Gooch & Housego PLC

INTERIM REPORT 2024

Charlie Peppiatt,

Chief Executive Officer, commented:

“Despite the reduced demand in our industrial and medical laser markets persisting longer than expected, the medium term outlook remains positive underpinned by a strong order book and healthy pipeline with the Group well positioned to benefit from increased demand levels as a result of operational and supply chain improvements.

“The market dynamics for G&H’s technologies and capabilities remains strong in all our target sectors supported by the focused progress the Group has made to establish the foundations to accelerate the delivery of our strategy.”

Gooch & Housego PLC

INTERIM REPORT 2024

Contents

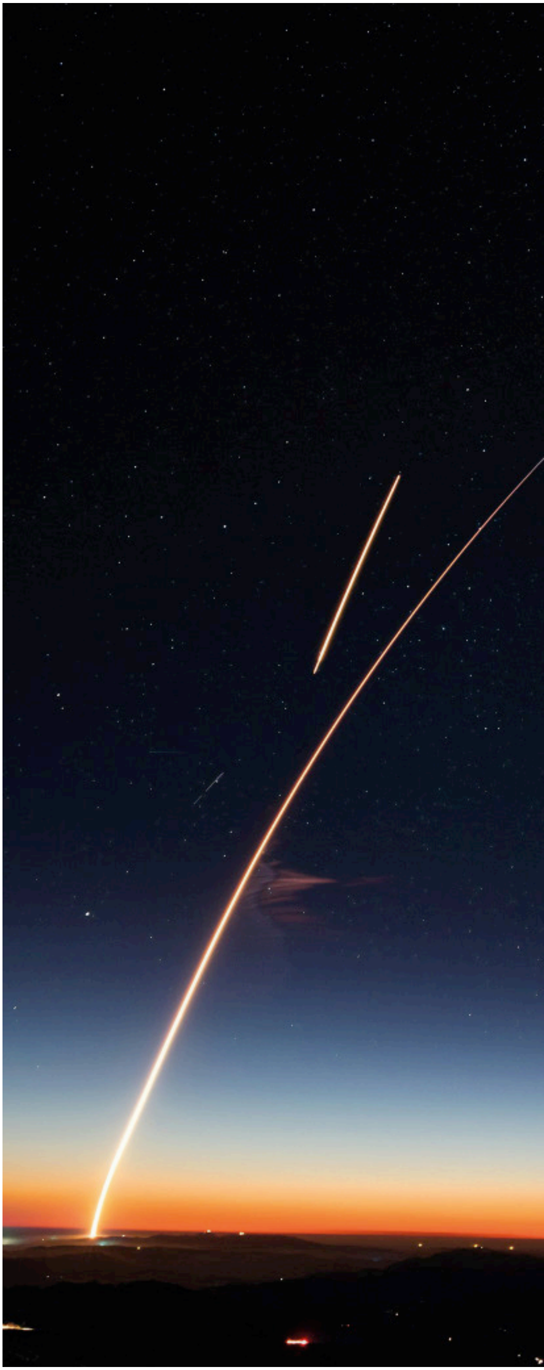
Image: Michael Dziedzic/Unsplash

Key Financials

Period ended 31 March 2024

	H1 2024	H1 2023^
Revenue (£m)	£63.6m	£64.5m
Adjusted profit before tax*	£2.6m	£4.7m
Adjusted basic earnings per share*	8.3p	15.1p
Net debt excluding IFRS16	£22.2m	£12.9m
Net debt including IFRS16	£30.4m	£19.2m
Statutory profit before tax	£0.3m	£3.6m
Statutory basic earnings per share*	(34.8p)	10.9p
Interim dividend per share	4.9p	4.8p

* Adjusted for amortisation of acquired intangible assets and non-recurring items.
^ Re-presented for discontinued operations.



Key Highlights

Important building blocks put in place to support the delivery of the Group's strategic plan.

Revenue from continuing operations declined 1.4% to £63.6m (H1 2023: £64.5m) or 5.3% on an organic constant currency basis reflecting customer destocking in our industrial and medical laser markets.

EM4 business divested representing an important milestone in reshaping the Group's portfolio. Financials re-presented to treat its trading as discontinued operations.

Adjusted operating profit from continuing operations of £3.8m (H1 2023: £5.4m)

The integration of GS Optics and Artemis into the Group is proceeding to plan. Commercial synergies are being realised.

Order book remains strong at £115.8m (Sept 2023: £115.3m) and continues to grow, substantially derisking H2 revenue.

Full year expectations are unchanged, execution risks to H2 remain but have been reduced.

Image: SpaceX/Unsplash

Operating and Financial Review

Image: Yeyo Salas/Unsplash

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Performance Overview

Revenue from the Group's continuing operations for the six-month period totalled £63.6m (2023: £64.5m) representing a 1.4% decline over the strong prior year comparator period, or 5.3% on an organic, constant currency basis. The Group's trading in the first half of the financial year was impacted by the previously reported significant destocking on the part of many of our industrial and medical laser customers. We expect volumes to recover in the early part of FY2025.

The Group completed the divestment of its EM4 business towards the end of the reporting period. The EM4 business manufactured optoelectronic components and laser modules primarily for the US A&D market. Its sale was an important step on the Group's journey to delivering sustainable margin growth and to consolidating our A&D activities into areas where we can offer differentiated products to our customers.

Our six-month financial results and those for the comparative periods have been presented as continuing operations, excluding the results of the divested business. Continuing operations include the results of GS Optics and Artemis Optical which were both acquired in the second half of the last financial year. We have, therefore, also disclosed the organic revenue performance of the Group where appropriate to enable like for like comparison to the prior period.

In the first half of the financial year revenue in to our Industrial market declined by 13.1%. As previously reported, this was driven by a reduction in demand from our Industrial laser customers who are correcting their inventory levels as well as from some of our semiconductor equipment customers. Volumes declined in to the more established areas of the semiconductor infrastructure market although there was growth in our revenue from the more advanced deep and extreme ultra violet lithography equipment sub market. We expect deliveries into these next generation semiconductor platforms to continue to grow in the coming reporting periods. Revenue in the comparator period had been partially supported by the Group's work to reduce its levels of past due backlog, activity which had been substantially completed by the end of the last financial year.

Partially offsetting the reductions in semiconductors and industrial lasers, revenue in our telecoms markets and in particular the subsea data cable market grew. We are seeing additional demand from one of our long standing customers in this market space as they win new cable laying projects and we were pleased to secure an important new customer in this market. Deliveries to this new customer for a complex fibre optic module are expected to commence in the second half of this financial year. These modules will be built in our Torquay facility and in order to provide the production space needed for this new product line we are continuing to outsource production of our hi-reliability fused couplers to our Asian contract manufacturing partner.

In our Life Sciences market some of our larger medical laser customers are also working to reduce their inventory holdings and consequently Group revenue from these customers declined compared to the prior period. However, revenues into the medical diagnostic market grew thanks to two significant diagnostic instrument programmes progressing through regulatory approvals into volume production. End demand for our customers' new instruments is reported to be strong and we, therefore, expect these programmes to provide good revenue streams for the Group through the medium term.

Our engineering team in Ashford is developing and assisting with the accreditation of other customers' diagnostic instruments which we expect to also migrate in to production in the medium term. At the same time the Group has substantially completed the build out of additional R&D and production space in the recently acquired GS Optics business in Rochester, NY, which will form our Life Sciences centre of excellence for the North American market, mirroring the capabilities that we currently offer from our G&H|ITL facility in Ashford, Kent. This new facility has already secured ISO 13485 medical device manufacture accreditation. We expect this to allow us to secure better access to the large North American medical diagnostic market.

In our Aerospace & Defence market we saw strong growth in demand for our precision optic components that are used in ring laser gyros in both commercial and military guidance systems. This is driven by increased military spending in part owing to the Ukraine conflict underpinned by solid demand from the commercial aerospace sector.

Our deliveries to the space and armoured vehicles market declined a little compared with the prior year as a result of programme delivery requirements but in the armoured vehicle market we are making good progress on development activities on the Challenger 3 upgrade programme and have already delivered prototypes of our advanced sighting systems to the customer and these were used in the British Army's livefire testing of the upgrade vehicle earlier this year. The Group is also supplying similar modules for another significant European armoured vehicle programme.

The Group's order book for its continuing activities grew marginally through the first half of the year with orders 3% higher than revenue to finish at £115.8m at the end of March 2024 (September 2023 £115.3m continuing operations). We secured orders from an important new customer in the subsea data cable market for a complex fibre optic module and orders for follow on deliveries from several of our medical diagnostic instrument customers. The Group has substantially all of the order cover needed for the delivery of full year market consensus revenues.

The Group's pipeline for future orders is healthy. We expect to secure material new orders for our super polished components used in ring laser gyros, additional new optical systems contract awards as well as our first significant production order for our newly created Life Sciences centre of excellence in our Rochester facility. More generally our customers in the industrial laser and semiconductor market are advising us that they expect to pass down to us increasing demand from around the end of this calendar year as they finally work through their excess inventory holdings and satisfy growing demand from their own end markets.

REVENUE

Six months ended 31 March 2024 From continuing operations	2024 £'000	2023* £'000	% Change
Industrial	**31,674**	36,435	(13.1)%
Aerospace & Defence	**16,595**	12,221	35.7%
Life Sciences	**15,348**	15,880	(3.3)%
Group Revenue	**63,617**	64,536	(1.4)%

* Re-presented for discontinued operation

Products and Markets
Industrial

Gooch & Housego's principal industrial markets are industrial lasers, telecommunications, sensing and semiconductor manufacturing. Industrial lasers are used in a diverse range of precision material processing applications ranging from microelectronics and semiconductors to automotive manufacturing.

Overall, sales of products by the Group's continuing operations into our industrial markets in the six months ended 31 March 2024 declined by 13.1%, or 13.4% when measured on an organic, constant currency basis, compared with the equivalent period last year. Destocking by our customers impacted the Group's revenues in to all of its principal sub markets with our industrial laser markets most significantly impacted although our revenues in to the semiconductor market were also lower. Within the semiconductor market our deliveries to the latest deep and extreme ultra violet photolithography markets grew but this was more than offset by reductions in deliveries to the more mature elements of this sub market.

Offsetting to some extent these reductions we did see growth in our shipments to the telecoms market and in particular the subsea data market where our largest long standing customers generated additional demand for us. We expect a further step up in revenue from this sub market in the second half of the financial year as their demand continues to grow and first sales are secured from an important new subsea data customer for a very complex fibre optic module assembly. Part of our revenue for hi reliability couplers supplied to the subsea data market are now being sourced from our contract manufacturing partner in Thailand. In the first half of this financial year a further six production rigs were transferred to them to enable them to further ramp their output allowing our Torquay facility to instead focus its productive capacity on more complex fibre optic module assembly.

The reduced volume achieved in this segment drove a 36.8% drop in adjusted operating profit compared with H1 2023, to £3.5m and the reported return on sales percentage fell to 10.9% for this segment in the first half (H1 2023: 15.0%).

Products and Markets
Aerospace & Defence (A&D)

Superior product quality, reliability and performance are paramount in this sector, playing to G&H's strengths, along with our commitment to provide value through our wide photonics technical capabilities. We have solid, well-established positions in target designation and range finding, ring laser gyroscope navigational systems, periscopes and sighting systems, opto-mechanical subsystems used in unmanned aerial vehicles (UAVs) and space satellite communications. We are working with our partners on the development of new directed energy weapon systems that are increasingly specified as part of the defensive suites of both naval and land platforms.

The trend in funding priorities in both the US and Europe continues to favour G&H products and capabilities. The need for all weather precision guidance and targeting generates the demand for the product capabilities that G&H can offer. The conflict in Ukraine is generating higher levels of enquiries for the Group's precision optics including our advanced thin film coating capabilities which can protect optics against lasers used in an offensive manner on the battlefield. We are making good progress on our contract to deliver advanced periscope systems for the UK MOD's programme to upgrade the Challenger MBT platform. First prototypes have been delivered to the prime contractor and integrated into the overall vehicle which recently successfully completed live firing trials. We are also working to complete first production deliveries of a similar periscope system for an eastern European NATO country for a new amphibious armoured vehicle programme. The combination of the thin film coating capabilities from our newly acquired business, Artemis Optical, with the optical substrates that our Ilminster facility provides is proving to be very attractive to our customers and we are optimistic that recent proposals submitted to defence customers will result in large orders for multi-year deliveries.

Within this market we completed the divestment of our EM4 business in the period. The business manufactured optoelectronic components and laser modules primarily for the US A&D market. The business also manufactured and supplied fused fibre couplers but this product line was excluded from the sale and transferred to the Group's Torquay facility given this technology is utilised in some of our products supplied in to the most advanced photolithography machines. The EM4 business had struggled to demonstrate that it could provide a differentiated product offering compared with its competitors and shortly before its sale some of the contracts that it was supplying were cancelled by an end customer. We therefore anticipated that the business would not be able to contribute to the profitable growth of the Group and we consider its sale to be an important step on the Group's journey to deliver sustainable margin growth and to consolidate our A&D activities into areas where we can offer differentiated products to our customers.

Excluding the discontinued EM4 business the Group's revenues in to the A&D market grew by 35.8%, or 19.6% on an organic constant currency basis compared with the first half of FY2023. Deliveries of our super polished optical components used in ring laser gyroscopes grew significantly. Our end customer is indicating continuing growth in demand for these components fuelled by strong demand from military applications and underpinned by a solid commercial aerospace market. Whilst it is not yet contributing material revenue for the Group we are active in a number of directed energy systems programmes. These systems are scheduled to be deployed by the US and Royal Navy in the coming few years and we expect this market to develop significantly in the medium term.

Additional volumes in this market helped to reduce the adjusted operating loss of our continuing operations in to this segment to £1.6m (H1 2023: £(1.9)m) and the loss on sales reduced from 15.5% in the first half of FY2023 to 9.4% in H1 FY2024. We still have much to do to improve production yields and generate acceptable returns in this part of the business but we are confident that our inhouse continuous improvement programmes, better use of our supply chain and the addition of more G&H content in to sub system and system offerings can generate acceptable returns for the Group from the A&D segment.

The recently acquired Artemis Optical business which primarily supplies the A&D market is performing well under G&H ownership. Additional coating capacity has been added to support it servicing growing interest from our customers for its advanced thin film coating capabilities. The commercial synergy between this business and our other precision optics business is strong and is being exploited through a number of materials quotations currently being submitted to customers for optical sighting systems for military vehicles.

Products and Markets Life Sciences

G&H's two principal Life Sciences revenue streams are derived from diagnostics applications where we design, develop and manufacture a broad range of diagnostic systems, and electro-optics and acousto-optics used in medical lasers. The acquisition of GS Optics in FY2023 brought new polymer optic manufacturing capabilities to the Group. This enables the Group to target new revenue streams from the supply of disposable polymer lenses and other components in to the Life Sciences market.

Revenues from our Life Sciences market were also impacted by our end customers correcting their inventory holdings especially in the medical laser market and in addition they reported some softening of end market demand compared with the very strong demand seen in the first half of FY2023 driven by a surge post COVID in the number of cosmetic and aesthetic procedures being undertaken. The revenue decline we experienced in our medical laser market was partially offset by good revenue growth in to our medical diagnostic customers. In this market two important customer programmes completed their regulatory approval stage and transitioned in to volume production. These systems assist in the targeted delivery of treatments for cancers and liver transplantation, both ensuring improved outcomes for patients delivered faster than before to the benefit of both recipients and hospitals.

Revenue from our continuing operations in the Life Sciences market in total declined by 3.4% or 5.9% on an organic, constant currency basis in the six months to 31 March 2024, compared with the first half of FY2023. Despite the decline in revenue operating profit returns in this segment improved to 14.7% (H1 2023: 14.6%) thanks to favourable pricing on some of our newly introduced product ranges. Adjusted operating profit in the segment was £2.2m (H1 2023: £2.3m).

Looking ahead our medical laser customers expect demand pull through to return to more normal levels in 2025. Our design teams based in our medical equipment solutions business in Ashford are fully engaged on the development of our customers' next generation systems and these will typically migrate to production over the coming two/three years. We have substantially completed the build out of a new Life Sciences design and production centre in our new

Our Rochester facility

Rochester facility which will gradually replicate the capabilities we have at our Ashford site in this new North American centre of excellence. Our first R&D contract for this new facility has been secured and we expect our first significant production programme order to be received in the second half of the current financial year.

The integration of our newly acquired GS Optics business which secures an important share of its revenue from the Life Sciences market is proceeding well. In common with other parts of our business it has experienced some softness in demand from its consumer electronics customers. But with the additional business development support the business now has from the rest of the G&H Group we are implementing targeted campaigns to offer GS Optics' polymer capabilities in 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 campaigns are expected to support the growth of the GS Optics business in FY2025.

Strategy

Following the launch of the Group's new strategy exactly twelve months ago focused on transforming G&H to become an 'innovative customer focused technology company' delivered responsibly by making a 'better world with photonics', the Group is pleased to report that positive progress has already been made and foundational building blocks are in place to support the delivery of sustainable margin growth in the medium term. The successful execution of this strategy will 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 in which we operate. We will offer differentiated performance through four key strategic priorities.

1
Establish dynamic high performance teams and a purpose-led culture
PEOPLE

2
Deliver exceptional customer experience and superior operational execution
SELF-HELP

3
Create enhanced value through technology and platform solutions
TECHNOLOGY

4
Focus investment to accelerate accretive growth, both organic and inorganic
INVESTMENT

1 People
Establish High Performance Teams

This will be achieved by following G&H's corporate values that guide the way we endeavour to do business, consisting of customer focus, integrity, action, unity and precision to deliver fundamental and sustainable improvement for our employees, for the profitability of the company and for the sustainability of our planet.

Our Corporate 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.

1 People (continued)

Establish High Performance Teams

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.

Progress

- A new Chief People Officer was appointed and joined the Group in December 2023. Her impact has already been positive as she has brought a deep knowledge of Human Resource and Talent development from her wide portfolio of experience in other Hi-Tech businesses.

- The upskilling of the HR function through personal development and where appropriate replacement of a number of our site HR business partners continues to proceed in line with plan.

- A new Group-wide HR Information System has been selected that will provide our HR leaders with a single source of information on each of our employees and implementation is planned for the second half of the year.

- Revised incentive scheme developed for our sales force ensuring they are appropriately motivated to grow the business and secure new customer and programme positions.

- Annual site health and safety audits established.

- Zero reportable accidents (RIDDOR) in the first half of FY2024.

- Environmental management certification to ISO 14001 for all sites over the next 3 years. Since launching the new strategy twelve months ago we now have five of our ten worldwide sites encompassed by ISO14001, with Ashford (UK) and Keene (US) recommended for certification in the first half of CY2024.

- The successful integration of the two new acquisitions that joined G&H in the second half of FY2023 continues ahead of plan. This smooth transition into G&H has fostered a sense of unity and shared purpose among our employees and encouraged a greater willingness to harness and capitalise on the complementary expertise that GS Optics and Artemis bring to G&H.

- The newly established Sustainability Committee has successfully launched with a focus, amongst other things, on driving the Group's equality, diversity and inclusion agenda.

Future Priorities

- In FY2024 we intend to complete the successful implementation of our new Group HR Information System.

- We will continue to develop a more focused approach to career planning and succession providing our high potential employees with structured development activities.

- We will continue to focus on ensuring our HR function is organised with the right talent to enable the delivery of the key 'people' element of our strategy aligned to a more customer focused structure.

- Renewed focus on how we attract, recruit, promote and retain a diverse group of talented people who share our values.

- Our incentive plans for management will be updated to allocate a greater reward for cash generation thereby supporting the Group's goal to further improve the efficiency with which it deploys its capital.

- Proactive follow-up to the actions and improvement opportunities raised in the last employee engagement survey to deliver further improvements in employee engagement, performance and well-being.

- Our newly formed Sustainability Committee and Sub-Committee will establish a series of supporting working groups to help drive the Group agenda and accelerate our efforts in this area.

- We will continue our site health and safety inspections to achieve further improvement in our safety at work metrics. We are targeting zero workplace harm in our facilities.

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
- 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 sales, business development and commercial teams have been reorganised to allow a better focus on our medium-term product management strategies and aligned more closely to the specialist end markets we serve in Aerospace & Defence optics, Industrial photonics and Life Sciences lasers and diagnostics.
- We are working closely with a number of our major customers on their next generation product roadmaps with contract awards imminent.
- The Group's on time delivery performance further improved during the first half of year following strong performance improvement in FY2023. Overdue backlog associated with Operations continues to reduce, down to <£3m from £5.7m at FY2023 year end and more than £11m at FY2024.
- We have strengthened our Supply Chain team reporting into the new VP of Contract Manufacturing and Supply Chain focused on driving process improvement and low-cost region manufacturing from our global supply chain.
- In addition to the supply of AO products, following the qualification of our Asian

contract manufacturing partner for FO products, we have started to ramp-up production of fused fibre couplers as a third source for the supply of those products to our customers.

- 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 now established a 4-year plan by product line to meet this target.

- After completing the transfer of our North American medical diagnostic manufacturing activity from its former site in Virginia into our newly acquired GS Optics facility in Rochester we have achieved ISO 13485 certification for the manufacture of medical devices at this location and completed the phase one build out of the expanded production area at the site.

- Several talented optical and mechanical engineers have been recruited for the Life Sciences business unit Rochester successfully tapping into the large pool of optics talent in the Rochester, New York state location.

- We have appointed a new EVP of Life Sciences who has significant experience in global Healthcare, Medical Device and Diagnostics sectors to lead the strategic business development and go to market strategies for our Life Sciences business.

Future Priorities

- We will develop our Customer Relationship Management tool further to allow us to further integrate it with our core ERP systems. This will enable us to reduce our time to prepare customer quotes and give our sales team a more complete dashboard of our overall interactions with our customers.

- We will implement a series of structured customer engagements in which we will share our product technology roadmaps and receive their feedback on how those roadmaps may support their own next generation product development activities.

- We will continue to identify further products to outsource to our Asian contract manufacturing partner. We intend to transfer products earlier in their product life cycle to enable us to secure the margin accretion and the additional capacity flexibility that can result from these transfers.

- We have identified further second source suppliers to mitigate the risk associated with some of our sole source suppliers, especially those that are assessed as being of higher risk. We will work to qualify this supplier for selected products.

- We will focus on delivering the planned productivity and cost of poor quality improvements over the period of the strategic plan.

- We will deliver further improvement of safety, quality, delivery, inventory and productivity across our operations through Lean and other continuous improvement tools.

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 engineers' 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 H1 FY2024 totalled £3.6m (H1 FY2023: £3.5m).
- We have identified, resourced and established actions plans for the vital few "Lucky Seven" research programmes which we will receive priority given their potential to deliver materials accretion to the Group's revenues and profitability.
- The Acousto-optic engineering and product line management team has been strengthened and is focused on the commercialisation and ramp-up of further optimised Germanium-based modulators for CO2 lasers used in semiconductor fabrication and micro-machining.
- Fibre optic: Design and development of new generation of fibre-optic components for semiconductor fabrication, submarine hi-reliability network coupler and medical diagnostics.
- Precision optic systems: Design of novel imaging sighting systems for the UK's main battle tank and the application of unique advanced laser protection filters into aerospace and defence applications.

- Precision optics: Design and transfer to production of coating technology in the Deep Ultraviolet, opening up new business opportunities in advanced semiconductor laser tools.

- Life Sciences: More point of care, user interface and apps development, AI, machine learning, cyber security of patient data.

Future Priorities

- Focused investment in the vital few "Lucky Seven" development projects.

- Using our newly acquired Artemis business to become a global hub and centre of excellence to develop our advanced thin film coating offerings and to capture a greater share of our customers' spend.

- Win additional armoured fighting vehicle advanced periscope, sighting systems and fire control optical systems.

- Organically grow our high-value add optics business by leveraging the acquired polymer technology with in-house and newly acquired expertise in coatings, coupled with our capability to system integrate and offer optomechanical assemblies.

- Develop and expand our AO regional design centre in Fremont US to support strong pipeline for next generation product developments and customer-led R&D.

- Develop our US Life Sciences R&D hub in our Rochester, NY facility.

- Secure and launch US Medical Diagnostic R&D programmes.

4 Investment

Apply focused investment across the business

Priorities

- Ensure acquired businesses are successfully integrated into the Group and that the expected commercial and operational synergies are achieved.

- Tight management and reduction of the Group's investment in its working capital, through efficient operations planning and inventory procurement policies.

- Ensure Group investment in new capital equipment is optimised and appropriately prioritised into the areas of the business that offer the most attractive potentials for returns and aligned to new strategic priorities.

- Regularly review the portfolio to ensure we have in all cases a differentiated offering capable of delivering attractive returns.

- Assess and execute suitable accretive and strategic acquisitions to deliver 'speed to value'.

- 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

- After completing the acquisitions of GS Optics and Artemis, the integration of both business proceeds in line with plan. Additional commercial synergies for Artemis have been identified and the establishment of our North American Life Sciences hub is progressing well.

- We have completed the transfer of our US medical diagnostics business that was located in Virginia in to GS Optics' Rochester campus and closed our Shanghai satellite manufacturing site.

- We divested the EM4 business, located near Boston (MA), which manufactures photonic components and laser modules primarily for the US A&D market. The business also manufactured and supplied fused fibre couplers, but this strategic product line was excluded from the sale and transferred to the Group's Torquay facility.

- As our supply chain is able to increasingly improve on time delivery performance we have been able to further reduce the levels of our safety stock holding.

- Where our customers request us to carry safety stocks to protect their programmes we ensure that they provide us with advanced funding to cover the working capital investment. This is being successfully implemented.

- We have set ourselves targets for improvements in the Group's returns on capital employed over the course of the strategic plan.

- We continue to monitor the market for potential acquisition targets. We are supported in this activity by a network of advisors with whom we have shared our acquisition criteria.

Future Priorities

- We will continue to identify and deliver commercial synergies from the acquisitions of GS Optics and Artemis as part of the G&H Group.

- We continue to see the benefits from substituting previously third party spend in both G&H and the two acquired businesses with internal supply.

- Our customers remain positive about the combined offerings that G&H is now able to provide with both Artemis and GS Optics as part of the Group. We expect this to be converted into additional new business awards.

- We will continue to explore acquisition opportunities that may be a match to our acquisition criteria and deliver speed to value creation for the Group.

- Our capital equipment spend will be optimised and focused tightly on those areas of the business that offer the greatest potential return.

- We are targeting further reduction in our inventory holdings.

Financial Review

The financial statements of the Group separately identify the performance of the Group's continuing operations from those of the divested EM4 business which has been treated as a discontinued operation. Prior year comparative financial information has also been re-presented to reflect discontinued operations.

Revenue for the Group's continuing operations declined by 5.3% on an organic, constant currency basis. Despite this decline the Group's gross margins progressed to 29.1% from 28.5% in the first half of FY2023. Our objective is to improve the Group's gross margins by a further 500-700 basis points over the plan period.

The Group was able to pass on the impact of inflation in its cost base to its customers. Whilst wage inflation continued to run a little higher than historical levels, our general pay awards for FY2024 were lower than we had been required to make in FY2023. We are also seeing inflation from our suppliers returning to normalised levels although we remain alert to the risk of the inflationary effects of higher tariffs potentially being imposed on certain territories by US and UK governments.

The Group's overhead increase reflects the inclusion of the GS Optics and Artemis within the Group's reported numbers. Excluding this effect, overheads grew by 5% reflecting wage inflation and the addition of some additional roles required to support the delivery of the Group's strategic objectives. The Group was careful to maintain its level of R&D expenditure which totalled £3.6m (2023: £3.5m) in the period. Following the sale of the EM4 business in March the Group has made some reductions to its Group shared functions to ensure it is appropriately sized for its continuing operations.

Underlying operating profit was £3.8m (2023: £5.4m). Whilst declining market demand impacted Group margins negatively in the reported period the delivery of our strategic priorities are projected to improve the Group return on sales to mid-teens over the plan period. Reported operating profit declined to £1.6m (2023: £4.3m). Further details of the adjustments made between underlying and reported profit measures are set out below.

The Group's interest charges increased to £1.2m (2023: £0.7m) as a result of the additional debt in the second half of the last financial year to fund the

acquisitions of GS Optics and Artemis Optical. The charge also reflects the higher interest rates in the market. The Group was able to reduce its net debt a little in the first half of FY2024 and expects to make further progress in the second half.

The Group's adjusted effective tax rate was 19.2% (2023: 19.5%). Adjusted earnings per share was 8.3p (2023:15.1p)

The loss from discontinued operations in the period totalled £9.3m (2023: £0.2m). This comprised a loss on disposal of the EM4 business of £8.9m, a trading loss in the period £0.6m (2023: £(0.3)m) and a tax credit of £0.2m (£0.2m). The EM4 business had experienced two contract cancellations in the reporting period which impacted its trading levels.

ALTERNATIVE PERFORMANCE MEASURES

In the analysis of the Group's financial performance, alternative performance measures are presented to provide readers with additional information. The interim report includes both statutory and adjusted non-GAAP financial measures. The Directors believe the latter reflect the underlying performance of the business. Items excluded from the adjusted results, together with their prior period comparatives, are set out below.

Reconciliation of adjusted performance measures

	Operating profit		Net finance costs		Profit before tax		Taxation		Profit after tax from continuing operations		Earnings per share	
Half Year to 31 March	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000	2024 pence	2023 pence
Reported	1,571	4,295	(1,247)	(705)	324	3,590	(168)	(672)	156	2,918	0.7p	11.6p
Amortisation of acquired intangible assets	1,074	685	–	–	1,074	685	(224)	(151)	850	534	3.3p	2.1p
Restructuring and other costs	649	438	–	–	649	438	(59)	(96)	590	342	2.2p	1.4p
Acquisition costs	116	–	–	–	116	–	(54)	–	62	–	0.3p	–
Site closure costs	425	–	–	–	425	–	(2)	–	423	–	1.6p	–
Interest on deferred consideration	–	–	57	–	57	–	–	–	57	–	0.2p	–
Adjusted	3,835	5,418	(1,190)	(705)	2,645	4,713	(507)	(919)	2,138	3,794	8.3p	15.1p

CASH FLOW AND FINANCING

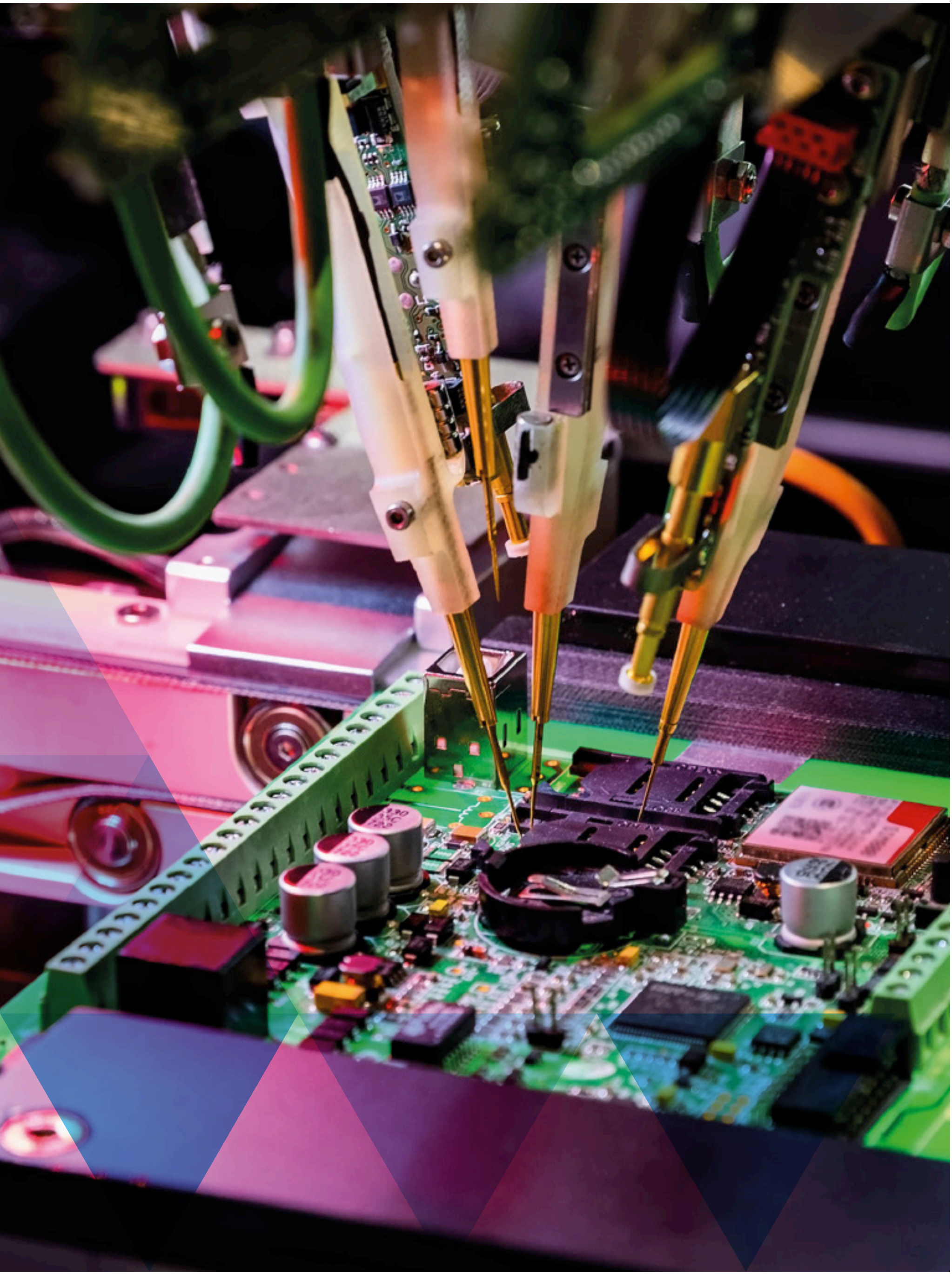
In the six months ended 31 March 2024, G&H generated net cash from operations of £2.5m, compared with £6.1m in the same period of 2023. Working capital levels increased by £3m from the end of FY2023. This was driven by outflows associated with payables held on the Group balance sheet at the end of the previous financial year. Inventory levels for the continuing business reduced by £3.6m with £1.7m of the reduction as a result of the reclassification of holdings of heavy water held at our Cleveland facility from inventory to fixed assets. Elsewhere despite the increased activity expected by the Group in the second half of the year, inventory levels are being reduced as we adjust our safety stock holdings downward. There was an inflow of £0.8m from the movement on receivables within our continuing operations.

The net cash inflow from the sale of our EM4 subsidiary totalled £2.4m. This comprises consideration received of £4.2m less transaction fees and other costs incurred of £1.4m and cash included in the business at sale of £0.4m. Working capital and net debt adjustments concluded early in the second half of the financial year resulted in a repayment of £0.7m to the purchaser. The net proceeds from the sale were used to reduce the Group's borrowings.

Capital expenditure on property, plant and equipment was £1.8m in the period (2023: £3.4m). Investment levels were lower in the first half of FY2024 given the significant investments that have been made in prior periods especially in our precision optic facilities to add further capacity to our surface finishing stations and to increase automation in areas of the production process. The principal area of investment in H1 FY2024 was in our fibre optic facility in Torquay where we are investing in our production facilities to prepare them for new fibre optic module assembly work that has been secured as well adding further hi-reliability fuse coupler capacity at our contract manufacturing partners facility in Thailand to allow them to further increase their output.

In addition to our investments in tangible assets £1.2m was added to the Group's intangible fixed assets (2023: £0.7m). During the period we transitioned our GS Optics business that was acquired in June 2023 on to the Group's enterprise resource planning tool, and we expect to complete the migration of our other newly acquired business, Artemis Optical, on to the Group's systems in H2 FY2024. This means that both newly acquired businesses will have been fully integrated into the Group's business management and reporting systems within their first full year of ownership by the Group.

Good progress has been made in the period in establishing our new North American Life Sciences centre of excellence in the Rochester facility which houses our GS Optics business. As part of the acquisition the Group leased additional unused space in which to develop this new centre of excellence. In the first half of FY2024 most of the investment has been made by our landlord and this means with limited investment from G&H we have been able to equip the production space in the new facility suitable for the manufacture and assembly of both small and larger medical diagnostic instruments. In the second half of FY2024 we will make further, significant investments to equip the adjacent R&D space including the lab space capable of prototype instruments for our customers.



As at 31 March 2024 the Group had drawn $34.3m on its revolving credit facility (September 2023: $23.8m). The Group has access to a total committed facility of $50m with a further $20m available from an uncommitted accordion facility. The Group has started to pay down the additional drawings that were made in the second half of last financial year to funds the two acquisitions.

At 31 March 2024 the Group's net debt totalled £30.4m (30 September 2023 – £31.7m) including lease liabilities of £8.2m (30 September 2023 – £10.8m). Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16, Leases, our leverage ratio was 1.3 times at 31 March 2024 (30 September 2023: 1.1 times).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In the first half of the year the Group achieved a like for like reduction of 15% in its greenhouse gas emissions compared with the first half of FY2023. We are continuing the migration of our US sites to sourcing their purchased electricity from renewable sources following the lead of the UK sites which have now migrated in full.

We are continuing to invest to support our target of being net zero for scope 1 and 2 emissions by 2035. A voltage optimisation system in our Ilminster facility became operational in the period and we have commissioned new batteries in our Ashford site to store electricity generated from our solar panels installed at the site.

We are delighted to have secured ISO 14001 – Environmental Management – recommendation for our Ashford and Keene, New Hampshire sites in addition to the Ilminster and Torquay facilities which achieved the accreditation in FY2023. We have a plan in place to have all Group's facilities accredited by the end of FY2027.

The Group manages its activities its activities in this area through the Sustainability Committee of the Board. This Committee was established in FY2023 with our non-executive director, Susan Searle, acting as its chair. This Committee is supported in its work by a Sustainability subcommittee staffed with representatives from across the Group. The Group's agenda in the area of environmental management is now moving in to assessing our suppliers' performance in managing their operations in a sustainable manner. We are engaging with third party agencies to assist us in gathering data about our suppliers' performance and this will be used as one of the factors used in our selection of suppliers for new work.

DIVIDENDS

Given the Board's confidence in the outlook for the Group and our plans to improve operating profit returns to mid-teens over the medium term an interim dividend of 4.9p per share (2023: 4.8p) has been declared. This dividend will be payable to shareholders on the register as at 21 June 2024 on 26 July 2024.

PROSPECTS AND OUTLOOK

Whilst reduced demand levels from our industrial and medical laser markets have persisted longer than we had expected we are well positioned to benefit from recovering demand levels which are now expected in the early part of FY2025. Elsewhere we are seeing strong demand in the period, especially for our medical diagnostic and fibre optic module products and for our components used in ring laser gyros.

The divestment of the EM4 business was an important milestone on our journey to focus our A&D business on those areas where we believe we can offer differentiated products that can over time will deliver acceptable returns to the Group. At the same time the integration of GS Optics and Artemis is proceeding to plan and we are seeing commercial synergy opportunities arising from working with our other businesses.

In the first half of the year the Group started to reduce its borrowings which were increased in the second half of FY2023 to fund the acquisitions of GS Optics and Artemis. We have reduced our inventory holdings and expect to make further progress in this area in the second half of the year allowing us to reduce our borrowings further.

Our order book remains at a healthy level and we have substantially all of the orders needed to support the expected increase in revenues and profitability. The Group is involved in complex development and production programmes some of which are dependent upon inputs from both our customers and suppliers in order to progress to their expected timescales. Nevertheless, our expectations for FY2024 are unchanged.

The long-term outlook for our technologies and capabilities in all our target sectors remains strong supported by the progress that we are already making in delivering against our strategy.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to which the Group is exposed and our approach to managing those risks are unchanged from those identified on page 88 of our 2023 Annual Report available on our website. We are aware that geopolitical risks are increasing and whilst that trend can have the effect of increasing demand for some of the Group's products we also have to manage the impact that this risk can have on our supply chain. In order to help us mitigate this risk we have invested in additional resources in our supply chain teams in some cases located in low cost supply regions and they are active in ensuring we have access to alternative supply sources where we have identified continuity of supply from our existing suppliers as being high risk.

The Group has been impacted in the first half of FY2024 by lower demand levels from some of our important customers in the medical and industrial laser markets. Our sales teams maintain close relationships with our customers in order to support us in predicting the timing of market improvement. Whilst our customers report expected increases in demand in FY2025 we remain vigilant in this area. We ensure there is frequent and detailed communication between our sales and operations teams to ensure our operational areas are appropriately resourced and that we are able to anticipate the timing and location of the recovery so as to be able to secure a greater share of the market by offering competitive lead times.

We are alert to the emergence of new competitors in our markets, especially from lower cost regions. This is a constant phenomenon and risks lowering the price points for the Group's products. We seek to mitigate this risk by continuing to develop advanced product solutions for our customers that can address their most complex needs. We regularly review the Group's technology roadmaps to ensure we are investing our engineering and development efforts in to the areas that are likely to offer the best returns. The Board regularly reviews progress on our technology development projects.

The competition for appropriately skilled resources remains strong. Whilst we have resolved the serious resourcing problems that impacted the Group in the periods following the pandemic we still have to work hard to attract and retain employees in some of our functional areas. Whilst general employment cost growth has adjusted back down to more normalised levels the competition for good employees can put upward pressure on our wage bill.

Financial Statements

Image: Donald Giannatti/Unsplash

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Group Income Statement

Unaudited interim results for the 6 months ended 31 March 2024

		Half Year to 31 March 2024 (Unaudited)			Half Year to 31 March 2023 (Unaudited)*			Full Year to 30 Sep 2023 (Audited)*
	Note	Underlying £'000	Non-underlying £'000	Total £'000	Underlying £'000	Non-underlying £'000	Total £'000	Total £'000
Revenue	4	63,617	-	63,617	64,536	-	64,536	135,041
Cost of revenue		(45,115)	-	(45,115)	(46,118)	-	(46,118)	(94,746)
Gross profit		18,502	-	18,502	18,418	-	18,418	40,295
Research and development		(3,554)	-	(3,554)	(3,500)	-	(3,500)	(7,372)
Sales and marketing		(4,572)	-	(4,572)	(4,294)	-	(4,294)	(8,942)
Administration		(6,815)	(2,264)	(9,079)	(5,522)	(1,123)	(6,645)	(17,002)
Other income and expenses		274	-	274	316	-	316	835
Operating profit / (loss)	4	3,835	(2,264)	1,571	5,418	(1,123)	4,295	7,814
Net finance costs		(1,190)	(57)	(1,247)	(705)	-	(705)	(1,812)
Profit / (loss) before income tax expense		2,645	(2,321)	324	4,713	(1,123)	3,590	6,002
Income tax expense	6	(507)	339	(168)	(919)	247	(672)	(1,145)
Profit / (loss) for the period from continuing operations		2,138	(1,982)	156	3,794	(876)	2,918	4,857
Loss for the period from discontinued operations	11	-	(9,262)	(9,262)	-	(191)	(191)	(809)
Profit / (loss) for the period		2,138	(11,244)	(9,106)	3,794	(1,067)	2,727	4,048
Earnings / (loss) per share from continuing operations								
Basic earnings per share	7	8.3p	(7.6p)	0.7p	15.1p	(3.5p)	11.6p	19.4p
Diluted earnings per share	7	8.2p	(7.5p)	0.7p	15.0p	(3.4p)	11.6p	19.2p
From continuing and discontinued operations								
Basic earnings per share		8.3p	(43.1p)	(34.8p)	15.1p	(4.2p)	10.9p	16.1p
Diluted earnings per share		8.2p	(43.0p)	(34.8p)	15.0p	(4.2p)	10.8p	16.0p

* The results for the period and year ended 31 March 2023 and 30 September 2023 respectively have been re-presented to show the effect of discontinued operations.

Group Statement of Comprehensive Income

	Half Year to 31 Mar 2024 (Unaudited) £'000	Half Year to 31 Mar 2023 (Unaudited) £'000	Full Year to 30 Sep 2023 (Audited) £'000
(Loss) / profit for the period	(9,106)	2,727	4,048
Other comprehensive income / (expense)			
Gains on cash flow hedges	104	1,279	1,287
Currency translation differences	(2,064)	(6,152)	(5,801)
Other comprehensive expense for the period	(1,960)	(4,873)	(4,514)
Total comprehensive (expense) / income for the period	(11,066)	(2,146)	(466)

Group Balance Sheet

Unaudited interim results for the 6 months ended 31 March 2024

Group Balance Sheet	31 Mar 2024 (Unaudited) £'000	31 Mar 2023 (Unaudited) £'000	30 Sep 2023 (Audited) £'000
Non-current assets			
Property, plant and equipment	37,799	40,608	41,818
Right of use assets	8,956	5,283	9,932
Intangible assets	54,297	44,248	59,729
Deferred tax assets	1,770	1,640	2,178
	102,822	91,779	113,657
Current assets			
Inventories	32,022	39,961	37,582
Trade and other receivables	31,661	31,128	34,075
Cash and cash equivalents	4,816	6,141	7,294
	68,499	77,230	78,951
Current liabilities			
Trade and other payables	(16,933)	(19,513)	(21,156)
Borrowings	(10)	(43)	(10)
Lease liabilities	(913)	(1,247)	(1,443)
Tax liabilities	(866)	(1,102)	(581)
	(18,722)	(21,905)	(23,190)
Net current assets	**49,777**	55,325	55,761
Non-current liabilities			
Borrowings	(26,971)	(18,970)	(28,157)
Lease liabilities	(7,282)	(5,089)	(9,394)
Provision for other liabilities and charges	(1,398)	(804)	(1,582)
Deferred consideration	(927)	–	(870)
Deferred tax liabilities	(9,043)	(7,632)	(9,682)
	(45,621)	(32,495)	(49,685)
Net assets	**106,978**	114,609	119,733
Shareholders' equity			
Called up share capital	5,159	5,008	5,159
Share premium account	16,051	16,000	16,051
Merger reserve	11,561	7,262	11,561
Cumulative translation reserve	7,963	9,676	10,027
Hedging reserve	119	7	15
Retained earnings	66,125	76,656	76,920
Equity Shareholders' Funds	**106,978**	114,609	119,733

Statement of Changes in Equity

Unaudited interim results for the 6 months ended 31 March 2024

Statement of Changes in Equity	Share capital account £'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
Profit for the period	-	-	-	2,727	-	-	2,727
Other comprehensive income / (expense) for the period	-	-	-	-	1,279	(6,152)	(4,873)
Total comprehensive income / (expense) for the period	-	-	-	2,727	1,279	(6,152)	(2,146)
Dividends	-	-	-	(1,978)	-	-	(1,978)
Share based payments	-	-	-	192	-	-	192
At 31 March 2023 (unaudited)	5,008	16,000	7,262	76,656	7	9,676	114,609
At 1 October 2023	5,159	16,051	11,561	76,920	15	10,027	119,733
Loss for the period	-	-	-	(9,106)	-	-	(9,106)
Other comprehensive income / (expense) for the period	-	-	-	-	104	(2,064)	(1,960)
Total comprehensive (expense) / income for the period	-	-	-	(9,106)	104	(2,064)	(11,066)
Dividends	-	-	-	(2,114)	-	-	(2,114)
Share based payments	-	-	-	425	-	-	425
At 31 March 2024 (unaudited)	5,159	16,051	11,561	66,125	119	7,963	106,978

Group Cash Flow Statement

Unaudited interim results for the 6 months ended 31 March 2024

	Half Year to 31 Mar 2024 (Unaudited) £'000	Half Year to 31 Mar 2023 (Unaudited) £'000	Full Year to 30 Sep 2023 (Audited) £'000
Cash flows from operating activities			
Cash generated from operations	2,220	5,996	16,164
Income tax refunded	315	78	2
Net cash generated from operating activities	**2,535**	6,074	16,166
Cash flows from investing activities			
Disposal of subsidiary, net of cash disposed	2,380	–	–
Acquisition of subsidiaries, net of cash acquired	–	–	(11,697)
Purchase of property, plant and equipment	(1,789)	(3,439)	(6,257)
Sale of property, plant and equipment	12	–	516
Purchase of intangible assets	(1,217)	(728)	(1,062)
Interest received	28	4	11
Net cash used in investing activities	**(586)**	(4,163)	(18,489)
Cash flows from financing activities			
Drawdown of borrowings	2,789	2,748	19,154
Repayment of borrowings	(2,988)	(687)	(8,378)
Repayment of lease liabilities	(904)	(796)	(1,624)
Interest paid	(1,220)	(775)	(1,784)
Dividends paid to ordinary shareholders	(2,114)	(1,978)	(3,180)
Net cash (used in) / generated by financing activities	**(4,437)**	(1,488)	4,188
Net (decrease) / increase in cash	**(2,488)**	423	1,865
Cash at beginning of the period	**7,294**	5,999	5,999
Exchange gains / (losses) on cash	10	(281)	(570)
Cash at the end of the period	**4,816**	6,141	7,294

Notes to the Group Cash Flow Statement

	Half Year to 31 Mar 2024 (Unaudited) £'000	Half Year to 31 Mar 2023 (Unaudited) £'000	Full Year to 30 Sep 2023 (Audited) £'000
Profit before income tax from continuing operations	324	3,590	6,002
Loss before income tax from discontinued operations	(9,465)	(328)	(982)
Adjustments for:			
- Amortisation of acquired intangible assets	1,074	833	1,672
- Amortisation of other intangible assets	905	753	1,692
- Loss on disposal of subsidiary	8,261	–	–
- Loss on disposal of property, plant and equipment	–	–	234
- Depreciation	4,052	3,814	7,652
- Share based payments	425	192	337
- Amounts claimed under the RDEC	(100)	(100)	(200)
- Finance income	(28)	(4)	(11)
- Finance costs	1,275	716	1,841
- Non cash interest charge included in finance costs	(57)	–	(57)
Total adjustments	15,807	6,204	13,160
Changes in working capital			
- Inventories	380	(4,957)	(1,291)
- Trade and other receivables	849	3,344	1,005
- Trade and other payables	(5,675)	(1,857)	(1,730)
Total changes in working capital	(4,446)	(3,470)	(2,016)
Cash generated from operating activities	2,220	5,996	16,164

Notes to the Group Cash Flow Statement

Reconciliation of net cash flow to movements in net debt

	Half Year to 31 Mar 2024 (Unaudited) £'000	Half Year to 31 Mar 2023 (Unaudited) £'000	Full Year to 30 Sep 2023 (Audited) £'000
(Decrease) / increase in cash in the period	(2,488)	423	1,865
Drawdown of borrowings	(2,789)	(2,748)	(19,154)
Repayment of borrowings	4,158	1,623	10,298
Changes in net debt resulting from cash flows	(1,119)	(702)	(6,991)
New leases	(218)	(13)	(3,305)
Translation differences	1,286	2,225	1,443
Non cash movements including leases disposed	1,401	(1,652)	(392)
Acquired debt due after 1 year	–	–	(54)
Acquired leases	–	–	(3,345)
Movement in net debt in the period / year	1,350	(142)	(12,644)
Net debt at start of period	(31,710)	(19,066)	(19,066)
Net debt at end of period	(30,360)	(19,208)	(31,710)

Analysis of net debt

	At 1 Oct 2023 £'000	New leases £'000	Cash flow £'000	Exchange movement £'000	Disposal of subsidiary £'000	Non-cash movement £'000	At 31 Mar 2024 £'000
Cash at bank and in hand	7,294	–	(2,047)	10	(441)	–	4,816
Debt due within one year	(10)	–	2,988	–	–	(2,988)	(10)
Debt due after one year	(28,157)	–	(2,789)	1,035	–	2,940	(26,971)
Lease liabilities	(10,837)	(218)	1,170	241	1,713	(264)	(8,195)
Net debt	(31,710)	(218)	(678)	1,286	1,272	(312)	(30,360)

Image: Paul Jespers/Unsplash

Notes to the Interim Report

1. BASIS OF PREPARATION

The unaudited Interim Report has 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.

The Interim Report was approved by the Board of Directors on 4 June 2024. The Interim Report does not constitute statutory financial statements within the meaning of the Companies Act 2006 and has not been audited.

Comparative figures in the Interim Report for the year ended 30 September 2023 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion. The comparative figures to 31 March 2023 are unaudited.

The Interim Report will be announced to all shareholders on the London Stock Exchange and published on the Group's website on 4 June 2024. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

There were no changes to accounting policies described in the annual financial statements for the year ended 30 September 2023 that had a material effect on the financial statements.

Cash flow projections show that the Group has sufficient funding available to withstand plausible downside scenarios, and therefore the financial statements have been prepared on a going concern basis.

2. ESTIMATES

The preparation of interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2023.

3. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 30 September 2023. There have been no changes to the risk management policies since the year end.

4. SEGMENTAL ANALYSIS – CONTINUING OPERATIONS

For half year to 31 March 2024	Aerospace & Defence £'000	Life Sciences / Biophotonics £'000	Industrial £'000	Corporate £'000	Total £'000
Revenue					
Total revenue	18,041	16,212	33,002	–	67,255
Inter and intra-division	(1,446)	(864)	(1,328)	–	(3,638)
External revenue	**16,595**	**15,348**	**31,674**	**–**	**63,617**
Divisional expenses	(16,932)	(12,506)	(27,058)	481	(56,015)
EBITDA[1]	**(337)**	**2,842**	**4,616**	**481**	**7,602**
EBITDA %	(2.0%)	18.5%	14.6%	–	11.9%
Depreciation and amortisation	(1,423)	(889)	(1,778)	(867)	(4,957)
Operating (loss) / profit before amortisation of acquired intangible assets	**(1,760)**	**1,953**	**2,838**	**(386)**	**2,645**
Amortisation of acquired intangible assets	–	–	–	(1,074)	(1,074)
Operating (loss) / profit	**(1,760)**	**1,953**	**2,838**	**(1,460)**	**1,571**
Operating (loss) / profit margin %	(10.6)%	12.7%	9.0%	–	2.5%
Add back non-recurring items	205	296	617	1,146	2,264
Operating (loss) / profit excluding non-recurring items	(1,555)	2,249	3,455	(314)	3,835
Adjusted operating (loss) / profit margin %	(9.4)%	14.7%	10.9%	–	6.0%

4. SEGMENTAL ANALYSIS CONTINUED

For half year to 31 March 2023	Aerospace & Defence £'000	Life Sciences / Biophotonics £'000	Industrial £'000	Corporate £'000	Total £'000
Revenue					
Total revenue	12,979	16,993	38,239	–	68,211
Inter and intra-division	(758)	(1,113)	(1,804)	–	(3,675)
External revenue	**12,221**	**15,880**	**36,435**	**–**	**64,536**
Divisional expenses	(12,971)	(13,045)	(29,434)	608	(54,842)
EBITDA[1]	**(750)**	**2,835**	**7,001**	**608**	**9,694**
EBITDA %	(6.1%)	17.9%	19.2%	–	15.0%
Depreciation and amortisation	(1,227)	(597)	(1,807)	(935)	(4,566)
Operating (loss) / profit before amortisation of acquired intangible assets	**(1,977)**	**2,238**	**5,194**	**(327)**	**5,128**
Amortisation of acquired intangible assets	–	–	–	(833)	(833)
Operating (loss) / profit	**(1,977)**	**2,238**	**5,194**	**(1,160)**	**4,295**
Operating (loss) / profit margin %	(16.2%)	14.1%	14.3%	–	6.7%
Add back non-recurring items	86	78	275	684	1,123
Operating (loss) / profit excluding non-recurring items	(1,891)	2,316	5,469	(476)	5,418
Adjusted operating (loss) / profit margin %	(15.5%)	14.6%	15.0%	–	8.4%

[1]EBITDA = Earnings before interest, tax, depreciation and amortisation.
All of the amounts recorded are in respect of continuing operations. The numbers for the half year to 31 March 2023 have been re-presented to show the effect of discontinued operations.

Analysis of revenue by destination

	Half year to 31 Mar 2024 (Unaudited) £'000	Half year to 31 Mar 2023 (Unaudited) £'000
United Kingdom	17,219	11,995
North and South America	22,614	20,581
Continental Europe	13,921	16,242
Asia-Pacific	9,863	15,718
	63,617	64,536

5. NON-UNDERLYING ITEMS

	Half Year to 31 Mar 2024 (Unaudited) £'000	Half Year to 31 Mar 2023 (Unaudited) £'000	Full Year to 30 Sep 2023 (Audited) £'000
Profit before tax from continuing operations	324	3,590	6,002
Amortisation and impairment of acquired intangible assets	1,074	685	1,456
Restructuring and other costs	649	438	787
Acquisition costs	116	–	1,156
Site closure costs	425	–	879
Interest on deferred consideration	57	–	57
Adjusted profit before tax	2,645	4,713	10,337

The restructuring costs in the period ended 31 March 2024 relate to non-recurring costs arising from our manufacturing streamlining activities.

6. TAX EXPENSE

Analysis of tax charge in the period

	Half Year to 31 Mar 2024 (Unaudited) £'000	Half Year to 31 Mar 2023 (Unaudited) £'000	Full Year to 30 Sep 2023 (Audited) £'000
Current taxation			
UK Corporation tax	93	139	844
Overseas tax	(28)	404	703
Adjustments in respect of prior year tax charge	–	–	(1,130)
Total current tax	65	543	417
Deferred tax			
Origination and reversal of temporary differences	(272)	(8)	(349)
Adjustments in respect of prior years	173	–	874
Change to UK tax rate	–	–	31
Total deferred tax	(99)	(8)	556
Tax (credit) / expense per income statement	(34)	535	973
Tax (credit) / charge on loss from discontinued operations	(203)	(137)	(173)
Tax charge on disposal of discontinued operations	–	–	–

The tax charge for the six months ended 31 March 2024 is based on the estimated effective rate of the tax for the Group for the full year to 30 September 2024. The estimated rate is applied to the profit before tax.

The adjusted effective tax rate on profit from continuing activities is 19.2% (H1 2023: 19.5%).

7. EARNINGS PER SHARE

The calculation of earnings per 20p Ordinary Share is based on the profit for the period using as a divisor the weighted average number of Ordinary Shares in issue during the period. The weighted average number of shares is given below.

	Half Year to 31 Mar 2024 (Unaudited) No.	Half Year to 31 Mar 2023 (Unaudited) No.	Full Year to 30 Sep 2023 (Audited) No.
Number of shares used for basic earnings per share	**25,786,397**	25,040,919	25,085,805
Dilutive shares	**330,799**	199,101	272,361
Number of shares used for dilutive earnings per share	**26,117,196**	25,240,020	25,358,166

A reconciliation of the earnings used in the earnings per share calculation is set out below:

	Half Year to 31 Mar 2024 (Unaudited)		Half Year to 31 Mar 2023 (Unaudited)		Full Year to 30 Sep 2023 (Audited)	
	£'000	**p per share**	£'000	p per share	£'000	p per share
Basic earnings / (losses) per share	**174**	**0.7p**	**2,918**	**11.6p**	**4,857**	**19.4p**
Adjustments net of income tax expense:						
Amortisation of acquired intangible assets (net of tax)	850	3.3p	534	2.1p	1,175	4.7p
Acquisition costs	62	0.3p	–	–	1,071	4.3p
Site closure costs	–	–	–	–	728	2.9p
Restructuring costs (net of tax)	995	3.8p	342	1.4p	600	2.4p
Unwind of discount on deferred consideration	57	0.2p	–	–	59	0.2p
Total adjustments net of income tax expense	1,964	7.6p	876	3.5p	3,633	14.5p
Adjusted basic earnings per share	**2,138**	**8.3p**	**3,794**	**15.1p**	**8,490**	**33.9p**
Basic diluted earnings / (losses) per share	**174**	**0.7p**	**2,918**	**11.6p**	**4,857**	**19.2p**
Adjusted diluted earnings per share	**2,138**	**8.2p**	**3,794**	**15.0p**	**8,490**	**33.5p**
Basic and diuted loss per share from discontinuing operations	(9,152)	(35.5p)	(190)	(0.8p)	(810)	(3.2p)

Adjusted earnings per share before amortisation of acquired intangible assets and adjustments has been shown because, in the opinion of the Directors, it more accurately reflects the trading performance of the Group.

8. DIVIDEND

The Directors have declared an interim dividend of 4.9p per share for the half year ended 31 March 2024 (2023: 4.8p).

	Half Year to 31 Mar 2024 (Unaudited) £'000	Half Year to 31 Mar 2023 (Unaudited) £'000	Full Year to 30 Sep 2023 (Audited) £'000
Final 2023 dividend: 8.2p per share (Final 2022 dividend paid in 2023: 7.7p)	2,114	1,978	1,978
2023 Interim dividend of 4.8p per share (2022: 4.7p per share)	–	-	1,202
	2,114	1,978	3,180

9. BORROWINGS

	31 Mar 2024 £'000	31 Mar 2023 £'000	30 Sep 2023 £'000
Current:			
Bank borrowings	10	43	10
Leases	913	1,247	1,443
	923	1,290	1,453
Non-current:			
Bank borrowings	26,971	18,970	28,157
Leases	7,282	5,089	9,394
	34,253	24,059	37,551
Total borrowings	35,176	25,349	39,004

G&H's primary lending bank is NatWest Bank. The Group's facilities comprise a $50m (£39.6m) dollar revolving credit facility and a $20m (£15.8m) flexible acquisition facility. At 31 March 2024, the balance drawn on the revolving credit facility was $34.3m (£27.1m) (September 2023: $34.6m (£27.4m)) and on the flexible acquisition facility nil (September 2023: nil).

The facilities above are committed until 31 March 2027 and attract an interest rate of between 1.6% and 2.1% above rates specified by the bank dependent upon the Company's leverage ratio, payable on rollover dates.

9. BORROWINGS CONTINUED

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

	31 Mar 2024 £'000	31 Mar 2023 £'000	30 Sep 2023 £'000
Within one year	10	43	10
Between one and five years	26,971	18,970	28,103
	26,981	19,013	28,113

Maturity profile of lease liabilities

	31 Mar 2024 £'000	31 Mar 2023 £'000	30 Sep 2023 £'000
Within one year	1,934	1,469	2,009
Between one and five years	5,489	3,924	8,481
After five years	3,380	1,773	3,528
	10,803	7,166	14,018

10. CALLED UP SHARE CAPITAL

	31 Mar 2024 No.	30 Sep 2023 No.	31 Mar 2024 No.	30 Sep 2023 No.
Allotted, issued and fully paid				
Ordinary share of 20p each	25,040,919	25,040,919	5,008	5,008

11. DISPOSAL OF SUBSIDIARY

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 consideration of up to $12.0m (£9.4m).

The total consideration payable of up to $12.0m comprised an initial cash consideration of $5.25m (£4.1m) and deferred consideration of up to $6.75m (£5.3m). The deferred 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
Purchase consideration	
Cash paid	4,154
Transaction fees	(674)
Working capital and debt adjustment	(709)
Employee liabilities settled direct from proceeds	(659)
Other disposal costs	(216)
Deferred consideration	–
Net disposal proceeds	1,896

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
Cash	441
Intangible assets – customer relationships	1,262
Trade and other payables	(842)
Lease liabilities	(1,639)
Add: goodwill	2,635
Net assets disposed of	10,775
Loss on disposal	(8,879)

The income statement of the discontinued operation was as follows:

	31 Mar 2024 £'000	31 Mar 2023 £'000	30 Sep 2023 £'000
Revenue	4,343	6,752	13,435
Cost of revenue	(3,644)	(4,556)	(9,708)
Gross profit	699	2,196	3,727
Operating expenses	(1,287)	(2,517)	(4,691)
Operating profit	(588)	(321)	(964)
Interest payable	–	(7)	(18)
Profit before tax	(588)	(328)	(982)
Taxation	202	137	173
Profit after tax	(386)	(191)	(809)

The cash flows attributable to the discontinued operation were as follows:

	31 Mar 2024 £'000	31 Mar 2023 £'000	30 Sep 2023 £'000
Net cash generated from operating activities	50	918	1,444
Cash used in investing activities	(194)	(325)	(467)
Cash used in financing activities	(198)	(242)	(463)
(Decrease) / increase in cash	(342)	351	514

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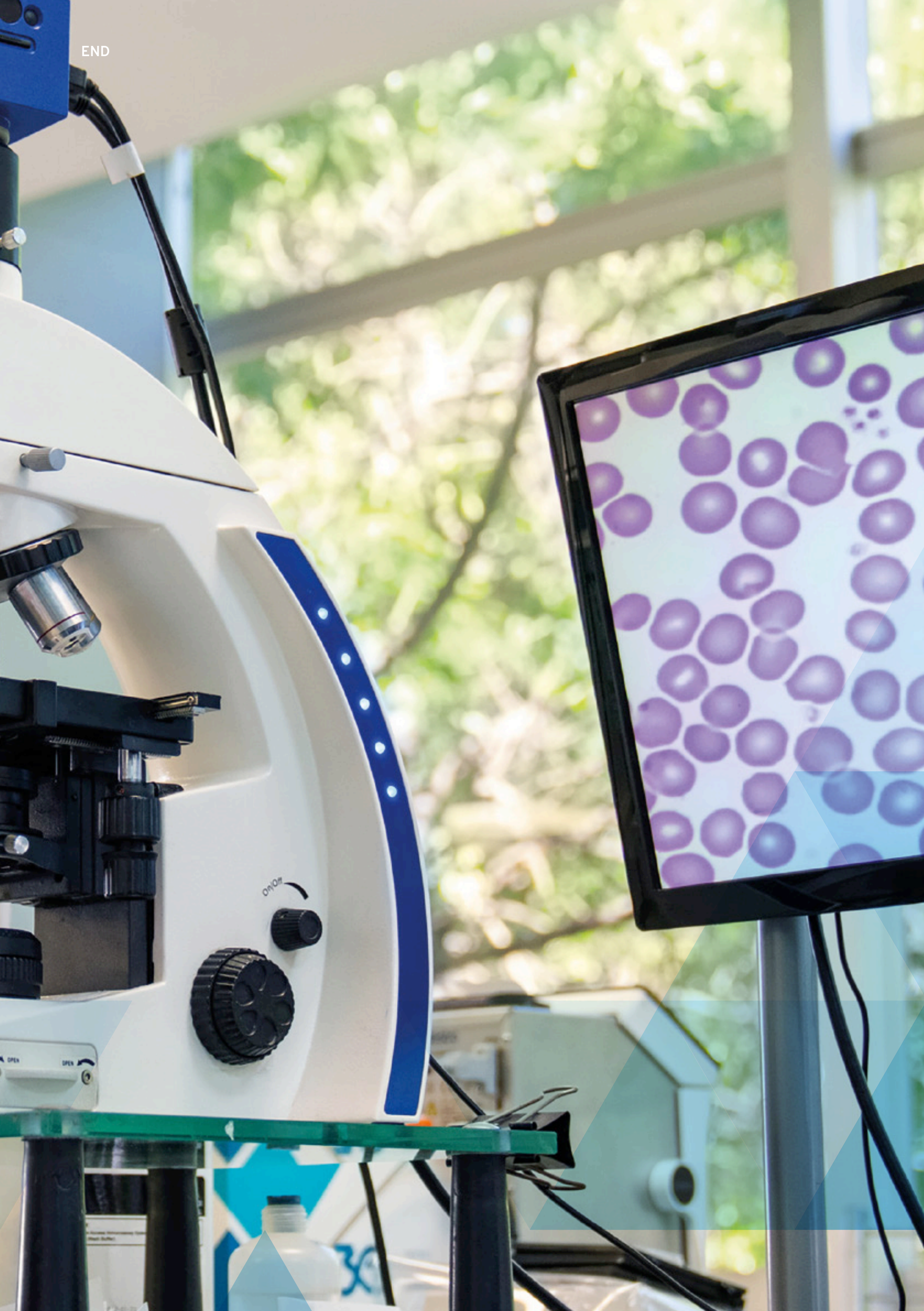

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