those purchased by Directors.

The shares purchased via the Bonus scheme for Chris Jewell in the year ended 30 September 2022 will not be considered to be a personal purchase and therefore will not be excepted from the holding requirements.

The Gooch & Housego Long Term Incentive Plan (Audited)
Having reached the end of its ten year life, the existing Gooch & Housego LTIP was renewed for a further ten years and adopted by the Board on 19 September 2023. A number of changes were made to the LTIP rules to modernise and align with best and market practice. Those changes included the introduction of a dividend equivalent provision and enhancing malus and clawback provisions to add corporate failure and insolvency triggers, in line with the current UK Corporate Governance Code. We did not make any significant changes to vesting periods, holding periods or maximum potential award levels. Under the plan, awards will be made annually to Directors and key employees based on a percentage of salary or management grade. Subject to the satisfaction of the required TSR, EPS and ESG performance criteria, these grants were to vest three years after the grant date. For any vesting shares in relation to all extant awards, after sales to satisfy tax obligations, 50% must be held for a further year and 50% must be held for a further two years. The exercise price of all awards is nil.

			Number of ordinary shares under option				
	Date of grant	At 01.10.2023	Awarded in year	Exercised in year	Lapsed	At 30.09.2024	Expiry Date
Executive							
C Peppiatt	09.01.2023	175,090	–	–	–	175,090	09.01.2026
C Peppiatt	10.01.2024	–	82,615	–	–	82,615	10.01.2027
C Jewell	07.01.2021	22,839	–	–	(22,839)	–	N/A
C Jewell	13.01.2022	24,360	–	–	–	24,360	13.01.2025
C Jewell	09.01.2023	70,698	–	–	–	70,698	09.01.2026
C Jewell	10.01.2024	–	61,156	–	–	61,156	10.01.2027

The Gooch & Housego Long Term Incentive Plan specifies that the Company will operate within the standard dilution limit of 10% of the Company's issued share capital over a 10 year period, and the Company will continue to do so.

The Gooch & Housego PLC Save As You Earn Scheme (Audited)
The Gooch & Housego PLC Save As You Earn Scheme was established in February 2021 and was open to all UK employees. There were no grants of options under the SAYE scheme during the year ended 30 September 2023 or 2024. The 2021 grant matured in the year ended 30 September 2024, and because of the reduction in share price during the vesting period, Chris Jewell's contributions were refunded to him and his options lapsed.

			Number of ordinary shares under option				
	Date of grant	At 01.10.2023	Awarded in year	Exercised in year	Lapsed	At 30.09.2024	Expiry Date
Executive							
C Jewell	26.03.2021	310	–	–	(310)	–	26.03.2025

During the year ended 30 September 2024, £715,000 (2023: £337,000) was charged to the income statement in respect of the IFRS 2 share-based payments charge on all share option schemes and a charge of £165,000 (2023: charge: nil) in respect of employer's national insurance contributions, based on a year end share price of £4.02 (2023: £4.95).

Susan Searle
Chair of the Remuneration Committee
3 December 2024

Financial Statements

130–191

Image: SpaceX/Unsplash

Independent Auditors' Report

To the members of Gooch & Housego PLC

Report on the audit of the financial statements

Opinion

In our opinion, Gooch & Housego PLC's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2024 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company Balance Sheets as at 30 September 2024; the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Cash Flow Statements, the notes to the Group and Company Cash Flow Statements and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The UK audit team performed full scope audit procedures in respect of one operating unit based in the USA (Gooch & Housego (Palo Alto) LLC, and three operating units in the UK (Integrated Technologies Limited, Gooch & Housego (Torquay) Limited and Gooch & Housego (UK) Limited).

- Additional procedures were also performed at Group level in respect of centralised processes and functions, including the audit of consolidation journals and discontinued operations considerations with respect to EM4 Inc. Audit procedures were performed by the UK audit team over certain other balances and transactions within the Company, Gooch & Housego PLC, Gooch & Housego (Ohio) LLC and G&H US Holdings Ltd, along with analytical procedures on all of the remaining reporting units.

- Taken together, these reporting units (post consolidation entries) account for 83% of the Group's revenue.

Key audit matters

- Recoverability of the Group goodwill (Group).

- Recoverability of the Company's investments in subsidiaries (Company).

Materiality

- Overall Group materiality: £1,359,000 (2023: £1,484,000) based on 1% of continuing Group revenues.

- Overall Company materiality: £676,500 (2023: £545,000) based on 1% of total assets.

- Performance materiality: £1,019,000 (2023: £1,117,500) (Group) and £507,250 (2023: £408,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Acquisition accounting, including the identification and valuation of intangible assets and goodwill, which was a key audit matter last year, is no longer included because of the lack of acquisition activity in the year, with no material changes to the provisional fair values disclosed in the 2023 annual report in respect of prior year acquisitions. Otherwise, the key audit matters below are consistent with last year.

Recoverability of the Group goodwill (Group)

KEY AUDIT MATTER

As at 30 September 2024, the Group Balance Sheet includes £54.1m of intangible assets (2023: £59.7m), of which £40.0m is goodwill (2023: £45.1m), and £14.1m amortised intangible assets (2023: £14.6m).Goodwill in the Group is significant, and the estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The impairment reviews therefore include significant estimates and judgements in respect of future growth rates, cash flows and discount rates. The sensitivity of these key assumptions are detailed in note 18, Intangible assets.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained management's assessment of the recoverable amount of each cash generating unit, including cash flow forecasts supporting management's calculation of value in use and assessed the appropriateness of key assumptions. We considered the methodology used by management in performing the assessments and challenged key inputs.

- We have obtained evidence behind the forecasts in order to challenge the key judgements and estimates;
- We have agreed the impairment model to the Board approved 3-year strategic plan and tested the mathematical accuracy of the model;
- We have compared revenue forecasts against current order books, including verifying a sample of orders to customer purchase orders. We have further assessed whether the forecast revenues and EBITDA margins are reasonable by comparing them to historical trends and by considering the accuracy of management's historic forecasting;
- We have considered plausible downside sensitivities to assess if there is still appropriate headroom under different scenarios;
- We have used our in-house valuation experts to consider the appropriateness of the discount rate and long-term growth rate used compared to the wider market and sector benchmarks; and
- We have also assessed the reasonableness of the assumed long-term growth rate in light of external market studies relevant to the Group.

Based upon our audit work, we are satisfied that the assumptions in the value in use model are reasonable and concur with the assessment performed. We consider that the carrying value of the goodwill balance is fairly stated based on materiality and that the disclosures in the Financial Statements are appropriate.

Recoverability of the Company's investments in subsidiaries (Parent)

KEY AUDIT MATTER

As at 30 September 2024, investments in subsidiaries included in the Company Balance Sheet was £42.1m (2023: £43.2m).In accordance with the requirements of IFRS (IAS36 – Impairment of Assets), at the end of each reporting period management are required to assess whether there is any indication that the Company's investments in subsidiaries may be impaired. As a result of this exercise, no indicators have been identified.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have considered whether there are any indicators of impairment, including comparing to current market capitalisation. In order to support management's conclusion that there are no impairment triggers, we assessed the relevant subsidiaries' cash flow forecasts as included within the cash generating units of the Goodwill impairment assessment (Group). We concur with the assessment performed and consider the carrying value of the investment balance to be fairly stated.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group has seven main operating units located in the United States of America (USA) and the United Kingdom (UK), each of which contribute more than 5% of Group revenues. The central finance and accounting team is located in the UK and is responsible for the financial reporting of Gooch & Housego PLC (the "Company"). Gooch & Housego (Palo Alto) LLC and Gooch & Housego (Torquay) Limited are considered to be financially significant components of the Group due to the significant revenues earned by these entities. Although not financially significant, we have further considered Integrated Technologies Limited, and Gooch & Housego (UK) Limited to be significant risk components due to the revenues earned and the highly material balances within these entities. Full-scope audits of each of these four entities' financial information have been carried out.

Additional procedures were also performed at Group level in respect of centralised processes and functions, including the audit of consolidation journals. Specified procedures were performed by the UK audit team over certain other balances and transactions within the Company, Gooch & Housego PLC, Gooch & Housego (Ohio) LLC and G&H US Holdings Ltd, along with analytical procedures on all of the remaining reporting units. Our audit addressed components making up 83% of the Group's revenues with the audit of all components being performed by the Group engagement team.

For the purposes of the Company audit this consists of one reporting unit which was subject to a full scope audit in accordance with our Company materiality.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's financial statements and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements. We also reviewed management's consideration of the impact of climate events occurring on the Group's ability to continue as a going concern.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality

FINANCIAL STATEMENTS – GROUP	FINANCIAL STATEMENTS – COMPANY
£1,359,000 (2023: £1,484,000).	£676,500 (2023: £545,000).

How we determined it

FINANCIAL STATEMENTS – GROUP	FINANCIAL STATEMENTS – COMPANY
1% of continuing Group revenues.	1% of total assets

Rationale for benchmark applied

FINANCIAL STATEMENTS – GROUP	FINANCIAL STATEMENTS – COMPANY
Overall materiality in the current year has been based on 1% of the Group's revenue. This is in line with the prior year and is considered the most appropriate benchmark given management's focus on the growth of this metric, whilst profit before tax is low relative to the scale of the Group.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is primarily an investment holding Company for the Group and does not have any revenues as a result.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £500,000 and £1,280,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £1,019,000 (2023: £1,117,500) for the group financial statements and £507,250 (2023: £408,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £67,950 (group audit) (2023: £74,200) and £33,800 (company audit) (2023: £35,600) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's going concern assessment and related disclosure in the financial statements.

- Evaluation of the Group's forecast financial performance, liquidity and covenant compliance over the going concern period.

- Evaluation of stress testing performed by management in their downside scenario and consideration of whether the stresses applied are appropriate for assessing going concern.

- Validation of the terms of the current banking facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 September 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;

- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and

- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;

- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and

- The section of the Annual Report describing the work of the audit committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as AIM listing regulations, financial reporting regulations, taxation legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting unusual journal entries to increase revenue and profits or the manipulation of accounting estimates which could be subject to management bias.

Audit procedures performed by the engagement team included:

- Confirmation and enquiry of management and those charged with governance over instances of fraud and compliance with laws and regulations, including consideration of actual or potential litigation and claims;
- Reviewing board and sub-committee meeting minutes for evidence of breaches of regulations;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular the whistleblowing policy and employee code of conduct;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities
This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

- certain disclosures of directors' remuneration specified by law are not made; or

- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

3 December 2024

Group Income Statement

For the year ended 30 September 2024

Continuing operations	Note	30 September 2024 Underlying £'000	30 September 2024 Non-underlying (Note 13) £'000	30 September 2024 Total £'000	30 September 2023* Underlying £'000	30 September 2023* Non-underlying (Note 13) £'000	30 September 2023* Total £'000
Revenue	6	135,990	–	135,990	135,041	–	135,041
Cost of revenue		(94,341)	–	(94,341)	(94,746)	–	(94,746)
Gross profit		41,649	–	41,649	40,295	–	40,295
Research and development expense		(7,828)	–	(7,828)	(7,372)	–	(7,372)
Sales and marketing expenses		(8,474)	–	(8,474)	(8,942)	–	(8,942)
Administration expenses		(15,674)	(3,690)	(19,364)	(12,724)	(4,278)	(17,002)
Other income	8	829	–	829	835	–	835
Operating profit	6	10,502	(3,690)	6,812	12,092	(4,278)	7,814
Finance income	11	40	–	40	11	–	11
Finance costs	11	(2,435)	(209)	(2,644)	(1,766)	(57)	(1,823)
Profit before income tax expense		8,107	(3,899)	4,208	10,337	(4,335)	6,002
Income tax expense	12	(1,537)	606	(931)	(1,846)	701	(1,145)
Profit from continuing operations		6,570	(3,293)	3,277	8,491	(3,634)	4,857
Loss after tax from discontinued operations		–	(9,654)	(9,654)	–	(809)	(809)
Profit/(loss) for the year		6,570	(12,947)	(6,377)	8,491	(4,443)	4,048
Earnings/(loss) per share							
From continuing operations							
Basic earnings per share	15	25.5p	(12.8p)	12.7p	33.9p	(14.5p)	19.4p
Diluted earnings per share	15	25.1p	(12.6p)	12.5p	33.5p	(14.3p)	19.2p
From continuing and discontinued operations							
Basic earnings/(losses) per share	15	25.5p	(50.2p)	(24.7p)	33.9p	(17.8p)	16.1p
Diluted earnings/(losses per share	15	25.1p	(49.8p)	(24.7p)	33.5p	(17.5p)	16.0p

*The results for the year ended 30 September 2023 have been re-presented to show the effect of discontinued operations.

Group Statement of Comprehensive Income

For the year ended 30 September 2024

	Note	2024 £'000	2023 £'000
(Loss)/profit for the year		(6,377)	4,048
Other comprehensive income/(expense) – items that may be reclassified subsequently to profit or loss			
Gains on cash flow hedges	27	126	1,287
Exchange differences on translation of foreign operations	27	(4,844)	(6,259)
Exchange differences on translation of discontinued operation		132	244
Other comprehensive expense for the year net of tax		(4,586)	(4,728)
Total comprehensive expense for the year attributable to the shareholders of Gooch & Housego PLC		(10,963)	(680)
Arising from:			
Continuing operations		(1,441)	(115)
Discontinued operations		(9,522)	(565)
Total comprehensive expense for the year attributable to the shareholders of Gooch & Housego PLC		(10,963)	(680)

Group Balance Sheet

As at 30 September 2024

	Note	2024 £'000	As restated 2023 £'000	As restated 2022 £'000
Non-current assets				
Property, plant and equipment	16	37,915	41,818	42,447
Right of use assets	17	9,180	9,932	5,063
Intangible assets	18	51,051	59,729	47,939
		98,146	111,479	95,449
Current assets				
Inventories	19	30,631	37,582	37,073
Trade and other receivables	20	30,908	34,075	35,598
Cash and cash equivalents	21	6,622	7,294	5,999
		68,161	78,951	78,670
Current liabilities				
Trade and other payables	22	(18,075)	(21,156)	(22,765)
Borrowings	23	(10)	(10)	(64)
Lease liabilities	23	(1,289)	(1,443)	(1,732)
Income tax liabilities		(2,005)	(581)	(578)
		(21,379)	(23,190)	(25,139)
Net current assets		46,782	55,761	53,531
Non-current liabilities				
Borrowings	23	(22,563)	(28,157)	(18,730)
Lease liabilities	23	(8,570)	(9,394)	(4,539)
Provisions for other liabilities and charges	24	(1,429)	(1,582)	(848)
Deferred consideration	32	–	(870)	–
Deferred income tax liabilities	25	(3,978)	(5,223)	(3,827)
		(36,540)	(45,226)	(27,944)
Net assets		108,388	122,014	121,036
Shareholders' equity				
Called up share capital	26	5,159	5,159	5,008
Share premium account	27	16,051	16,051	16,000
Merger reserve	27	11,561	11,561	7,262
Cumulative translation reserve	27	5,101	9,813	15,828
Hedging reserve	27	141	15	(1,272)
Retained earnings	27	70,375	79,415	78,210
Total equity		108,388	122,014	121,036

The financial statements for Gooch & Housego PLC, registered number 00526832, on pages 140 to 175 were approved by the Board of Directors on 3 December 2024 and signed on its behalf by:

Charlie Peppiatt
Director

Chris Jewell
Director

Group Statement of Changes in Equity

For the year ended 30 September 2024

	Note	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Hedging reserve £'000	Cumulative translation reserve £'000	Total equity £'000
At 1 October 2022		5,008	16,000	7,262	75,715	(1,272)	15,828	118,541
Restatement	2, 25	–	–	–	2,495	–	–	2,495
As restated		5,008	16,000	7,262	78,210	(1,272)	15,828	121,036
Profit for the financial year		–	–	–	4,048	–	–	4,048
Other comprehensive income/(expense) for the year		–	–	–	–	1,287	(6,015)	(4,728)
Total comprehensive income/(expense) for the year		–	–	–	4,048	1,287	(6,015)	(680)
Dividends	14	–	–	–	(3,180)	–	–	(3,180)
Shares issued	26	151	51	4,299	–	–	–	4,501
Share-based payments	28	–	–	–	337	–	–	337
Total contributions by and distributions to owners of the parent recognised directly in equity		151	51	4,299	(2,843)	–	–	1,658
At 30 September 2023		5,159	16,051	11,561	79,415	15	9,813	122,014
At 1 October 2023		5,159	16,051	11,561	79,415	15	9,813	122,014
Loss for the financial year		–	–	–	(6,377)	–	–	(6,377)
Other comprehensive income/(expense) for the year		–	–	–	–	126	(4,712)	(4,586)
Total comprehensive income/(expense) for the year		–	–	–	(6,377)	126	(4,712)	(10,963)
Dividends	14	–	–	–	(3,378)	–	–	(3,378)
Share-based payments	28	–	–	–	715	–	–	715
Total contributions by and distributions to owners of the parent recognised directly in equity		–	–	–	(2,663)	–	–	(2,663)
At 30 September 2024		5,159	16,051	11,561	70,375	141	5,101	108,388

Group Cash Flow Statement

For the year ended 30 September 2024

	2024 £'000	2023 £'000
Cash flows from operating activities		
Cash generated from operations	14,247	16,164
Income tax (paid) / repaid	(62)	2
Net cash generated from operating activities	14,185	16,166
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(351)	(11,697)
Disposal of subsidiaries, net of cash disposed	1,665	–
Purchase of property, plant and equipment	(3,526)	(6,257)
Sale of property, plant and equipment	–	516
Purchase of intangible assets	(1,716)	(1,062)
Interest received	40	11
Net cash used in investing activities	(3,888)	(18,489)
Cash flows from financing activities		
Drawdown of borrowings	4,731	19,154
Repayment of borrowings	(8,046)	(8,378)
Principal elements of lease payments	(1,715)	(1,624)
Interest paid	(2,487)	(1,784)
Dividends paid to ordinary shareholders	(3,378)	(3,180)
Net cash (used in) / generated from financing activities	(10,895)	4,188
Net (decrease) / increase in cash	(598)	1,865
Cash at beginning of the year	7,294	5,999
Exchange losses on cash	(74)	(570)
Cash at the end of the year	6,622	7,294

Notes to the Group Cash Flow Statement

For the year ended 30 September 2024

Reconciliation of cash generated from operations

	2024 £'000	2023 £'000
Profit before income tax from continuing operations	4,208	6,002
Loss before income tax from continuing operations	(9,876)	(982)
Adjustments for:		
- Amortisation of acquired intangible assets	2,002	1,672
- Amortisation of other intangible assets	1,755	1,692
- Loss on disposal of subsidiary	8,910	–
- Loss on disposal of property, plant and equipment	128	234
- Depreciation	7,732	7,652
- Share based payment charge	715	337
- Amounts claimed under the RDEC	(392)	(200)
- Finance income	(40)	(11)
- Finance costs	2,696	1,784
Total	23,506	13,160
Changes in working capital		
- Inventories	257	(1,291)
- Trade and other receivables	863	1,005
- Trade and other payables	(4,711)	(1,730)
Total	(3,591)	(2,016)
Cash generated from operating activities	14,247	16,164

Reconciliation of net cash (outflow) / inflow to movements in net debt

	2024 £'000	2023 £'000
(Decrease) / increase in cash in the year	(598)	1,865
Drawdown of borrowings	(4,731)	(19,154)
Repayment of borrowings and leases	10,243	10,298
Changes in net debt resulting from cash flows	4,914	(6,991)
New leases	(3,116)	(3,305)
Translation differences	2,913	1,443
Non cash movements	(664)	(392)
Leases disposed of with subsidiary	1,853	–
Acquired debt due after 1 year	–	(54)
Acquired leases	–	(3,345)
Movement in net debt in the year	5,900	(12,644)
Net debt at 1 October	(31,710)	(19,066)
Net debt at 30 September	(25,810)	(31,710)

Notes to the Group Cash Flow Statement Continued

For the year ended 30 September 2024

Analysis of net debt

	At 1 Oct 2023	Cash flow	New leases	Exchange movement	Disposal of subsidiary	Non-cash movement	At 30 Sep 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	7,294	(157)	-	(74)	(441)	-	6,622
Debt due within 1 year	(10)	8,046	-	-	-	(8,046)	(10)
Debt due after 1 year	(28,157)	(4,731)	-	2,373	-	7,952	(22,563)
Leases	(10,837)	2,197	(3,116)	614	1,853	(570)	(9,859)
Net debt	(31,710)	5,355	(3,116)	2,913	1,412	(664)	(25,810)

	At 1 Oct 2022	Cash flow	New leases	Exchange movement	Arising on acquisition	Non-cash movement	At 30 Sep 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	5,999	1,865	-	(570)	-	-	7,294
Debt due within 1 year	(64)	8,378	-	1	-	(8,325)	(10)
Debt due after 1 year	(18,730)	(19,154)	-	1,552	(54)	8,229	(28,157)
Leases	(6,271)	1,920	(3,305)	460	(3,345)	(296)	(10,837)
Net debt	(19,066)	(6,991)	(3,305)	1,443	(3,399)	(392)	(31,710)

The non-cash movements in the above tables include debt arrangement fees and movements between amounts due within one year and after one year due to the lapse of time.

Notes to the Group Financial Statements

For the year ended 30 September 2024

1. General information

Gooch & Housego PLC (the Company) is a public limited company limited by shares incorporated and domiciled in the United Kingdom. The Company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The address of the registered office of the Company is given on page 194.

The consolidated financial statements of the Group for the year ended 30 September 2024 comprise the Company, Gooch & Housego PLC, and its subsidiaries (together referred to as the Group). A listing of the Company's subsidiaries is set out on page 183.

The Group is a manufacturer of specialist optoelectronic components, materials and systems and specialist instrumentation and life sciences devices. The Group has manufacturing facilities in the United Kingdom and the United States.

2. Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by financial assets and financial liabilities at fair value and 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.

Discontinued operations

The results for the year ended 30 September 2023 have been re-presented to show the effect of discontinued operations related to the disposal of EM4 LLC in the year ended 30 September 2024.

Prior year adjustment

During the year, we performed a review of our deferred tax accounting across each of the jurisdictions in which we operate. This review identified that we were entitled to, and should have, recognised a deferred tax asset in respect of accumulated trading losses in our US tax group. Accordingly we have restated the balance sheet as at 30 September 2022 to recognise additional deferred tax assets of £2.5m in respect of losses. In accordance with IAS12, we have also netted deferred tax assets and deferred tax liabilities where they relate to taxes levied by the same taxation authority on the same taxable entity. The effect of this was to net deferred tax assets of £4.7m and £4.5m against the deferred tax liabilities as at 30 September 2023 and 30 September 2022 respectively. There is no effect from this adjustment on the income statement for the year ended 30 September 2023 or 2024.

Going concern

The financial statements have been prepared on a going concern basis.

The Directors have reviewed the budget for FY2025 and the strategic plan for FY2026. They have assessed the future funding requirements and covenant performance of the Group and compared them with available borrowing facilities.

At 30 September 2024 the Group has a strong balance sheet with net current assets of £46.8m. The Group's cash and undrawn available facilities totalled £36.2m.

The Directors have reviewed severe but plausible downside scenarios that estimate the potential impact of the principal risks that the Group faces (see pages 99 to 101 of this report) on the financial forecasts. These include the impact of a possible recession and the resultant reduced demand in certain of the Group's markets, most notably commercial aerospace and the industrial laser market driven by softness in consumer end market demand. They also included the effect of erosion of sales prices due to competition, the impact of delays to our production ramp up, the impact of inflation on input costs which cannot be passed on to customers, the potential impact of a cyber-attack and a reduction in forecast revenue to illustrate the potential effect of a loss of key personnel or inability to hire for a key role. The model also considered the loss of revenue and profit associated with a closure of one of our sites due to a legal non-compliance issue. Mitigating actions including cost and capital expenditure savings, and an extension of our payment terms with suppliers (in FY2025 only) have been factored into this analysis.

This assessment covered not only the coming 12 month period but also for the period to September 2027 in order to support the Viability Statement given on page 115.

We have compared the downside risk adjusted cash and banking covenant projections and against the Group's available cash and borrowing facilities and have been able to conclude that the Group would continue to be able to operate even if a number of the risks occurred simultaneously.

The Directors have also considered the potential impact of climate change on going concern and have concluded that there is not expected to be any material impact on the business during the going concern period

As a result of the assessments undertaken the Directors are satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

3. Application of IFRS

Adoption of new standards

The following amended standards and interpretations were effective for the financial year ended 30 September 2024, however, they have not had a material impact on our consolidated financial statements:

- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- Disclosure of Accounting Policies – Amendments to IAS1 and IFRS Practice Statement 2.

None of the amendments to the above standards had a material impact on the Financial Statements.

Certain amendments to accounting standards have been published that are not mandatory for 30 September 2024 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the Group in the current or future reporting periods.

4. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all of the years presented, unless otherwise stated.

Consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued, the fair value of contingent or deferred consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the business combination are charged to the income statement. The excess of the costs of a business combination over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Should the fair value of contingent or deferred consideration vary from the actual value on settlement date, the difference is recognised directly in the income statement.

Where deferred consideration is payable in cash, the amount is discounted to present value at the date of acquisition, using the Group's weighted average cost of capital. The financing charge which arises on the discounted consideration between the acquisition date and the date of payment is included within finance costs and treated as a non-underlying item.

Transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiary audit exemptions

Gooch & Housego (UK) Limited (05890426), Gooch & Housego (Torquay) Limited (04381203), Spanoptic Limited (SC192283), Kent Periscopes Limited (05417618), G&H US Holdings Limited (06382710), G&H Property Holdings Limited (04649035), Integrated Technologies Limited (01300238), Integrated Technologies (Holdings) Limited (02635933), VITL Limited (08473871), ORF Limited (01873862), Artemis Optical Limited (00514290) and Artemis Optical (Holdings) Limited (06552780) are exempt from the requirement to file audited financial statements by virtue of Section 479A of the Companies Act 2006. As part of this process, the Company has provided statutory guarantees to these subsidiaries.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who oversees the allocation of resources and the assessment of operating segment performance. The chief operating decision maker in determining a business or operating segment is the Board of Directors.

Foreign currency translation

a. Functional and presentation currency

The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentation currency. Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

b. Transactions and balances

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

c. Subsidiaries

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

No depreciation is charged on freehold land or capital work in progress. Certain plant used in the manufacturing process which is constructed from precious metals is not depreciated.

Depreciation on other assets is calculated to allocate their cost over their estimated useful lives, as follows:

• Freehold buildings	2-3%	Straight-line
• Leasehold property	over term of lease	Straight-line
• Plant and machinery	6-20%	Straight-line
• Fixtures, fittings and computers	6-33%	Straight-line
• Motor vehicles	25%	Reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or an asset's value in use.

Intangible assets

a. Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the net identifiable assets of the acquired business. Goodwill arising from business combinations is included in 'intangible assets'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment testing requires an estimation of the 'value in use' of the cash-generating unit (the CGU) to which goodwill is allocated using appropriately discounted cash flow projections. Any impairment is recognised immediately as an expense to the income statement and is not subsequently reversed.

For the purpose of impairment testing a CGU is defined as either a business segment or an operating entity, as appropriate. Further information is given in note 18.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b. Capitalised R&D, patents and licenses

Internally incurred costs associated with the filing and perfection of patents and trademarks are capitalised and carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their useful economic lives of 5 – 10 years and are charged to Research and Development in the income statement.

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over their useful economic lives of 5 – 10 years.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense as incurred.

Development costs incurred after the point at which the commercial and technical feasibility of the product have been proven, and the decision to complete the development has been taken and resources made available, are capitalised. The expenditure capitalised includes the cost of materials, direct labour and
an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Development costs are amortised using the straight line method over their estimated useful life lives, which is typically 5 years, and are charged to Research and Development in the income statement.

c. Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are capitalised and recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Capitalised software costs are amortised using the straight line method over their estimated useful lives of up to 5 years and charged to Administration in the income statement.

d. Acquired customer relationships, orderbooks and brands

Other acquired intangible assets are stated at fair value less accumulated amortisation and impairment losses.

The useful life of each of these assets is assessed based on the differing natures of each of the intangible assets acquired. Amortisation is charged on a straight-line basis over the estimated useful life of the assets acquired and charged to administration in the Income Statement.

• Customer relationships	up to 10 years
• Brand names	up to 10 years
• Order books	up to 2 years

Government grants

Government grants are accounted for on an accruals basis. Grants are credited to the income statement over the life of the project. Where grants are used to fund the acquisition of property, plant and equipment, the grant is initially credited to deferred income then credited to the income statement over the estimated economic life of the asset.

Impairment of non-financial assets

The Group assesses at each balance sheet date whether an asset may be impaired. If any such indicator exists, the Group tests for impairment by estimating the recoverable amount which is the higher of the value in use and the fair value less costs to sell. If the recoverable amount is less than the carrying value of the asset, the asset is impaired and the carrying value is reduced to its recoverable amount. In addition to this, assets with indefinite lives are tested for impairment annually. Non-financial assets other than goodwill which have suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for expected credit losses.

The group applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months prior to the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement includes cash in hand and deposits held on call with banks with original maturities of three months or less.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Borrowing costs are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivatives and hedging activities

The Group transacts derivative financial instruments to manage the underlying exposure to foreign exchange risk. The Group does not transact derivative financial instruments for trading purposes.

Financial instruments are initially recognised at fair value on the date that a contract is entered into and are subsequently remeasured at their fair value. The Group documents the relationship between the hedging instrument and the hedged item and, on a periodic basis, assesses whether the hedge is effective.

The hedges entered into during FY2024 have been assessed as effective and therefore the Group has applied hedge accounting. Accordingly, movements in the fair value of the hedges have been recorded in reserves.

Current and deferred income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using rates enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Amounts claimed under the Research and Development Expenditure Credit scheme have been recognised within other income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income and equity, in which case it is recognised in other comprehensive income and equity.

In the UK and US, the Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under "Share options" below, a compensation expense is recorded in the Group's income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred income tax asset is recorded. The deferred income tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Group's share price at the balance sheet date) with the cumulative amount of the compensation recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity.

Employee benefits

a. Pension obligations

The Group operates money purchase pension schemes for UK employees and Section 401(k) plans for US employees. For employees in Continental Europe and Asia, we engage local payroll agencies to ensure local regulations are complied with. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b. Profit share and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

c. Share options

The Group operates a number of share option schemes which are all accounted for as equity-settled schemes. In accordance with IFRS 2 the fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

Employer's National Insurance in the United Kingdom and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. In accordance with IFRS 2, this is treated as a cash-settled transaction. A provision is made, calculated using the fair value of the Group's shares at the balance sheet date, pro-rated over the vesting period of the options.

At each balance sheet date, for awards with non-market vesting conditions, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The fair value of the options under the Gooch & Housego Long Term Incentive Plan and the Gooch & Housego Employee Stock Purchase Plan are determined by using the Monte Carlo option pricing model. The fair value of options under the Go och & Housego Save As You Earn Scheme are determined by using the Black-Scholes option pricing model.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group monitors and assesses its warranty provision requirement on a continuing basis. The provision for other liabilities and charges provides for the anticipated cost of repair and rectification of products under warranty, based on historical repair and replacement costs. In addition the Directors will also assess expected changes in future costs based on current information.

Non underlying items

Transactions are classified as non-underlying where they relate to an event that falls outside the ordinary activities of the business and where individually or in aggregate they have a material impact on the financial statements. These may include, but are not restricted to: restructuring and site closure costs, costs related to acquisitions, adjustments to the fair value of acquisition related items such as contingent consideration, acquired intangible asset amortisation or impairment and other items due to their significance, size or nature, and the related taxation.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and

- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating expenses" in the Income Statement.

For short-term leases (leases with a term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within operating expenses in the Income Statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition

The majority of the Group's revenue is derived from the sale of components and subsystems to customers. Revenue is recognised at the transaction price that is expected to flow to the Group and recognised at a point in time when the Group has transferred control to the customer in line with the incoterms agreed with the customer.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised to depict the transfer of control over promised goods or services to customers in an amount that reflects the amount of consideration specified in a contract with a customer, to which the Group expects to be entitled in exchange for those goods or services. Revenue represents sales, net of discounts, and excluding value added tax and other sales related taxes. Performance obligations are unbundled in each contractual arrangement if they are distinct from one another. The contract price is allocated to the distinct performance obligations based on the relative standalone selling prices of the goods or services. The way in which the Group satisfies its performance obligations varies by business and may be on shipment, delivery, as services are rendered or on completion of services depending on the nature of the product/service and terms of the contract which govern how control passes to the customer. Where the contract price is allocated to distinct performance obligations, revenue is recognised at a point in time or, in cases where there is a single performance obligation in relation to several products and services, these are treated as long term contracts, and revenue is recognised over time as appropriate.

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time, for example the completion of future performance obligations under the terms of the contract with the customer. In some instances, the Group receives payments from customers based on a billing schedule, as established in the contract, which may not match the pattern of performance under the contract. In this instance, a contract asset or contract liability is recognised depending on the phasing of payment in relation to the performance.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusted the figures used in the determination of basic earnings per share to consider:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

5. Critical accounting estimates and judgments

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires the Directors to make critical accounting estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will on occasions fail to equal actual results.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Critical accounting estimates

Carrying value of goodwill

The Group tests goodwill for impairment at least annually. This requires an estimation of the value in use of the cash generating units (the CGUs) to which goodwill is allocated. The value in use calculations are based on forecast cash flows of the CGU discounted at the appropriate weighted average cost of capital. These calculations have a number of significant variables including forecast revenue and margins, working capital movements and maintenance capital expenditure levels. The calculations are also sensitive to the discount rate used. Further details are given in note 18.

Inventory provision

The Group continually monitors and assesses the provision for old and slow moving inventory. Factors considered by the Directors include the expected future usage and the potential obsolescence and deterioration of the Inventory.

The provision for inventory obsolescence amounts to 19.3% of the gross inventory value (2023: 20.2%). The Directors are satisfied that this provision is appropriate. An increase in the provision amounting to 2% of the gross inventory value would increase the provision by £0.8m.

Further detail is given in note 19.

Critical accounting judgements

Non-underlying items

Transactions are classified as non-underlying where in the opinion of the Directors they relate to an event that falls outside the ordinary activities of the business and where individually or in aggregate they have a material impact on the financial statements. Details of our accounting policy in respect of non-underlying items are given on page 119. Further details of the non-underlying items identified by management are given in note 13.

6. Segmental analysis

The Group's segmental reporting reflects the information that management uses within the business. The business is divided into three market sectors, being A&D, Life Sciences and Industrial, together with the Corporate cost centre.

The Industrial business segment primarily comprises the Industrial laser market for use in the semiconductor and microelectronic industries, but also includes other Industrial applications such as metrology, telecommunications and scientific research. Further information can be found in our Operations Review on pages 52 to 62.

As can be seen below the amortisation of acquired intangible assets has not been split by the three market sectors used for the segmental reporting of the rest of the group income statement as the information used by management and provided to the Board (the Chief Operating Decision Maker) in respect of the group balance sheet is set out by location. This is why the Analysis of net assets on page 155 is provided by location

For year ended 30 September 2024	A&D £'000	Life Sciences £'000	Industrial £'000	Corporate £'000	Total £'000
Revenue					
Total revenue	37,563	34,918	70,631	–	143,112
Inter and intra-division	(3,104)	(1,334)	(2,684)	–	(7,122)
External revenue	34,459	33,584	67,947	–	135,990
Divisional expenses	(33,426)	(27,875)	(57,298)	910	(117,689)
EBITDA[1]	1,033	5,709	10,649	910	18,301
EBITDA %	3.0%	17.0%	15.7%	–	13.5%
Depreciation and amortisation	(2,547)	(1,786)	(3,428)	(1,726)	(9,487)
Operating (loss)/profit before amortisation of acquired intangible assets	(1,514)	3,923	7,221	(816)	8,814
Amortisation of acquired intangible assets	–	–	–	(2,002)	(2,002)
Operating (loss)/profit	(1,514)	3,923	7,221	(2,818)	6,812
Operating (loss)/profit margin %	(4.4%)	11.7%	10.6%	–	5.0%
Add back non-underlying items and amortisation of acquired intangibles	322	704	626	2,038	3,690
Adjusted operating (loss)/profit	(1,192)	4,627	7,847	(780)	10,502
Adjusted (loss)/profit margin %	(3.5%)	13.8%	11.5%	–	7.7%
Net finance costs	(188)	(67)	(232)	(2,117)	(2,604)
(Loss)/Profit before income tax expense	**(1,702)**	**3,856**	**6,989**	**(4,935)**	**4,208**

Transactions between segments consist of the sale of products for resale.
The basis of accounting for these transactions is the same as for external revenue.

For year ended 30 September 2023	A&D £'000	Life Sciences £'000	Industrial £'000	Corporate £'000	Total £'000
Revenue					
Total revenue	28,893	35,132	78,326	–	142,351
Inter and intra-division	(1,554)	(2,139)	(3,617)	–	(7,310)
External revenue	27,339	32,993	74,709	–	135,041
Divisional expenses	(27,712)	(28,535)	(61,784)	926	(117,105)
EBITDA[1]	(373)	4,458	12,925	926	17,936
EBITDA %	(1.4%)	13.5%	17.3%	–	13.3%
Depreciation and amortisation	(1,930)	(1,129)	(3,497)	(1,894)	(8,450)
Operating (loss)/profit before amortisation of acquired intangible assets	(2,303)	3,329	9,428	(968)	9,486
Amortisation of acquired intangible assets	–	–	–	(1,672)	(1,672)
Operating (loss)/profit	(2,303)	3,329	9,428	(2,640)	7,814
Operating (loss)/profit margin %	(8.4%)	10.1%	12.6%	–	5.8%
Add back non-underlying items and amortisation of acquired intangibles	455	983	1,168	1,672	4,278
Adjusted operating (loss)/profit	(1,848)	4,312	10,596	(968)	12,092
Adjusted (loss)/profit margin %	(6.8%)	13.1%	14.2%	–	9.0%
Net finance costs	(70)	(67)	(172)	(1,503)	(1,812)
(Loss)/Profit before income tax expense	**(2,373)**	**3,262**	**9,256**	**(4,143)**	**6,002**

[1]EBITDA = Earnings before interest, tax, depreciation and amortisation

Management have added back the amortisation and impairment of acquired intangibles and goodwill, restructuring costs, site closure costs in the above analysis. This has been shown because the Directors consider the analysis to be more meaningful excluding the impact of these non-underlying expenses.

All of the amounts recorded are in respect of continuing operations.

6. Segmental analysis (continued)

Analysis of revenue by type:

For year ended 30 September 2024	Industrial £'000	Life Sciences £'000	A&D £'000	Total £'000
Revenue from long term contracts	1,718	154	1,963	3,835
Revenue from products recognised at point of sale	66,229	33,430	32,496	132,155
Total revenue	67,947	33,584	34,459	135,990

For year ended 30 September 2023	Industrial £'000	Life Sciences £'000	A&D £'000	Total £'000
Revenue from long term contracts	972	1,326	1,522	3,820
Revenue from products recognised at point of sale	73,737	31,667	25,817	131,221
Total revenue	74,709	32,993	27,339	135,041

Contract assets are disclosed in note 20 and contract liabilities are disclosed in note 22. All of the contract liability balance at the beginning of the year was recognised as revenue in the current year. There is no loss allowance held against contract assets (2023: nil).

The timing of receipts related to revenue from long term contracts can vary to that recognised at point of sale. Long term contracts tend to have a payment due on inception of the contract followed by a series of milestone payments whereas point of sale revenue is usually settled on 30 to 60 day terms.

The information used by management and provided to the Board (the Chief Operating Decision Maker) in respect of the group balance sheet is set out by location. This is why the analysis of net assets below is provided by location.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 30 September 2024 were as follows:

	2024 £'000	2023 £'000
Within one year	1,863	4,645
More than one year	6,460	7,266
	8,323	11,911

Analysis of net assets by location:

	2024 Assets £'000	2024 Liabilities £'000	2024 Net Assets £'000	2023 Assets £'000	2023 Liabilities £'000	2023 Net Assets £'000
United Kingdom	79,846	(35,743)	44,103	83,107	(47,308)	35,799
USA	86,276	(22,013)	64,263	106,209	(20,503)	85,706
Continental Europe	83	(148)	(65)	198	(84)	114
Asia Pacific	102	(15)	87	916	(521)	395
	166,307	(57,919)	108,388	190,430	(68,416)	122,014

For the year to 30 September 2024 non-current asset additions were £3.0m (2023: £4.0m) for the UK and for the USA £7.0m (2023: £6.6m). There were no additions to non-current assets in respect of Europe (2023: £nil) or the Asia Pacific region (2023: £nil). The value of non-current assets in the USA was £64.3m (2023: £66.2m) and in the United Kingdom £44.1m (2023: £45.5m). There were no non-current assets in Europe or the Asia-Pacific region.

Analysis of revenue by destination:

	2024 £'000	2023 £'000
United Kingdom	36,849	27,146
North America	46,601	47,568
Continental Europe	27,202	33,674
Asia Pacific and Other	25,338	26,653
Total revenue	135,990	135,041

7. Expenses by nature

	Note	2024 £'000	2023 £'000
Raw materials and consumables		50,190	50,444
Employee costs	9	59,299	62,527
Other operating charges		13,892	18,175
Depreciation on property, plant and equipment		6,203	6,129
Depreciation on right of use assets		1,529	1,522
Amortisation of acquired intangible assets		2,001	1,672
Amortisation of other intangible assets		1,756	1,692
Loss on disposal of subsidiary	33	9,236	–
Net losses on foreign exchange		68	300
		144,174	142,461

8. Other income

	2024 £'000	2023 £'000
Grants receivable	288	414
Amounts claimed under the RDEC	392	200
Other income	149	221
	829	835

Other income relates to sales of certain materials used in production which need to be reprocessed periodically.

9. Employee benefit expense

	2024 £'000	2023 £'000
Wages and salaries	46,938	50,632
Social security costs	4,549	4,459
Share based payment charge	715	337
Medical and other insurance	4,204	4,386
Other pension costs	2,893	2,713
	59,299	62,527

The monthly average number of employees during the year was:

	2024 Number	2023 Number
Manufacturing	675	721
Sales, finance and administration	236	236
	911	957

Key management compensation

	2024 £'000	2023 £'000
Salaries and other short-term benefits	3,812	3,760
Share based payments	715	337
Other pension costs	186	167
	4,713	4,264

Key management comprise the Executive Board and the management layer reporting directly to the Executive Directors.

Directors' remuneration, including the highest paid Director, has been included on page 126 of the Remuneration Committee Report.

10. Auditors' remuneration

PricewaterhouseCoopers LLP's remuneration comprised:

	2024 £'000	2023 £'000
Fees payable to the Group's auditors for the audit of the parent company and consolidated financial statements		
- the parent company	95	95
- the consolidated financial statements	277	260
	372	355

11. Finance income and costs

	2024 £'000	2023 £'000
Finance income comprises:		
- Bank interest	40	11
	40	11
Finance costs comprise:		
- Bank interest	(1,978)	(1,487)
- Lease interest	(509)	(297)
- Unwind of discount on deferred consideration	(209)	(57)
	(2,696)	(1,841)

12. Income tax expense

Analysis of tax charge in the year

	2024 £'000	2023 £'000
Current taxation		
UK Corporation tax	1,963	843
Overseas tax	(212)	703
Adjustments in respect of prior years	107	(1,130)
Total current tax	1,858	416
Deferred tax		
Origination and reversal of temporary differences	(321)	(176)
Adjustments in respect of prior years	(606)	874
Change to UK tax rate	–	31
Total deferred tax	(927)	729
Income tax expense per income statement	931	1,145
Income tax on discontinuing operations	(222)	(173)

The taxation expense for the year is lower (2023: lower) than the standard rate of corporation tax in the UK. An explanation of the differences is detailed below:

	2024 £'000	2023 £'000
Profit before income tax expense	4,208	6,002
Profit before income tax at the standard rate of tax of 25.0% for the year (2023: 22.0%)	1,052	1,320
Permanent differences	15	30
Adjustments in respect of foreign tax rates	70	6
Effect of UK rate change on deferred tax balances	–	31
Losses not recognised	566	–
Other timing differences	(273)	14
Adjustments in respect of prior years	(499)	(256)
Total tax expense	931	1,145

In the Spring Budget 2021, the UK Government announced that from 1 April 2023, the UK corporation tax rate would increase from 19% to 25%. The weighted average UK tax rate applicable for the Group in the year ended 30 September 2024 therefore increased from 22% to 25%.

12. Income tax expense (continued)

There was no income tax relating to items included in other comprehensive income (2023: nil).

Factors affecting the future tax charge

Overseas tax losses of £18.8m (2023: £14.1m as restated) and UK tax losses of £2.7m (2023: £1.7m) are available against future profits of the Group.
The utilisation of these losses is not sufficiently certain to recognise a deferred tax asset.

13. Non-underlying items

	2024 £'000	2023 £'000
Included within administration expenses		
Amortisation of acquired intangible assets	2,002	1,672
Acquisitions costs	228	1,156
Restructuring costs	911	571
Site closure costs	549	879
	3,690	4,278
Included within finance costs		
Unwind of discount on deferred consideration	209	57
	209	57
Included within taxation		
Tax effect of the non-underlying items above	(606)	(747)
	(606)	(747)

Further detail in respect of the amortisation of acquired intangible assets is given in the accounting policies and note 18.

Acquisition costs of £0.2m (2023: £1.2m) related to costs incurred in relation to the acquisitions of GS Optics and Artemis in the year ended 30 September 2023.

Restructuring costs of £0.9m (2023: £0.6m) associated with the restructuring of the Group's operating model and the costs incurred to establish our contract manufacturing partners capability to manufacture both acousto optic and fibre optic products.

Site closure costs of £0.5m (2023: £0.9m) related to the wind down of the Group's small facility in Shanghai. In the year ended 30 September 2023, the costs related to both the closure of the Shanghai facility and the transfer of the Group's ITL business' US operation from its site in Virginia into the GS Optics campus in Rochester.

Details of the loss on the disposal of EM4 LLC during the year are given in note 33.

14. Dividends

	2024 £'000	2023 £'000
Final 2023 dividend: 8.2p per share (Final 2022 dividend paid in 2023: 7.7p)	2,114	1,978
2024 Interim dividend of 4.9p per share (2023: 4.8p per share)	1,264	1,202
	3,378	3,180

The Directors have proposed a final dividend of 8.3p per share making the total dividend paid and proposed in respect of the 2024 financial year 13.2p. (2023: 13.0p per share). The total value of the proposed final dividend is £2,140,000 (2023: £2,114,000).

15. Earnings per share

The calculation of earnings per 20p Ordinary Share is based on the profit for the year using as a divisor the weighted average number of Ordinary Shares in issue during the year. The weighted average number of shares for the year ended 30 September 2024 is given below:

	2024	2023
Number of shares used for basic earnings per share	25,786,397	25,085,805
Number of dilutive shares – impact of share options granted	394,682	272,361
Number of shares used for dilutive earnings per share	26,181,079	25,358,166

A reconciliation of the earnings used in the earnings per share calculation is set out below:

	2024		2023	
	£'000	pence per share	£'000	pence per share
Basic earnings per share from continuing operations	3,277	12.7p	4,857	19.4p
Amortisation of acquired intangible assets (net of tax)	1,540	5.9p	1,175	4.7p
Acquisition costs	195	0.8p	1,071	4.3p
Site closure costs	658	2.6p	728	2.9p
Restructuring costs (net of tax)	743	2.9p	600	2.4p
Unwind of discount on deferred consideration	157	0.6p	59	0.2p
Total adjustments net of income tax expense	3,293	12.8p	3,633	14.5p
Adjusted basic earnings per share	6,570	25.5p	8,490	33.9p
Basic diluted earnings per share	3,277	12.5p	4,857	19.2p
Adjusted diluted earnings per share	6,570	25.1p	8,490	33.5p
Basic and diluted loss per share from discontinuing operations	(9,654)	(37.4p)	(810)	(3.2p)

Basic and diluted earnings / (losses) per share before amortisation and other adjustments has been shown because, in the opinion of the Directors, it provides a useful measure of the trading performance of the Group.

16. Property, plant and equipment

	Capital work in progress £'000	Freehold land and buildings £'000	Leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and computers £'000	Motor vehicles £'000	Total £'000
Cost or valuation							
At 1 October 2022	2,975	9,513	23,282	50,054	5,632	102	91,558
Acquisitions	40	–	26	1,867	147	–	2,080
Additions	2,715	434	180	2,337	541	–	6,207
Disposals	–	(1,528)	(119)	(5,911)	(545)	(2)	(8,105)
Reclassification	(2,326)	–	54	1,984	78	–	(210)
Exchange rate differences	(102)	(8)	(1,642)	(1,779)	(144)	(4)	(3,679)
At 30 September 2023	3,302	8,411	21,781	48,552	5,709	96	87,851
Additions	2,057	–	302	1,319	454	–	4,132
Disposals	–	–	(12)	(353)	(1,647)	(11)	(2,023)
Disposal of subsidiary	(132)	–	(674)	(2,598)	(297)	–	(3,701)
Reclassification	(2,607)	(22)	163	3,558	172	–	1,264
Exchange rate differences	(229)	(10)	(1,558)	(2,134)	(148)	(5)	(4,084)
At 30 September 2024	2,391	8,379	20,002	48,344	4,243	80	83,439
Accumulated depreciation							
At 1 October 2022	–	3,082	9,082	32,745	4,134	68	49,111
Charge for the year	–	263	1,389	3,929	537	11	6,129
Disposals	–	(921)	(118)	(5,754)	(422)	(2)	(7,217)
Reclassification	–	–	6	(6)	–	–	–
Exchange rate differences	–	(8)	(666)	(1,212)	(102)	(2)	(1,990)
At 30 September 2023	–	2,416	9,693	29,702	4,147	75	46,033
Charge for the year	–	216	1,313	4,011	652	11	6,203
Disposals	–	–	(11)	(351)	(1,581)	(2)	(1,945)
Disposal of subsidiary	–	–	(350)	(1,836)	(167)	–	(2,353)
Reclassification	–	(3)	15	(139)	43	(2)	(86)
Exchange rate differences	–	(8)	(744)	(1,318)	(256)	(2)	(2,328)
At 30 September 2024	–	2,621	9,916	30,069	2,838	80	45,524
Net book value							
At 30 September 2022	2,975	6,431	14,200	17,309	1,498	34	42,447
At 30 September 2023	3,302	5,995	12,088	18,850	1,562	21	41,818
At 30 September 2024	2,391	5,758	10,086	18,275	1,405	–	37,915

No interest was capitalised in the year (2023: £Nil).

17. Right of use assets

	Fixtures and fittings £'000	Motor vehicles £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 October 2022	43	45	9,163	93	9,344
Acquisitions	42	–	2,656	679	3,377
Additions	25	13	3,237	–	3,275
Exchange rate differences	(3)	–	(586)	(8)	(597)
At 30 September 2023	107	58	14,470	764	15,399
Additions	–	–	3,078	–	3,078
Disposal of subsidiary	–	–	(3,329)	–	(3,329)
Exchange rate differences	(3)	–	(1,080)	(7)	(1,090)
At 30 September 2024	104	58	13,139	757	14,058
Accumulated depreciation					
At 1 October 2022	22	43	4,126	90	4,281
Charge for the year	12	3	1,492	15	1,522
Exchange rate differences	(2)	–	(326)	(8)	(336)
At 30 September 2023	32	46	5,292	97	5,467
Charge for the year	5	4	1,447	73	1,529
Disposal of subsidiary	–	–	(1,741)	–	(1,741)
Exchange rate differences	(2)	–	(367)	(8)	(377)
At 30 September 2024	35	50	4,631	162	4,878
Net book value					
At 30 September 2022	21	2	5,037	3	5,063
At 30 September 2023	75	12	9,178	667	9,932
At 30 September 2024	69	8	8,508	595	9,180

18. Intangible assets

	Goodwill £'000	Acquired customer relationships and order books £'000	Acquired brands £'000	Capitalised R&D, patents and licences £'000	Computer software £'000	Total £'000
Cost						
At 1 October 2022	59,328	20,020	4,420	5,682	5,198	94,648
Acquisitions	11,354	3,259	1,410	–	–	16,023
Additions	–	–	–	605	524	1,129
Disposals	–	–	–	–	(64)	(64)
Reclassifications	–	–	–	202	8	210
Exchange rate differences	(2,775)	(1,037)	(106)	(13)	(127)	(4,058)
At 30 September 2023	67,907	22,242	5,724	6,476	5,539	107,888
Additions	–	–	–	1,015	391	1,406
Adjustments	90	–	–	–	–	90
Disposals	(2,635)	(2,573)	(613)	(49)	(128)	(5,998)
Reclassifications	–	–	–	303	17	320
Exchange rate differences	(3,321)	(996)	(188)	(12)	(25)	(4,542)
At 30 September 2024	62,041	18,673	4,923	7,733	5,794	99,164
Accumulated amortisation and impairment						
At 1 October 2022	23,712	13,729	2,947	3,514	2,807	46,709
Charge for the year	–	1,400	272	898	794	3,364
Disposals	–	–	–	–	(64)	(64)
Reclassifications	–	–	–	–	8	8
Exchange rate differences	(860)	(774)	(77)	(9)	(138)	(1,858)
At 30 September 2023	22,852	14,355	3,142	4,403	3,407	48,159
Charge for the year	–	1,637	364	922	834	3,757
Disposals	–	(1,597)	(327)	(49)	(126)	(2,099)
Exchange rate differences	(808)	(777)	(82)	(9)	(28)	(1,704)
At 30 September 2024	22,044	13,618	3,097	5,267	4,087	48,113
Net book value						
At 30 September 2022	35,616	6,291	1,473	2,168	2,391	47,939
At 30 September 2023	45,055	7,887	2,582	2,073	2,132	59,729
At 30 September 2024	39,997	5,055	1,826	2,466	1,707	51,051

18. Intangible assets (continued)

Goodwill is allocated to the operating regions as follows: US £24.8m and UK £5m. The goodwill relating to the ITL business, which has sites in Ashford, UK and Rochester, US is £10.2m. The CGUs reflect our operating model, being regionally based.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment testing requires an estimation of the recoverable amount of the CGU, being the higher of the cash-generating unit's fair value less costs of disposal and its value in use. The value in use calculations use cash flow projections based on the latest budget and three year strategic plan projections approved by the Board. The near term strategic plan is supported by detailed customer and product analysis. In the medium term forecast sales growth rates are based on past experience adjusted for the strategic direction and near term investment priorities within each CGU. The key assumptions include growth rates in the key markets and customer demand for product lines validated by reference to third party market growth projections. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and delivered cost-saving initiatives. The projections do not include the benefits of any future planned restructuring or product outsourcing activity.

The following key assumptions were made:

Cash Generating Unit	Average annual growth in revenue from FY2024 to FY2026	Average annual growth in revenue from FY2027 to FY2029	Growth into perpetuity	Average operating margin to FY2027	Pre Tax Discount Rate
UK	14.0%	3.0%	2.0%	14.8%	16.4%
US	9.7%	3.0%	2.0%	16.3%	15.8%
Ashford (ITL)	8.3%	3.0%	2.0%	13.2%	16.4%

The headroom on the value in use calculations is summarised for each of the cash generating units below:

Cash Generating Unit	Headroom
UK	£29.4m
US	£39.7m
Ashford (ITL)	£2.9m

Management have performed various sensitivities on the value in use calculations which underpin the goodwill valuations. These include increases to the discount rates and reductions to the planned growth rates, the effects of which are summarised below:

Cash Generating Unit	Effect on value in use of an increase of 1% in the discount rate	Effect of a 1% reduction in growth per annum from FY2024 to FY2027	Effect of a 1% reduction in growth per annum from FY2027 to FY2029	Effect of a 5% reduction in operating margin from FY2025 to FY2027
UK	(£6.3m)	(£1.5m)	(£3.7m)	(£8.8m)
US	(£10.7m)	(£1.8m)	(£4.0m)	(£9.8m)
Ashford (ITL)	(£2.1m)	(£0.5m)	(£1.2m)	(£2.8m)

19. Inventories

	2024 £'000	2023 £'000
Raw materials	11,645	15,887
Work in progress	15,946	16,936
Finished goods	3,040	4,759
	30,631	37,582

The cost of inventories recognised as an expense and included in cost of revenue amounted to £50.2m (2023: £54.2m).

	2024 £'000	2023 £'000
At 1 October	9,488	7,744
(Disposed) / acquired	(890)	452
(Decrease) / increase in provision	(930)	1,518
Exchange rate movement	(330)	(226)
At 30 September	7,338	9,488

The Group's banking facilities are secured on certain of its assets including inventory.

20. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	27,500	27,804
Other receivables	860	1,557
Contract assets	1,009	3,168
Prepayments	1,539	1,546
	30,908	34,075

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

	2024 £'000	2023 £'000
Pound Sterling	10,730	9,926
US Dollar	18,321	22,711
Euro	1,848	1,438
Other	9	–
	30,908	34,075

The ageing of trade receivables and contract assets by due date is as follows:

	2024 £'000	2023 £'000
Current	21,219	21,170
1 to 3 months	5,581	8,078
Over 3 months	2,350	2,226
	29,150	31,474
Less provision for impairment	(640)	(502)
Net trade receivables and contract assets	28,510	30,972

None of the trade receivables are with customers where we have had any history of default.

The movement on the provision for impairment of trade receivables and contract assets is as follows:

	2024 £'000	2023 £'000
At 1 October	502	554
(Disposed) / Acquired	(32)	25
Increase / (release) of provision	189	(199)
Increase in provision	–	140
Exchange rate movement	(19)	(18)
At 30 September	640	502

The provision for expected credit loss amounts to 0.5% of current balances, 3.5% of balances in the 1 – 3 month category, and 15% of balances greater than 3 months old.

21. Cash and cash equivalents

	2024 £'000	2023 £'000
Cash at bank and on hand	6,622	7,294

22. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	5,577	5,889
Contract liabilities	853	764
Other taxation and social security	1,299	905
Accruals	8,633	12,615
Deferred contingent consideration	1,563	828
Deferred consideration	150	155
	18,075	21,156

23. Borrowings and lease liabilities

	2024 £'000	2023 £'000
Current:		
Bank borrowings	10	10
Leases	1,289	1,443
	1,299	1,453
Non-current:		
Bank borrowings	22,563	28,157
Leases	8,570	9,394
	31,133	37,551
Total borrowings and lease liabilities	32,432	39,004

The carrying values of the bank borrowings and leases are not materially different from their fair values and are included as part of the fair value disclosure for all financial instruments in note 29.

G&H's primary lending bank is NatWest Bank. The Group's facilities comprise a committed $50m (£37.4m) dollar revolving credit facility (2023: $60m) and an uncommitted $20m (£14.9m) flexible acquisition facility (2023: $10m). At 30 September 2024, the balance drawn on the revolving credit facility was $30.4m (£22.7m) (2023: $34.6m (£28.3m)) and on the flexible acquisition facility nil (2023: nil).

The revolving credit facility is committed until 31 March 2027 and attracts an interest rate of between 1.6% (at leverage of less than or equal to 1:1) and 2.1% (at leverage of more than 2:1) above the US Dollar SOFR rate specified by the bank dependent upon the Group's leverage ratio, payable on rollover dates.

The Group's banking facilities are secured on certain of its assets including land and buildings, property plant and equipment and inventory.

Maturity profile of bank borrowings

	2024 £'000	2023 £'000
Within one year	10	10
Between one and five years	26,670	35,230
	26,680	35,240

Maturity profile of lease liabilities

	2024 £'000	2023 £'000
Within one year	1,929	2,009
Between two and five years	7,674	8,481
After five years	2,129	3,528
	11,732	14,018

Details of lease interest charges and right of use assets are given in notes 11 and 17 respectively.

The total cash outflow in respect of leases in the year ended 30 September 2024 was £2.2m (2023: £1.9m)

24. Provisions for other liabilities and charges

The movements in the Group provision for other liabilities and charges during the year are as follows:

	2024 £'000	2023 £'000
At 1 October	1,582	848
Utilised during year	(167)	(282)
Increase in year	36	1,027
Exchange movements	(22)	(11)
At 30 September	1,429	1,582

The Group provision for other liabilities and charges includes amounts provided for the anticipated cost of repair and rectification of products under warranty, based on known exposures and historical occurrences. The Group offers warranty periods ranging up to 10 years on some of its products.

25. Deferred tax assets and liabilities

The movements in the Group's deferred tax assets and liabilities during the year are as follows:

	2024 £'000	Restated 2023 £'000
At 1 October	(5,223)	(6,322)
Restatement	–	2,495
As restated	(5,223)	(3,827)
Credited / (charged) to the income statement	927	(556)
On disposals / acquisitions	226	(912)
Exchange movements	92	72
Net liability at 30 September	(3,978)	(5,223)

The current portion of the deferred tax liability is £1.4m (2023: £1.6m)

The deferred tax provided for in the financial statements is disclosed under the following balance sheet headings and can be analysed as follows:

	2024 £'000	Restated 2023 £'000
Deferred income tax assets		
Intangible assets	340	100
IFRS16 Leases	219	319
Provisions	2,044	1,759
Losses	2,079	2,281
	4,682	4,459
Deferred income tax liabilities		
Property, plant and equipment	(5,209)	(6,338)
Intangible assets	(2,904)	(2,837)
Other timing differences	(547)	(507)
	(8,660)	(9,682)
Deferred tax balance at 30 September	(3,978)	(5,223)

25. Deferred tax assets and liabilities (continued)

The movement on the deferred tax balances by category is shown below:

	Intangible assets £'000	IFRS16 leases £'000	Provisions £'000	Losses £'000	Property, plant and equipment £'000	Intangible assets £'000	Other timing differences £'000	Total £'000
At 1 October 2022 as previously reported	225	352	1,392	–	(6,203)	(2,088)	–	(6,322)
Restatement	–	–	–	2,495	–	–	–	2,495
As restated	225	352	1,392	2,495	(6,203)	(2,088)	–	(3,827)
(Charged)/credited to income statement	(129)	(17)	442	–	(239)	(106)	(507)	(556)
On acquisitions	–	14	(12)	–	(250)	(664)	–	(912)
Exchange movements	4	(30)	(63)	(214)	354	21	–	72
At 30 September 2023	100	319	1,759	2,281	(6,338)	(2,837)	(507)	(5,223)
Credited/charged to income statement	54	(73)	413	–	797	(143)	(121)	927
On disposals	193	–	–	–	–	–	33	226
Exchange movements	(7)	(27)	(128)	(202)	332	76	48	92
At 30 September 2024	340	219	2,044	2,079	(5,209)	(2,904)	(547)	(3,978)

Overseas tax losses of £18.8m (2023: £14.1m as restated) and UK tax losses of £2.7m (2023: £1.7m) are available to offset against future profits of the Group. The Group has not recognised a deferred income tax asset of £5.4m (2023: £4.0m as restated) in respect of these losses due to uncertainty as to whether they will be utilised within the foreseeable future.

No deferred tax has been provided in relation to unremitted earnings from overseas subsidiaries on the basis that no incremental tax charge is currently anticipated to arise upon remittance of these earnings to the UK.

26. Called up share capital

	2024 Number	2023 Number	2024 £'000	2023 £'000
Issued and fully paid ordinary shares of 20p each				
At 1 October	25,786,397	25,040,919	5,159	5,008
Shares issued and fully paid	–	745,478	–	151
At 30 September	25,786,397	25,786,397	5,159	5,159

No shares were allotted under share option schemes during the year ended 30 September 2024 (2023: 11,275).

The company does not have a limited amount of authorised capital.

27. Reserves

	Share premium account £'000	Merger reserve £'000	Cumulative translation reserve £'000	Hedging reserve £'000	Retained earnings £'000
At 1 October 2022 as previously reported	16,000	7,262	15,828	(1,272)	75,715
Restatement	–	–	–	–	2,495
As restated	16,000	7,262	15,828	(1,272)	78,210
Profit for the financial year	–	–	–	–	4,048
Premium on shares issued	51	4,299	–	–	–
Dividends paid	–	–	–	–	(3,180)
Fair value of share options	–	–	–	–	337
Currency hedge fair value	–	–	–	1,287	–
Currency translation differences	–	–	(6,015)	–	–
At 30 September 2023	16,051	11,561	9,813	15	79,415
At 1 October 2023	16,051	11,561	10,027	15	76,920
Restatement	–	–	(214)	–	2,495
As restated	16,051	11,561	9,813	15	79,415
Loss for the financial year	–	–	–	–	(6,377)
Dividends paid	–	–	–	–	(3,378)
Fair value of share options	–	–	–	–	715
Currency hedge fair value	–	–	–	126	–
Currency translation differences	–	–	(4,712)	–	–
At 30 September 2024	16,051	11,561	5,101	141	70,375

28. Share options

The Group operates the Gooch & Housego Long Term Incentive Plan (the LTIP), the Gooch & Housego Save As You Earn Scheme, the Gooch & Housego ESPP scheme and the Gooch & Housego PLC Restricted Stock Units Plan.

A reconciliation of total share option movements across these schemes is shown below:

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	668,062	0.33	457,515	0.84
Awarded	290,179	–	409,782	–
Exercised	–	–	(11,275)	(4.64)
Adjustment	–	–	2,323	4.64
Lapsed	(211,516)	(1.01)	(190,283)	(0.36)
Outstanding at 30 September	746,725	0.01	668,062	0.33
Exercisable at 30 September	–	–	–	–

The adjustment shown for the year ended 30 September 2023 related to the ESPP scheme. Under this scheme, the exercise price of options was not set until the scheme matured. It was not therefore possible to quantify the exact number of options until the scheme matured.

The weighted average remaining contractual life of the options outstanding at 30 September 2024 was 2.5 years (2023: 2.7 years).

The total charge for the year relating to share options was £715,000 (2023: £337,000), all of which related to equity-settled share based payment transactions.

The Gooch & Housego Long Term Incentive Plan

The Gooch & Housego 2013 Long Term Incentive Plan was adopted on 9 April 2013 and reached the end of its life in the year ended 30 September 2023. The Board approved a new scheme on 19 September 2023, under which awards will be made annually to key employees based on a percentage of salary. Subject to the satisfaction of the required Total Shareholder Return, Earnings Per Share and ESG performance criteria, these grants will vest upon publication of the results of the Group three years after the grant date.

The Long Term Incentive Plan Awards were valued using the Monte Carlo option pricing model. The expected volatility used in the model was based on the historical volatility of the Company's share price over the three years prior to the grant date.

The details of awards extant as at 30 September 2024 are summarised below:

		Grant date	
	10 Jan 2024	9 Jan 2023	13 Jan 2022
No. of options granted	290,179	409,782	142,380
Expected volatility	38%	44%	46%
Risk free rate	3.85%	2.00%	0.76%
Option term	3 years	3 years	3 years
Fair value (£)	1,361,943	1,537,338	1,119,282
Exercise price	nil	nil	nil
Expected dividend yield	2.2%	2.1%	1%
Share price at grant date	596p	530p	1175p

A reconciliation of LTIP option movements is shown below:

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	623,650	–	398,317	–
Awarded	290,179	–	409,782	–
Lapsed	(167,570)	–	(184,449)	–
Outstanding at 30 September	746,259	–	623,650	–
Exercisable at 30 September	–	–	–	–

The weighted average fair value of options granted in the year was 448.0p per option (2023: 375.0p per option).

The weighted average remaining contractual life of LTIP options outstanding at 30 September 2023 was 2.5 years (2023: 2.8 years).

The total share-based payments charge for the year ended 30 September 2024 relating to the LTIP scheme was £869,000 (2023: £197,000).

28. Share options (continued)

The Gooch & Housego PLC Save As You Earn Scheme

The Gooch & Housego PLC Save As You Earn Scheme was established in February 2021 and was open to all UK employees. Under the scheme, employees choose to save a fixed monthly amount from their net pay of between £5 and £100. At the start of the savings period, participants are awarded options at a discount of 10% to the market value at that date. At the end of the three-year savings period, participants can either withdraw their savings or exercise their options to acquire shares at the option price. 31,749 options were granted under this scheme on 26 March 2021.

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	18,862	11.59	24,697	11.59
Awarded	(18,397)	11.59	(5,835)	11.59
Outstanding at 30 September	465	11.59	18,862	11.59
Exercisable at 30 September	465	11.59	–	–

There were no options granted under the Save As You Earn Scheme in the year ended 30 September 2024 or 30 September 2023.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

		Number of share options	
	Exercise price per share option	2024	2023
G&H PLC Save As You Earn Scheme	£11.59	465	18,862

The weighted average remaining contractual life of SAYE options outstanding at 30 September 2024 was 0.5 years (2023: 0.5 years).

The total share-based payments charge for the year ended 30 September 2024 relating to the SAYE scheme was a credit of £10,000 (2023: charge £18,000).

Gooch & Housego PLC Restricted Stock Units (RSUs)

An award of restricted stock units was made to a senior US based employee in the year ended 30 September 2022. These lapsed in full in the year when the employee resigned from the Group in the year ended 30 September 2024.

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	25,549	–	25,549	–
Lapsed	(25,549)	–	–	–
Outstanding at 30 September	–	–	25,549	–
Exercisable at 30 September	–	–	–	–

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

		Number of share options	
	Exercise price per share option	2024	2023
Restricted stock units	–	–	25,549

The weighted average remaining contractual life of Restricted Stock Units outstanding at 30 September 2023 was 1.3 years.

The total share-based payments credit for the year ended 30 September 2024 relating to the Restricted Stock Units Plan was £144,000 (2023: £98,000 charge).

29. Financial instruments

The Group's financial instruments comprise bank borrowings, cash at bank, leases and various items such as trade receivables and trade payables that directly arise from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

Operations are financed through a mixture of retained profits, cash reserves, bank borrowings and leases. Other than leases the Board's policy is to use variable rate borrowings whenever possible.

The currency profile for the Group's financial assets and liabilities are set out below.

	Financial assets		Financial liabilities	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Pound Sterling	2,413	3,680	894	1,220
US Dollars	3,887	3,171	31,537	37,784
Euro	371	387	–	–
Yen	92	71	–	–
	6,763	7,309	32,431	39,004

The financial assets listed in the above table are subject to floating rates of interest. The interest rates on the financial liabilities are provided in Note 23. The financial assets include cash at bank and derivative financial instruments but exclude short-term receivables, prepayments and other receivables. The financial liabilities include bank borrowings, lease liabilities and derivative financial instruments. Other short-term payables are excluded from this disclosure.

Cash and bank borrowings are stated at amortised cost. Derivative financial instruments, being currency contracts, are valued at level 2 fair values based on the present value of future cash flows based on the forward exchange rates at the balance sheet date. Lease liabilities are held at fair value based on discounted cash flows using a current borrowing rate.

Capital risk management

Management considers capital as equity, as shown in the Group balance sheet, excluding net debt.

The Group's objectives when managing capital are to safeguard the Group's ability

- to continue as a going concern;
- to provide returns for shareholders and benefits for other stakeholders; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Board is satisfied that these objectives have been met during the year. Actions taken during the year to achieve these objectives are outlined in the Chief Executive Officer's Review.

In order to maintain or adjust the capital structure, the Group may

- adjust the amount of dividends paid to shareholders;
- return capital to shareholders;
- issue new shares;
- sell assets to reduce debt; and
- vary the level of debt financing.

While the Group's debt to equity ratio is consistently monitored, changes in the Group's need for capital and the selection of the source and funding of capital are assessed against a number of criteria which may have a direct effect on the Group debt to equity ratio.

29. Financial instruments (continued)

The Group's capital needs include, but are not solely limited to, its
- investment in non-current assets;
- investment in working capital; and
- acquisition of businesses, technologies and other intangible assets.

The criteria against which the Group's capital needs are assessed include, but are not limited to,
- availability of and cost of debt financing;
- ability to raise equity financing at an acceptable share price; and
- ratio of debt to equity.

Capital risk management

Management considers capital as equity, as shown in the Group balance sheet, excluding net debt.

The Group's objectives when managing capital are to safeguard the Group's ability
- to continue as a going concern;
- to provide returns for shareholders and benefits for other stakeholders; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Board is satisfied that these objectives have been met during the year. Actions taken during the year to achieve these objectives are outlined in the Chief Executive Officer's Review.

In order to maintain or adjust the capital structure, the Group may
- adjust the amount of dividends paid to shareholders;
- return capital to shareholders;
- issue new shares;
- sell assets to reduce debt; and
- vary the level of debt financing.

While the Group's debt to equity ratio is consistently monitored, changes in the Group's need for capital and the selection of the source and funding of capital are assessed against a number of criteria which may have a direct effect on the Group debt to equity ratio.

The Group's capital needs include, but are not solely limited to, its
- investment in non-current assets;
- investment in working capital; and
- acquisition of businesses, technologies and other intangible assets.

The criteria against which the Group's capital needs are assessed include, but are not limited to,
- availability of and cost of debt financing;
- ability to raise equity financing at an acceptable share price; and
- ratio of debt to equity.

Financial risks

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Where considered appropriate, the Group will use derivative financial instruments to hedge risk exposures. During the year ended 30 September 2024, the Group has entered into contracts to sell US Dollars and buy UK Sterling at fixed rates at specific dates in the future. At 30 September 2024, the Group had contracts to sell $4.0m in the period to 30 September 2025. The fair value of these contracts, an asset of £141,000, has been included within receivables on the balance sheet (2023: contracts to sell $10.0m in the period to 30 September 2024 with a fair value of £15,000).

i. Market risk

a. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from
- future commercial transactions;
- recognised assets and liabilities; and
- net investments in foreign operations.

During the year the Group has entered into contracts to hedge foreign exchange risk as disclosed above.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

As a significant amount of the Group's profit is earned by its US subsidiaries, the Group's profit is sensitive to movements in the US Dollar exchange rate. If the average US Dollar exchange rate for the year had been consistent with the closing exchange rate at 30 September 2023, with all other variables constant, post tax profits for the year would have been £40,000 higher (2023: £221,000 higher) as a result of the translation in US Dollars.

Equity is more sensitive to movement in the US Dollar exchange rate as a significant amount of the Group's net assets are held in the Group's US subsidiaries. If the US Dollar weakened by 10% against Pound Sterling with all other variables held constant, the net assets of the Group would be £3,944,000 lower (2023: £3,369,000 lower). If the US Dollar strengthened by 10% against Pound Sterling with all other variables held constant, the net assets of the Group would be £4,335,000 higher (2023: £3,706,000 higher).

30. Commitments

	2024 £'000	2023 £'000
Capital commitments – authorised and contracted but not provided for	383	867

All capital commitments relate to property, plant and equipment.

31. Related party transactions

No contracts or arrangements have been entered into during the year, nor existed at the end of the year, in which a director or key manager had an interest.

Details of key management compensation are given in note 9.

32. Business Combinations

Artemis Optical

On 21 July 2023, Gooch & Housego PLC acquired the entire issued share capital of Artemis Optical Holdings Limited ("Artemis"), a thin-film coating company. This acquisition enhanced G&H's product portfolio and creates new opportunities for vertical integration and the cross selling of the Group's combined capabilities.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
Cash paid	3,077
Ordinary shares issued	2,390
Contingent consideration	2,000
Deferred consideration	155
Discount on contingent consideration net of deferred tax	(270)
Total purchase consideration	7,352

The fair value of the 412,088 shares issued as part of the consideration paid for Artemis was based on the published share price on 20 July 2023 of 580p per share.

Acquisition costs of £412,000 are included within administration expenses in the income statement.

The assets and liabilities recognised as a result of the acquisition were as follows:

	Final fair value £'000
Cash	58
Trade and other receivables	723
Inventories	616
Plant and equipment	531
Right of use assets	1,172
Current tax assets	183
Loans	(54)
Lease liabilities	(1,121)
Intangible assets – customer relationships	1,959
Intangible assets – brand	524
Intangible assets – orderbook	173
Trade and other payables	(1,501)
Deferred tax liabilities	(900)
Add: goodwill	4,989
Net assets acquired	7,352

32. Business Combinations (continued)

There were no changes to the provisional fair value in the year.

The goodwill is attributable to the workforce and the future profitability of the acquired business. It will not be deductible for tax purposes.

In the event that certain pre-determined EBITDA targets were achieved by Artemis in the 12 month periods ended 31 July 2024 and 31 July 2025, additional consideration of up to £2m was payable in cash on or around 31 August 2024 and 31 August 2025. Deferred consideration of £343,000 was paid in the year ended 30 September 2024.

The fair value of the remaining contingent consideration of £1,700,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 14.3%.

The acquired business contributed revenues of £794,000 and net loss of £56,000 to the Group for the period from 21 July 2023 to 30 September 2023.

If the acquisition had occurred on 1 October 2022, consolidated pro-forma revenue and profit after tax for the year ended 30 September 2023 would have been £152.2m and £5.1m respectively.

	2023 £'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	3,077
Less cash acquired	(58)
Net outflow of cash – investing activities	3,019

GS Optics LLC

On 20 June 2023, Gooch & Housego PLC acquired the entire issued share capital of GS Optics LLC ("GS Optics"), a specialist in the custom design and manufacture of precision polymer optics for use in the biomedical, machine vision and analytical instrument markets. This acquisition increased G&H's commercial footprint in high-growth areas within the large US life sciences marking including ophthalmic lenses, surgical imaging and diagnostic instrumentation.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
Cash paid	8,678
Ordinary share issued	2,056
Deferred consideration	294
Total purchase consideration	11,028

The fair value of the 322,115 shares issued as part of the consideration paid for Artemis was based on the published share price on 19 June 2023 of £6.36 per share.

Acquisition costs of £536,000 are included within administration expenses in the income statement.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional fair value £'000	Adjustment £'000	Final fair value £'000
Trade and other receivables	856	–	856
Inventories	562	–	562
Right of use assets	2,205	–	2,205
Plant and equipment	1,549	(99)	1,450
Deferred tax asset	79	–	79
Intangible assets – customer relationships	1,127	–	1,127
Intangible assets – brand	886	–	886
Trade and other payables	(377)	–	(377)
Lease liabilities	(2,224)	–	(2,224)
Add: goodwill	6,365	99	6,464
Net assets acquired	11,028	–	11,028

The goodwill is attributable to the workforce and the future profitability of the acquired business. It will not be deductible for tax purposes.

In the event that certain pre-determined EBITDA targets were achieved by GS Optics in the 12 month period ended 31 December 2023, additional consideration of up to $1.85m might have been payable in cash by 30 April 2024. This target was not met and no deferred contingent consideration was assumed in the provisional purchase price allocation. £294,000 of the non-contingent consideration was deferred and subsequently paid in November 2023.

The acquired business contributed revenues of £1,371,000 and net loss of £208,000 to the Group for the period from 21 July 2023 to 30 September 2023.

If the acquisition had occurred on 1 October 2022, consolidated pro-forma revenue and profit after tax for the year ended 30 September 2023 would have been £154.6m and £5.5m respectively.

	2023 £'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	8,678
Less cash acquired	–
Net outflow of cash – investing activities	8,678

33. Disposal of EM4 LLC

On 18 March 2024, Gooch & Housego PLC disposed of the entire share capital of its subsidiary EM4 LLC to EMFOUR Acquisition Co. LLC, a subsidiary of a US-based global technology company for total expected net consideration of up to £1.7m.

The total consideration payable of up to $12.0m comprised an initial cash consideration of $5.25m (£4.2m) and deferred contingent consideration of up to $6.75m (£5.1m). The deferred contingent consideration is based on the performance of the EM4 business in the period ending 30 September 2025.

The Directors have shown the performance of the Boston business as a discontinued operation in the income statement, and the comparative figures have been restated accordingly.

Details of the disposal consideration and the net assets disposed of are as follows:

	£'000
Disposal consideration	
Cash paid	4,154
Transaction fees	(674)
Working capital and debt adjustment	(714)
Cash disposed of	(441)
Employee liabilities settled direct from proceeds	(660)
Net disposal proceeds	1,665

Management have assessed the fair value of the deferred consideration to be nil. Other disposal costs include certain staff costs and professional fees.

The details of the assets disposed of are as follows:

	Book value £'000
Right of use assets	1,588
Plant and equipment	1,348
Inventories	3,445
Trade and other receivables	2,537
Intangible assets – customer relationships	1,262
Trade and other payables	(616)
Lease liabilities	(1,639)
Add: goodwill	2,635
Net assets disposed of	10,560
Disposal costs	(341)
Loss on disposal	9,236

The income statement of the discontinued operation was as follows:

	30 September 2024 £'000	30 September 2023 £'000
Revenue	4,343	13,435
Cost of revenue	(3,644)	(9,708)
Gross profit	699	3,727
Operating expenses	(1,287)	(4,691)
Operating loss	(588)	(964)
Interest payable	(52)	(18)
Loss before tax	(640)	(982)
Taxation	222	173
Loss after tax	(418)	(809)

The cash flows attributable to the discontinued operation were as follows:

	30 September 2024 £'000	30 September 2023 £'000
Net cash generated from operating activities	50	1,444
Cash used in investing activities	(194)	(467)
Cash used in financing activities	(198)	(463)
(Decrease) / increase in cash	(342)	514

34. Post balance sheet events

Phoenix Optical

On 30 October 2024, Gooch & Housego PLC acquired UK-based Phoenix Optical for a total consideration of up to £6.75m. This comprised an initial cash consideration of £3.4m with deferred contingent cash consideration of up to £3.35m, payable based upon Phoenix's performance in the three years ending 30 June 2027. In its financial year ended 30 June 2024, Phoenix's revenue was c£6.6m and its reported EBITDA was c£0.4m. As at the end of June 2024, Phoenix had gross assets of £4.4m.

This acquisition G&H's precision optics capabilities in its A&D markets and creates new opportunities for the cross selling of the combined capabilities.

Due to the proximity of the acquisition to the reporting date, we have not yet completed the fair value assessment of the assets acquired or the purchase price allocation in respect of this acquisition.

Company Balance Sheet

As at 30 September 2024

Company number 00526832

	Note	2024 £'000	2023 £'000
Non-current assets			
Investments	5	42,062	43,181
Property, plant and equipment	6a	157	199
Investment properties	6b	3,093	3,173
Intangible assets	7	313	782
Deferred income tax assets	9	397	394
		46,022	47,729
Current assets			
Other receivables	8	20,658	17,496
Cash and cash equivalents		795	1,011
		21,453	18,507
Current liabilities			
Trade and other payables	10	(7,732)	(3,954)
Net current assets		13,721	14,553
Non-current liabilities			
Deferred consideration		–	(870)
Deferred income tax liabilities	9	(23)	(76)
		(23)	(946)
Net assets		59,720	61,336
Shareholders' equity			
Called up share capital	11	5,159	5,159
Share premium account		16,051	16,051
Merger reserve		8,890	8,890
Hedging reserve		141	15
Retained earnings			
At 1 October		31,221	31,144
Profit/(loss) for the year		921	2,920
Other changes in retained earnings		(2,663)	(2,843)
		29,479	31,221
Total equity		59,720	61,336

The financial statements on pages 176 to 191, were approved by the Board of Directors on 3 December 2024 and signed on its behalf by:

Charlie Peppiatt
Director

Chris Jewell
Director

Company Statement of Changes in Equity

For the year ended 30 September 2024

Company number 00526832

	Note	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2022		5,008	16,000	4,591	(1,272)	31,144	55,471
Profit for the financial year		–	–	–	–	2,920	2,920
Total comprehensive income for the year		–	–	–	–	2,920	2,920
Shares issued		151	51	4,299	–	–	4,501
Dividends	4	–	–	–	–	(3,180)	(3,180)
Share based payments		–	–	–	–	337	337
Gain on cash flow hedge		–	–	–	1,287	–	1,287
Total contributions by and distributions to owners of the parent recognised directly in equity		151	51	4,299	1,287	(2,843)	2,945
At 30 September 2023		5,159	16,051	8,890	15	31,221	61,336
At 1 October 2023		5,159	16,051	8,890	15	31,221	61,336
Profit for the financial year		–	–	–		921	921
Total comprehensive expense for the year		–	–	–	–	921	921
Dividends	4	–	–	–	–	(3,378)	(3,378)
Share based payments		–	–	–	–	715	715
Loss on cash flow hedge		–	–	–	126	–	126
Total contributions by and distributions to owners of the parent recognised directly in equity		–	–	–	126	(2,663)	(2,537)
At 30 September 2024		5,159	16,051	8,890	141	29,479	59,720

Company Cash Flow Statement

For the year ended 30 September 2024

Company number 00526832

	2024 £'000	2023 £'000
Cash flows from operating activities		
Cash (used in)/generated by operations	(256)	1,563
Income tax repaid	131	2
Net cash (used in)/generated by operating activities	(125)	1,565
Cash flows from investing activities		
Acquisition of subsidiaries	(351)	(3,077)
Purchase of property, plant and equipment	(35)	(7)
Interest received	15	6
Dividends received from subsidiaries	3,658	5,089
Net cash generated by investing activities	3,287	2,011
Cash flows from financing activities		
Dividends paid to ordinary shareholders	(3,378)	(3,180)
Net cash used by financing activities	(3,378)	(3,180)
Net (decrease)/increase in cash	(216)	396
Cash at beginning of the year	1,011	615
Cash at the end of the year	795	1,011

Notes to the Company Cash Flow Statement

For the year ended 30 September 2024

Reconciliation of cash (used in)/generated by operations

	2024 £'000	2023 £'000
Profit before income tax	1,104	2,473
Adjustments for:		
- Dividends received from subsidiaries	(3,658)	(5,089)
- Amortisation of intangible assets	490	500
- Depreciation	136	290
- Share based payment obligations	578	183
- Loss on disposal of investment of subsidiary	1,255	–
- Interest receivable	(16)	–
- Interest payable	209	–
Total	(1,006)	(4,116)
Changes in working capital		
- Trade and other receivables	1,696	5,081
- Trade and other payables	(2,050)	(1,875)
Total	(354)	3,206
Cash (used in)/generated by operating activities	(256)	1,563

Analysis of net cash

	At 1 Oct 2022 £'000	Cash flow £'000	At 30 Sep 2024 £'000
Cash at bank and in hand	1,011	(216)	795
Net cash	1,011	(216)	795

Analysis of net cash

	At 1 Oct 2022 £'000	Cash flow £'000	At 30 Sep 2023 £'000
Cash at bank and in hand	615	396	1,011
Net cash	615	396	1,011

Notes to the Company Financial Statements

For the year ended 30 September 2024

1. Company accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by financial assets and liabilities at fair value and 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. The financial statements have been prepared on a going concern basis.

The Directors have reviewed the current financial forecasts for FY2025. The Company is a non-trading holding company which is reliant on income from its subsidiary undertakings to continue as a going concern. The Directors' going concern assessment for the Company therefore largely follows that for the Group. The Company does not have any available external borrowing facilities (2023: nil).

At 30 September 2024, the Company has a strong balance sheet with net current assets of £13.7m.

The Directors have reviewed severe but plausible downside scenarios that estimate the potential impact of the principal risks that the Group faces on the financial forecasts. These include the impact of a possible recession and the resultant reduced demand in certain of the Group's markets, most notably commercial aerospace and the industrial laser market driven by softness in consumer end market demand. They also included the effect of erosion of sales prices due to competition, the impact of delays to our production ramp up, the impact of inflation on input costs which cannot be passed on to customers, the potential impact of a cyber-attack and a reduction in forecast revenue to illustrate the potential effect of a loss of key personnel or inability to hire for a key role. The model also considered the loss of revenue and profit associated with a closure of one of the Group's sites due to a legal noncompliance issue. Mitigating actions including cost and capital expenditure savings, and an extension of our payment terms with suppliers (in FY2025 only) have been factored into this analysis.

We have compared the downside risk adjusted cash projections and covenant performance against the Group's available cash and have been able to conclude that the Group would continue to be able to operate even if a number of the risks occurred simultaneously.

As a result of the assessments undertaken the Directors are satisfied that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.The Directors do not believe there are any critical accounting estimates or judgements that affect the amounts reported in the company financial statements.

New standards and interpretations not yet adopted

- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Tow Model Rules – amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- Disclosure of Accounting Policies – Amendments to IAS1 and IFRS Practice Statement 2.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all of the years presented, unless otherwise stated.

Pension schemes

The Company operates a money purchase pension scheme for Directors and staff. The assets of the scheme are held in separately administered funds. Contributions are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share options

The Company operates a number of share option schemes. In accordance with IFRS 2 the fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

Employer's National Insurance in the United Kingdom and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. In accordance with IFRS 2, this is treated as a cash-settled transaction. A provision is made, calculated using the fair value of the Company's shares at the balance sheet date, pro-rated over the vesting period of the options.

At each balance sheet date, for awards with non-market vesting conditions, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The fair value of the options under the Gooch & Housego 2013 Long Term Incentive Plan are determined by using the Monte Carlo option pricing model.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Derivatives and hedging activities

The Company transacts derivative financial instruments to manage the underlying exposure to foreign exchange risk. The Company does not transact derivative financial instruments for trading purposes.

Financial instruments are initially recognised at fair value on the date that a contract is entered into and are subsequently remeasured at their fair value. The Company documents the relationship between the hedging instrument and the hedged item and, on a periodic basis, assesses whether the hedge is effective.

The hedges entered into during FY2024 have been assessed as effective and therefore the Company has applied hedge accounting. Accordingly, movements in the fair value of the hedges have been recorded in reserves.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income and equity, in which case it is recognised in other comprehensive income and equity.

In the UK and US, the Company is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under "Share options" on the previous page, a compensation expense is recorded in the Company's income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred income tax asset is recorded. The deferred income tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the compensation recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity.

Foreign currency translation

a. Functional and presentation currency

The financial statements are presented in Pounds Sterling, which is the Company's presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Investments

Investments are stated at cost less provision for any impairment in value. Where overseas borrowing is required to finance the investment in overseas subsidiaries, the investment is retranslated at the exchange rate ruling at the balance sheet date.

Investment properties

The Company adopts the cost model and shows investment properties at cost less accumulated depreciation and any accumulated impairment losses. As investment properties are occupied by a subsidiary, they do not meet the definition of investment properties for the Group. Depreciation on investment properties is calculated to allocate their cost over their estimated useful lives at 2-3% on a straight line basis.

Property, plant and equipment

Property, plant and equipment is stated at historical purchase cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. No depreciation is charged on freehold land or capital work in progress. Depreciation on other assets is calculated to allocate their cost over their estimated useful lives, as follows:

Plant and machinery	6-20%	Straight line
Fixtures and fittings	6-33%	Straight line
Computer equipment	25-33%	Straight line

Intangible assets

Intangible assets include costs relating to computer systems development, computer software and other intangible assets. These costs are amortised over their useful economic lives as follows:

Computer software	5 years	Straight line
Systems	5 years	Straight line
Patents & Licences (other)	3 years	Straight line

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other receivables

Other receivables, which largely comprise amounts due from subsidiary companies, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment of expected credit losses.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Capital risk management

Details of the ways in which the Company manages capital risk are given in note 29 to the Group financial statements.

Critical accounting estimates and judgements

Carrying value of investments

The Directors have assessed the carrying value of the Company's investments during the year. The assessment requires an estimate of the recoverable amount of the investment, which is based on forecast cash flows and is therefore inherently uncertain. See note 5 for details of the carrying value of investments.

2. Company profit and loss account

Gooch & Housego PLC has taken advantage of section 408(3) of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit / loss after tax was £921,000 (2023: £2,920,000).

Fees payable to the Company auditors for the statutory audit for the year amounted to £95,000 (2023: £95,000).

3. Employee benefit expense

	2024 £'000	2023 £'000
Wages and salaries	2,824	3,681
Compensation for loss of office	–	37
Social security costs	298	224
Medical and other insurances	64	28
Share based payments	579	183
Other pension costs	67	82
	3,832	4,235

The monthly average number of employees during the year was:

	2024 Number	2023 Number
Sales and marketing	10	11
Operations	4	5
Finance and administrative	7	7
	21	23

Directors' remuneration and key management compensation

	2024 £'000	2023 £'000
Directors' remuneration	1,115	1,375
Share based payments	579	162
Medical and other insurances	23	26
Company car allowance	10	10
Directors' pension scheme contributions	10	10
	1,737	1,583

The aggregate emoluments of the highest paid Director were £495,000 (2023: £680,000). Further information is included in the Remuneration Committee report on page 126.

The aggregate gain on Directors' share option exercises in the year was nil (2023: nil).

The number of Directors who are accruing retirement benefits under a money purchase pension scheme is 1 (2023: 1).

4. Dividends

	2024 £'000	2023 £'000
Final 2023 dividend paid: 8.2p per share (Final 2022 dividend paid in 2023: 7.7p)	2,114	1,978
2024 Interim dividend of 4.9p per share (2023: 4.8p per share)	1,264	1,202
	3,378	3,180

The Directors have proposed a final dividend of 8.3p per share making the total dividend paid and proposed in respect of the 2024 financial year 13.2p (2023: 13.0p per share). The total value of the proposed final dividend is £2,147,000 (2023: £2,114,000).

5. Investments

	2024 £'000	2023 £'000
Cost and net book value at 1 October	43,181	35,674
Additions related to share based payments for subsidiary employees	136	154
Additions	–	18,381
Transfer to subsidiary	–	(11,028)
Disposal of investment in group company	(1,255)	–
Cost and net book value at 30 September	42,062	43,181

The Company acquired the entire share capital of GS Optics LLC on 20 June 2023. The investment was immediately transferred at cost to G&H US Holdings Limited, a fully owned subsidiary of the Company.

The company acquired the entire share capital of Artemis Optical Holdings Limited on 21 July 2023. Further details are given in note 32 to the Group financial statements. The consideration payable was cash of £3,077,000, ordinary shares of £2,390,000, contingent consideration of £1,730,000 and deferred consideration of £155,000.

The disposal in the year ended 30 September 2024 related to the disposal of EM4 Inc. Further detail is given in note 33 to the Group financial statements.

5. Investments (continued)

The subsidiary companies at 30 September 2024, all of which are wholly owned either directly or indirectly, are listed below:

COMPANY NAME	% OWNERSHIP OF ORDINARY SHARES	REGISTERED OFFICE	ACTIVITY
Gooch & Housego (UK) Limited*	100%	Dowlish Ford, Ilminster, Somerset, TA19 0PF	Manufacturer of acousto-optic products and precision optics
Gooch & Housego (Torquay) Limited*	100%	Dowlish Ford, Ilminster, Somerset, TA19 0PF	Manufacturer of fibre-optic products
Spanoptic Limited*	100%	Telford Road, Glenrothes, KY7 4 NX	Non-trading company
Kent Periscopes Limited*	100%	6 Ffordd Richard Davies St Asaph, LL17 0LJ	Non-trading company
Gooch & Housego (Deutschland) GmbH*	100%	Berliner Allee 55, 22850 Norderstedt, Germany	Provider of sales and customer service functions
Gooch & Housego (Ohio) LLC	100%	676 Alpha Drive, Highland Heights, OH44143, USA	Manufacturer of electro-optic products and crystals
Gooch & Housego (California) LLC	100%	5390 Kazuko Court, Moorpark, CA93021, USA	Manufacturer of precision optics
EM4 Inc.	100%	7 Oak Park Drive, Bedford, MA 01730, USA	Manufacturer of fibre optics products
Gooch & Housego (Palo Alto) LLC	100%	44247 Nobel Dr, Fremont, CA94538, USA	Manufacturer of acousto-optic, electro-optic and fibre optic components and systems
Gooch & Housego (Keene) LLC	100%	17A Bradco. Street, Keene, NH 03431 USA	Designer and manufacturer of optical and opto-mechanical subsystems
Gooch & Housego Japan KK*	100%	Level 4, Nikko Shiken Building, 3-2-3 Sakae, Nagoya, Japan	Provider of sales and customer service functions
G&H (Property) Holdings Limited*	100%	Dowlish Ford, Ilminster, Somerset, TA19 0PF	Property holding company
G&H (US Holdings) Limited*	100%	Dowlish Ford, Ilminster, Somerset, TA19 0PF	Holding company
G&H Holdings (Delaware) Inc.	100%	676 Alpha Drive, Highland Heights, OH44143, USA	Holding company
G&H Capital Holdings (Florida) LLC	100%	676 Alpha Drive, Highland Heights, OH44143, USA	Non-trading company
Integrated Technologies Limited	100%	Viking House, Ellingham Way, Ashford, TN23 6NF	Development and manufacture of high quality medical and in vitro diagnostic devices
Integrated Technologies (Holdings) Limited	100%	Viking House, Ellingham Way, Ashford, TN23 6NF	Non-trading company
ORF Limited	100%	Viking House, Ellingham Way, Ashford, TN23 6NF	Non-trading company
VITL Limited*	100%	Viking House, Ellingham Way, Ashford, TN23 6NF	Holding company
Wave Optronics Limited	100%	Viking House, Ellingham Way, Ashford, TN23 6NF	Dormant company
Chromodynamics LLC	100%	434 S Dallas Ave Pittsburgh PA15208, USA	Dormant company
G&H ITL (US) Inc.	100%	Viking House, 408 St Paul Street, Rochester, New York, 14605, USA	Development and manufacture of high quality medical and in vitro diagnostic devices
Integrated Electronic Systems (Shanghai) Ltd	100%	T3-11 Factory Building Unit 201, 5001 Huadong Road, Shanghai 201201 China	Development and manufacture of high quality medical and in vitro diagnostic devices
Artemis Optical Holdings Ltd*	100%	1 Western Wood Way, Langage Science Park, Plympton, Plymouth, PL7 5BG	Holding company
Artemis Optical Ltd	100%	1 Western Wood Way, Langage Science Park, Plympton, Plymouth, PL7 5BG	Thin-film coating company
GS Optics LLC	100%	Viking House, 408 St Paul Street, Rochester, New York, 14605, USA	Design and manufacture of precision polymer optics

The directors believe that the carrying value of the investments is supported by their underlying net assets.

*these investments are held directly by Gooch & Housego PLC. All UK subsidiaries are exempt from the requirement to file audited financial statements by virtue of Section 479A of the Companies Act 2006. As part of this process, the Company has provided statutory guarantees to these subsidiaries.

6a. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 October 2022	3,987	1,392	233	5,612
Additions	–	–	7	7
At 30 September 2023	3,987	1,392	240	5,619
Additions	–	–	14	14
At 30 September 2024	**3,987**	**1,392**	**254**	**5,633**
Accumulated depreciation				
At 1 October 2022	3,647	1,355	211	5,213
Charge for the year	152	36	19	207
At 30 September 2023	3,799	1,391	230	5,420
Charge for the year	47	1	8	56
At 30 September 2024	**3,846**	**1,392**	**238**	**5,476**
Net book value				
At 30 September 2022	340	37	22	399
At 30 September 2023	188	1	10	199
At 30 September 2024	**141**	**–**	**16**	**157**

6b. Investment properties

	Investment Properties £'000
Cost or valuation	
At 1 October 2022	4,432
At 30 September 2023	4,432
At 30 September 2024	**4,432**
Accumulated depreciation	
At 1 October 2022	1,176
Charge for the year	83
At 30 September 2023	1,259
Charge for the year	80
At 30 September 2024	**1,339**
Net book value	
At 30 September 2022	3,256
At 30 September 2023	3,173
At 30 September 2024	**3,093**

The fair value of the investment property is not materially different to the book value disclosed above. Income received from subsidiary companies in respect of the property in the year ended 30 September 2024 was £125,000 (2023: £125,000).

7. Intangible assets

	Systems £'000	Computer software £'000	Patents and licences £'000	Total £'000
Cost or valuation				
At 1 October 2022	2,200	1,101	64	3,365
Additions	–	–	–	–
At 30 September 2023	2,200	1,101	64	3,365
Additions	–	21	–	21
At 30 September 2024	**2,200**	**1,122**	**64**	**3,386**
Accumulated amortisation				
At 1 October 2022	1,130	889	64	2,083
Charge for the year	440	60	–	500
At 30 September 2023	1,570	949	64	2,583
Charge for the year	440	50	–	490
At 30 September 2024	**2,010**	**999**	**64**	**3,073**
Net book value				
At 30 September 2022	1,070	212	–	1,282
At 30 September 2023	630	152	–	782
At 30 September 2024	**190**	**123**	**–**	**313**

8. Other receivables

	2024 £'000	2023 £'000
Prepayments and accrued income	**112**	417
Intercompany receivables	**20,546**	17,079
	20,658	17,496

9. Deferred tax

The movement in the deferred tax assets and liabilities during the year was as follows:

	2024 £'000	2023 £'000
At 1 October	**318**	315
Credited to the income statement	**56**	93
Arising on acquisition	**–**	(90)
At 30 September	**374**	318

The deferred tax provided for in the financial statements can be analysed as follows:

	2024 £'000	2023 £'000
Property, plant and equipment	**353**	339
Intangible assets	**44**	55
Other timing differences	**(23)**	(76)
	374	318

All movements on deferred tax were recognised in the income statement in the year ended 30 September 2024 and 30 September 2023.

The current portion of the deferred tax asset is £0.1m (2023: £0.1m).

10. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	239	313
Amounts owed to group undertakings	5,072	1,230
Deferred consideration	1,713	980
Accruals and deferred income	708	1,431
	7,732	3,954

Amounts owed to group undertakings are unsecured and due within one year. Non trading amounts owed to US group undertakings are charged interest at the SOFR rate applicable for the year. Non-trading amounts owed to UK group undertakings are charged interest at rates specified in the loan agreements.

11. Called up share capital

	2024 Number	2023 Number	2024 £'000	2023 £'000
Allotted, issued and fully paid				
At 1 October	25,786,397	25,040,919	5,159	5,008
Shares issued and fully paid	–	745,478	–	151
At 30 September	25,786,397	25,786,397	5,159	5,159

11,275 shares were allotted under share option schemes during the year ended 30 September 2023. The remaining 734,203 shares issued in the year were issued as part consideration for the acquisitions of GS Optics and Artemis Optical Holdings Limited.

The company does not have a limited amount of authorised capital.

12. Financial instruments

The Company's financial instruments comprise cash at bank, financial derivatives and various items such as trade receivables and trade payables that directly arise from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

The Board's policy on these risks and capital risk management is set out in note 29 to the Group financial statements.

Operations are financed through a mixture of retained profits, cash reserves, group borrowings and leases. The Board's policy is to use variable rate borrowings whenever possible.

The currency profile for the Company's financial assets and liabilities are set out below.

	Financial assets		Financial liabilities	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Pound Sterling	558	900	–	–
US Dollars	336	118	–	–
Euro	42	8	–	–
	936	1,026	–	–

The financial assets listed in the above table are subject to floating rates of interest. The financial assets include cash at bank and derivative financial instruments but exclude short-term receivables, prepayments and other receivables. The financial liabilities include derivative financial instruments. Other short-term payables are excluded from this disclosure.

At the year end, the Company had contracts to sell $4.0m in the period to 30 September 2025 (2023: contracts to sell $10m in the period to 30 September 2024). The fair value of these contracts, of £141,000, has been included in payables on the balance sheet (2023: £15,000 asset).

Cash and bank borrowings are stated at amortised cost. Derivative financial instruments, being currency contracts, are valued at level 2 fair values based on the present value of future cash flows based on the forward exchange rates at the balance sheet date.

13. Share options

The Company operates the Gooch & Housego 2013 Long Term Incentive Plan (the 2013 LTIP), the Gooch & Housego Save As You Earn Scheme, the Gooch & Housego ESPP scheme and the Gooch & Housego PLC Restricted Stock Units Plan.

A reconciliation of total share option movements across these schemes is shown below:

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	668,062	0.33	457,515	0.84
Awarded	290,179	–	409,782	–
Exercised	–	–	(11,275)	(4.64)
Adjustment	–	–	2,323	4.64
Lapsed	(211,516)	(1.01)	(190,283)	(0.36)
Outstanding at 30 September	746,725	0.01	668,062	0.33
Exercisable at 30 September	–	–	–	–

The adjustment shown above relates to the ESPP scheme. Under this scheme, the exercise price of options was not set until the scheme matured. It was not therefore possible to quantify the exact number of options until the scheme matured.

The weighted average remaining contractual life of the options outstanding at 30 September 2024 was 2.5 years (2023: 2.7 years).

The total charge for the year relating to share options was £579,000 (2023: £183,000), all of which related to equity-settled share based payment transactions.

13. Share options (continued)

The Gooch & Housego 2013 Long Term Incentive Plan

The Gooch & Housego 2013 Long Term Incentive Plan was adopted on 9 April 2013 and reached the end of its life in the year ended 30 September 2023. The Board approved a new scheme on 19 September 2023], under which awards will be made annually to key employees based on a percentage of salary. Subject to the satisfaction of the required Total Shareholder Return, Earnings Per Share and ESG performance criteria, these grants will vest upon publication of the results of the Group three years after the grant date.

The Long Term Incentive Plan Awards were valued using the Monte Carlo option pricing model. The expected volatility used in the model was based on the historical volatility of the Company's share price over the three years prior to the grant date.

The details of awards extant as at 30 September 2024 are summarised below:

		Grant date	
	10 Jan 2024	9 Jan 2023	13 Jan 2022
No. of options granted	290,179	409,782	142,380
Expected volatility	38%	44%	46%
Risk free rate	3.85%	2.00%	0.76%
Option term	3 years	3 years	3 years
Fair value (£)	1,361,943	1,537,338	1,119,282
Exercise price	nil	nil	nil
Expected dividend yield	2.2%	2.1%	1%
Share price at grant date	596p	530p	1175p

A reconciliation of LTIP option movements is shown below:

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	623,650	–	398,317	–
Awarded	290,179	–	409,782	–
Exercised	–	–	–	–
Lapsed	(167,570)	–	(184,449)	–
Outstanding at 30 September	746,259	–	623,650	–
Exercisable at 30 September	–	–	–	–

The weighted average fair value of options granted in the year was 448.0p per option (2023: 375.0p per option).

The weighted average remaining contractual life of LTIP options outstanding at 30 September 2024 was 2.5 years (2023: 2.8 years).

The total share-based payments charge for the year ended 30 September 2024 relating to the 2013 LTIP scheme was £578,000 (2023: £175,000).

13. Share options (continued)

The Gooch & Housego PLC Save As You Earn Scheme

The Gooch & Housego PLC Save As You Earn Scheme was established in February 2021 and is open to all UK employees. Under the scheme, employees choose to save a fixed monthly amount from their net pay of between £5 and £100. At the start of the savings period, participants are awarded options at a discount of 10% to the market value at that date. At the end of the three-year savings period, participants can either withdraw their savings or exercise their options to acquire shares at the option price. 31,749 options were granted under this scheme on 26 March 2021.

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	18,862	11.59	24,697	11.59
Lapsed	(18,397)	11.59	(5,835)	11.59
Outstanding at 30 September	465	11.59	18,862	11.59
Exercisable at 30 September	465	11.59	–	–

There were no options granted under the Save As You Earn Scheme in the year ended 30 September 2024 or 30 September 2023.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

		Number of share options	
	Exercise price per share option	2024	2023
G&H PLC Save As You Earn Scheme	£11.59	465	18,862

The weighted average remaining contractual life of SAYE options outstanding at 30 September 2024 was 0.5 years (2023: 0.5 years).

The total share-based payments credit for the year ended 30 September 2024 relating to the SAYE scheme was £1,000 (2023: £18,000 charge).

13. Share options (continued)

Gooch & Housego PLC Restricted Stock Units (RSUs)

An award of restricted stock units was made to a senior US based employee in the year ended 30 September 2022. These lapsed in full in the year when the employee resigned from the Group in the year ended 30 September 2024.

	2024		2023	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	25,549	–	25,549	–
Lapsed	(25,549)	–	–	–
Outstanding at 30 September	–	–	25,549	–
Exercisable at 30 September	–	–	–	–

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

		Number of share options	
	Exercise price per share option	2024	2023
Restricted stock units	–	–	25,549

The weighted average remaining contractual life of Restricted Stock Units outstanding at 30 September 2023 was 1.3 years.

The total share-based payments charge for the year ended 30 September 2024 relating to the Restricted Stock Units Plan was £nil (2023: £nil).

14. Related party disclosures

The company recharges certain costs to, and is recharged certain costs by, its subsidiary companies in the ordinary course of business. The closing balances due from and to the subsidiary companies are shown in notes 8 and 10 respectively.

The amounts recharged to Gooch & Housego PLC by group undertakings during the year ended 30 September were:

	2024 £'000	2023 £'000
EM4 Inc	–	44
Gooch & Housego (Palo Alto) LLC	93	88
Gooch & Housego (Ohio) LLC	78	–
Gooch & Housego (UK) Limited	34	31
Gooch & Housego (Torquay) Limited	21	28
Gooch & Housego (Deutschland) GmBH	210	385
Gooch & Housego Japan KK	387	319
	823	895

The amounts recharged by Gooch & Housego PLC to group undertakings during the year ended 30 September were:

	2024 £'000	2023 £'000
EM4 Inc	–	660
Gooch & Housego (Ohio) LLC	1,142	645
Gooch & Housego (UK) Limited	1,010	1,247
Gooch & Housego (California) LLC	411	533
Gooch & Housego (Palo Alto) LLC	1,496	1,707
Gooch & Housego (Keene) LLC	439	504
Gooch & Housego (Torquay) Limited	1,290	1,301
Integrated Technologies Limited	642	629
G&H ITL (US) Inc.	197	–
GS Optics LLC	257	–
Artemis Optical Limited	286	–
	7,170	7,226

The amounts receivable from/(payable to) subsidiary undertakings as at 30 September were:

	2024 £'000	2023 £'000
G&H (US Holdings) Limited	11,284	7,339
Gooch & Housego (UK) Limited	7,137	8,569
Gooch & Housego (Palo Alto) LLC	–	(501)
Spanoptic Limited	(91)	(115)
Artemis Optical Limited	1,666	1,152
Gooch & Housego (Deutschland) GmBH	(503)	(592)
Gooch & Housego Japan KK	(21)	(20)
Integrated Technologies Limited	(757)	18
Gooch & Housego (Torquay) Limited	(3,198)	–
	15,517	15,850

During the year Gooch & Housego PLC received dividends of £3.5m and £0.2 respectively from Integrated Technologies Holdings Limited and G&H Property Holdings Limited. In the prior year, Gooch & Housego PLC received dividends of £3.5m, £0.1m, £0.4m, £0.4m, £0.4m and £0.3m respectively from Gooch & Housego (Torquay) Limited, G&H (Property) Holdings Limited, Gooch & Housego (Ohio) Limited, Gooch & Housego (Palo Alto) LLC, G&H Holdings (Delaware) Inc and Integrated Technologies Limited.

The total dividend received from subsidiary undertakings during the year was £3.7m (2023: £5.1m).

No other material contracts or arrangements have been entered into during the year, nor existed at the end of the year, in which a director or key manager had a material interest.

Shareholder Information

192–200

Company Information

Legal Information

Nominated Adviser and Broker

Investec Bank PLC
2 Gresham Street
London
EC2V 7QP

Legal Advisers

Burges Salmon LLP
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Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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Registrars

Link Asset Services
65 Gresham Street
London
EC2V 7NQ

Company Secretary and Registered Office

Company Secretary

Gareth J Crowe

Registered Office

Dowlish Ford
Ilminster
Somerset
TA19 0PF
United Kingdom

Company Number

00526832

Expected Financial Calendar

Annual General Meeting **24 February 2025**	**Interim Results Announcement** **June 2025**
Financial Year End **30 September 2025**	**Preliminary Announcement of Results for the Year Ending 30 September 2025** **December 2025**

Notice of Annual General Meeting

Form of proxy

You will not receive a form of proxy for the 2025 AGM in the post. Instead, you can vote online at **www.signalshares.com**. To register you will need your Investor Code, which can be found on your share certificate. Alternatively, you can vote via the LinkVote+ app or CREST. You will still be able to attend and vote in person at the AGM and you may also request a hard copy proxy form from our Registrars.

Should you require assistance please contact our registrar Link Group at **shareholderenquiries@linkgroup.co.uk** or on **0371 664 0300**.

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Gooch & Housego PLC

Notice is hereby given that the Annual General Meeting of the Company will be held at Dowlish Ford, Ilminster, Somerset, TA19 0PF on 24 February 2025 at 11.00 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

1 To receive the Annual Report and financial statements for the financial year ended 30 September 2024 together with the Directors' Report and Auditors' Report thereon.

2 To receive and approve the Remuneration Committee Report set out on pages 122 to 129 of the Annual Report and Financial Statements, comprising the Annual Statement, the Remuneration Policy and the Annual Report on Remuneration for the financial year ended 30 September 2024.

3 To declare a final dividend, as recommended by the Directors, of 8.3p per ordinary share for the financial year ended 30 September 2024, payable on 28 February 2025 to those members whose names appear in the Company's register of members at the close of business on 24 January 2025.

4 To re-elect Gary Bullard as a Director.

5 To re-elect Charlie Peppiatt as a Director.

6 To re-elect Chris Jewell as a Director.

7 To re-elect Louise Evans as a Director.

8 To re-elect Jim Haynes as a Director.

9 To re-elect Susan Searle as a Director

10 To re-appoint PricewaterhouseCoopers LLP as Auditors to hold office from the conclusion of this meeting to the conclusion of the next meeting at which the Company's annual accounts and reports are laid before the Company.

11 To authorise the Directors to fix the remuneration of the Auditors.

12 THAT the Directors of the Company be, and they are hereby, generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act"), in substitution for any existing authority to the extent unused, to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company on, and subject to, such terms as the Directors may determine. The authority hereby conferred shall, subject to section 551 of the Act, be for a period commencing on the date of the passing of this Resolution and expiring at the conclusion of the next Annual General Meeting of the Company or 24 May 2026 (whichever is the earlier) unless reviewed, varied or revoked by the Company in General Meeting and the maximum nominal amount of shares which may be allotted pursuant to such authority shall be £1,719,093 (representing approximately one third of the total ordinary share capital of the Company in issue at 3 December 2024). The Directors shall be entitled under such authority to make at any time prior to the expiry of such authority any offer or agreement which would or might require shares in the Company to be allotted after the expiry of such authority and the Directors may allot shares in pursuance of such offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass the following resolutions as Special Resolutions:

13 **(a)** THAT the Directors of the Company be, and they are hereby, generally and unconditionally empowered pursuant to section 570 of the Companies Act 2006 (the "Act"), in substitution for any existing authority to the extent unused, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 12 above as if section 561 of the Act did not apply to such allotment, provided that the power hereby conferred shall be limited to:

(i) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the Directors, by way of rights to the holders of ordinary shares in proportion (as nearly as may be) to the respective numbers of ordinary shares held by them on a record date fixed by the Directors and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional elements or otherwise howsoever; and

(ii) otherwise than pursuant to sub-paragraph (i) above, the allotment of equity securities up to an aggregate nominal amount of £257,864 (representing approximately 5 per cent. of the total ordinary share capital of the Company in issue at 3 December 2024); and

(b) THAT the Directors of the Company be authorised in addition to any authority granted under Resolution 13(a) to allot equity securities (as defined in section 560 of the Act) for cash under the authority conferred by Resolution 12 above as if section 561 of the Act did not apply to any such allotment, provided that the power hereby conferred shall be:

(i) limited to the allotment of equity securities up to an aggregate nominal amount of £257,864 (representing approximately 5 per cent. of the total ordinary share capital of the Company in issue at 3 December 2024); and

(ii) used only for the purpose of financing (or refinancing, if the authority is to be used within 6 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

The powers hereby conferred in this Resolution 13 shall expire at the conclusion of the next Annual General Meeting of the Company or 24 May 2026 (whichever is the earlier), save that the Company may before such expiry make an offer or agreement which would or might require equity securities in the Company to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

14 THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of £0.20 each in the capital of the Company on such terms and in such manner as the Directors may determine, provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 2,578,640 (representing approximately 10 per cent. of the total ordinary share capital of the Company in issue at 3 December 2024);

(b) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 20 pence per share;

(c) the maximum price (exclusive of expenses) which may be paid for each ordinary share shall not be more than the higher of:

(i) 5 per cent. above the average of the middle market quotations for an ordinary share as derived from the AIM section of the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the higher current independent bid on the trading venue where the purchase is carried out.

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 24 May 2026 (whichever is the earlier); and

(e) the Company may, pursuant to the authority hereby conferred, enter into a contract to purchase ordinary shares which would, will or might be executed wholly or partly after the expiry of such authority and the Company may make a purchase of ordinary shares in pursuance of such contract as if the authority conferred hereby had not expired.

By order of the Board

Gareth J Crowe
Company Secretary
3 December 2024

Registered Office: Dowlish Ford, Ilminster, Somerset TA19 0PF
Registered Number: 00526832

Notes

1 A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.

2 Resolution 2 is an advisory vote only. The Remuneration Committee Report is set out on pages 122 to 129 of the Annual Report for the financial year ended 30 September 2024.

3 Resolutions 1 to 12 (inclusive) are proposed as Ordinary Resolutions. This means that for those resolutions to be passed, more than half of the votes cast on such resolutions must be in favour of such resolutions. Resolutions 13 and 14 are proposed as Special Resolutions. This means that for those resolutions to be passed, at least three-quarters of the votes cast on such resolutions must be in favour of such resolutions.

4 Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. However, please see Note 1 above.

5 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

6 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

7 You can vote by proxy either:

- by logging on to www.signalshares.com and following the instructions;
- via the LinkVote+ app (refer to the notes below);
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below; or
- by submitting a paper proxy form (refer to the notes below).

Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL to be received not less than 48 hours before the time of the meeting.

If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group by email at shareholderenquiries@linkgroup.co.uk, or you may call Link on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Submission of a Proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.

8 For an electronic proxy appointment to be valid, the appointment must be received by the Company's Registrar, Link Group, no later than 11.00am on 20 February 2025.

9 Only those members registered on the register of members of the Company at close of business on 20 February 2025 (or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. However, please see Note 1 above.

Notes Continued

10 LinkVote+ is a free app for smartphone and tablet provided by Link Group (the company's registrar). It offers shareholders the option to submit a proxy appointment quickly and easily online, as well as real-time access to their shareholding records. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code opposite.

11 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Notes 7 and 8 above.
For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

13 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com).

14 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

15 Unless otherwise indicated on the form of proxy, CREST voting or any other electronic voting channel instruction, the proxy vote will vote as (s)he thinks fit or, at his/her discretion, withhold from voting.

16 Voting on each of the resolutions to be put to the forthcoming AGM will be conducted by way of a poll, rather than on a show of hands. The results of the poll will be announced through the Regulatory Information Service and will be available on the Company's website as soon as practicable following the conclusion of the AGM.

17 Any electronic address provided either in this Notice or in any related documents may not be used to communicate with the Company for any purposes other than those expressly stated.

Get the free **LinkVote+** App

Apple App Store

Google Play

Design: thinkassociates.co.uk

Gooch & Housego PLC

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