



# A Better World with Photonics

Gooch & Housego PLC  
ANNUAL REPORT 2023



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# Strategic Report

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A nighttime city skyline with various skyscrapers and lights, overlaid with a pattern of semi-transparent blue and white geometric shapes (triangles and diamonds). The text is centered over the image.

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

## A Clear Strategy

We have a clear strategy that sets out our path to mid-teen returns in the medium term. We are investing to support the transformation of G&H to become an innovative customer focused technology company.

## Leading Products and Technology

Our products sit at the heart of some of the most complex photonics systems in the world. Our engineers are experts in their field, able to create value by solving our customers' most demanding product challenges.

## Attractive Markets

Photonics is at the forefront of global innovation and the new frontiers of technology. The products and services that our Group provides 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

Our customers recognise us for providing high quality, technically superior products and services. We build long term customer partnerships by a disciplined focus on our operational execution and by deploying our engineers to work closely with our customers on the development of their next generation systems, securing us long-term programme positions and recurring revenues.

## Diversified Revenues

We offer a balanced portfolio of products and services to the Industrial, A&D and Life Sciences markets. This provides the Group with natural protection against individual market cyclicity. Many of our markets contain high quality and compliance hurdles, helping to make our existing position in those markets very defensible.

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

We operate from well-invested production facilities enabling us to achieve the high levels of quality and precision that few of our competitors can match. We have also developed a supply chain that now has the capacity to produce a greater proportion of the Group's revenue on a fully subcontracted basis, supporting the Group to provide additional volumes at enhanced returns.

## Financial Strength

We have a strong balance sheet and access to financial resources, meaning we can invest both organically and through acquisitions to support the growth of the group.

### Revenue

**£148.5m**

### Adjusted profit before tax

**£9.6m**

### Net debt

**£31.7m**

### New products

**57**

### Order book

**£124.1m**

# Highlights

For the year ended 30 September 2023

## Revenue (£m)

**£148.5m** 2022 £124.8m

## Adjusted profit before tax (£m)\*

**£9.6m** 2022 £8.1m

## Adjusted basic earnings per share (pence)\*

**31.3p** 2022 27.2p

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

**£5.0m** 2022 (£2.3)m

## Basic earnings/(loss) per share (pence)

**16.1p** 2022 (8.0)p

## Total dividend per share (pence)

**13.0p** 2022 12.6p

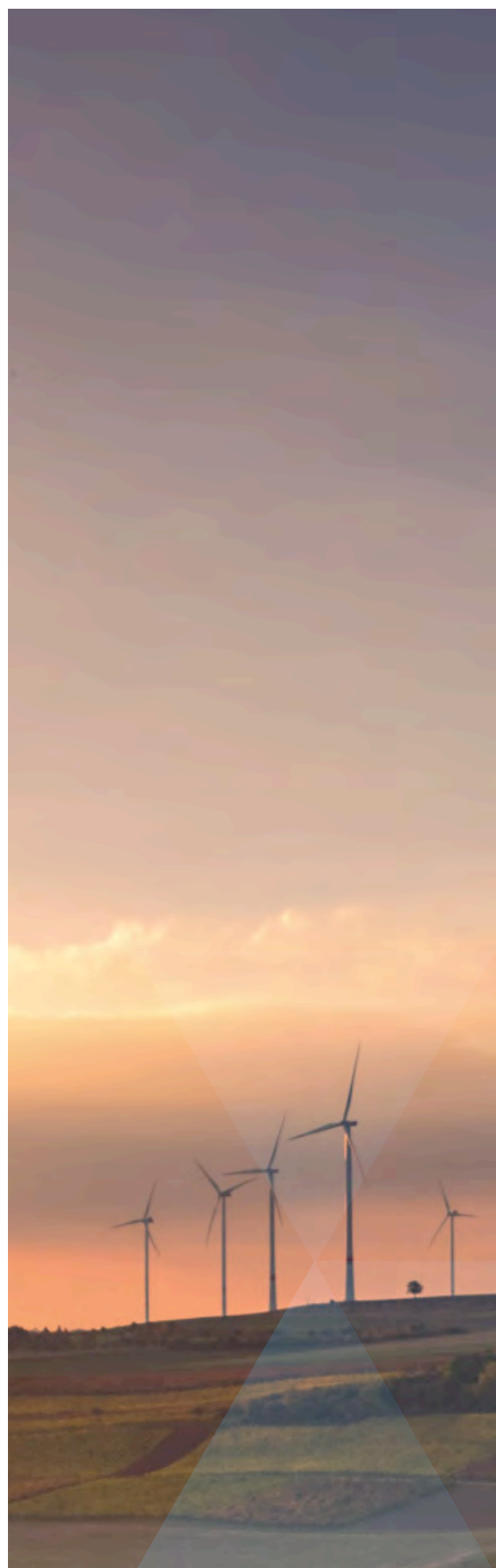
## Net debt excluding IFRS16 (£m)

**20.9m** 2022 £12.8m

## Net debt (£m)

**£31.7m** 2022 £19.1m

\* 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 63.







FY2023 has been a year of strong growth for G&H, reflecting the significant improvements that have been made in operational output.

While mindful of the increasingly uncertain macroeconomic and geopolitical landscape, G&H remains well-positioned with a robust pipeline across all our end markets, and we have a fully deployed, clear new strategy to deliver sustainable profit growth.”

**Charlie Peppiatt, CEO at G&H**

### Strategy

A new strategy launched focusing on four pillars of People, Self Help, Technology and Investment to deliver mid-teen return on sales over the mid-term.

### Profit

Adjusted operating profit up 28.0% to £11.3m (FY2022: £8.9m).  
Reported profit before tax up to £5.0m (FY2022: loss of £2.3m).

### Acquisitions

The acquisitions of GS Optics and Artemis completed during the year. The integration of both businesses into the Group is progressing well.

### Dividend

Full year dividend of 13.0p (FY2022: 12.6p) reflecting the Board's confidence in the growth potential of the Group.

### Revenue

Up 19% or 13.6% on an organic, constant currency basis to £148.5m (FY2022: £124.8m).

### Order Book

Order book returning to normalised levels at £124.1m (FY2022: £147.7m).  
Book-to-bill ratio in the second half of 1.04x.

### Debt

Net debt increased to £31.7m (FY2022: £19.1m) of which bank debt was £20.9m (FY2022: £12.8m) reflecting investment in acquisitions. Group leverage remains comfortable at 1.1x.

### Outlook

The Group is well-positioned in structurally growing markets. Our order book gives us good visibility for FY2024, and we are confident we will deliver further profitable growth in the coming year.

# Our Markets

## Our Purpose

Photonics is the enabling technology that underpins a trillion-dollar end market.

Photonics technology relies on the transmission, modulation or amplification of photons, the basic unit of light.

Thanks to significant size, weight and power advantages, the shift from electronics to photonics is accelerating, transforming the fields of manufacturing, aerospace, communications and medicine.

Through innovative technology development, robust new product introductions and close customer interaction, we provide specialist

photonic hardware and enable leading organisations all over the world to deliver tailored, innovative solutions in Industrial, Telecommunications, Aerospace & Defence and Life Sciences.

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

## Regional Revenue

America

**£59.3m**

Europe

**£62.1m**

Rest of World

**£27.1m**

# Industrial



G&H is recognised as a leading provider of advanced optics, fibre optics, acousto-optics, and electro-optics for demanding applications in industrial lasers, semiconductor equipment, fibre-optic subsea networks, and optical sensing and metrology.

G&H's industrial optics were an enabling technology when lasers first appeared in electronics micro processing applications, and we have helped lasers become the near universal tool they are today for cutting, drilling, trimming, and surface treatment of any kind down to the micron level. Our acousto-optic modulators, Q-switches, electro-optic Pockels cells, RF drivers, and precision optics continue to set the standard for accuracy, size, and power.

G&H's components are at the heart of today's most advanced semiconductor manufacturing equipment, maximising throughput and yield. Our products can operate from the ultra violet up to the far infrared range enabling UV and CO<sub>2</sub> pulsed lasers to operate efficiently and at high throughput. Our Germanium and UV acousto-optical modulators are integral to modern laser tools, enabling power stabilisation, precise and stable beam positioning, and extremely short pulse duration.

G&H's family of high-reliability fibre couplers are the preferred solution for use in subsea data cables. This market is driven by the ever-growing global demand for bandwidth. As digitisation, Internet of Things, augmented reality and new

emerging applications such as telepresence and telemedicine grow, G&H optical expertise will continue to optimise the footprint, reliability, and bandwidth density of the fibre-optic components on which subsea networks rely.

G&H is helping drive the rapid adoption of lidar-based optical sensing across multiple industrial and energy sectors ranging from proximity sensing along oil and gas pipelines to profiling air currents around wind turbines. With an industry-leading portfolio of fibre-coupled products, G&H is a recognised leader in the field.

Shortwave infrared (SWIR) imaging is increasingly used in commercial machine vision systems. G&H provides customers with dedicated SWIR and other infrared lens systems. Our lenses are designed to be compatible with the most cutting-edge sensors and cameras and are used in applications such as recycling sortation, food processing, and a variety of security uses.

G&H supplies components based on electro-optic and precision optic technology to a broad range of big science projects including Commissariat à l'énergie atomique et aux énergies alternatives (CEA), the National Ignition Facility (NIF) at Lawrence Livermore National Laboratories (LLNL), and a number of synchrotron laboratories. At CEA and NIF, we are supplier of many critical optical components used in the world's most powerful laser systems.

# Aerospace and Defence

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 around the globe. Our technology and expertise in optical design and manufacture have helped advance programs and missions in several key application areas.

Unmanned aerial vehicles (UAVs) and other airborne platforms gather a greater amount of image data more quickly during ever-longer flight times. G&H's precision optical components and advanced lens assemblies enable optimal field of view and resolution for short, mid- and longwave infrared imagers, making them critical elements in A&D platforms used for intelligence, surveillance, and reconnaissance (ISR) missions. Our IR lens assemblies are also used in directed energy weapons.

The speed and precision that photonics technology enables are instrumental for the directed energy systems employed in drone and missile defence. With decades of close collaboration with prime defence contractors and avionics manufacturers, G&H brings the exacting design and manufacturing expertise required for the fibre optics, electric-optic modulators, and sights and windows that help ensure directed energy systems perform reliably.



G&H is at the forefront of inter-satellite and satellite to ground communication. Space-qualified optical components, lens assemblies, and subsystems from G&H deliver consistently excellent connectivity and bandwidth for satellite-based laser communications and sensing.

We are a trusted provider of periscopes and sighting systems. G&H is focusing on increasing situational awareness in the battlefield and the protection of life through the introduction of advanced camera sensors and visible/IR image fusion.





# Life Sciences

G&H's optical component designs have helped advance the performance and reliability of life science instrumentation for microscopy, medical diagnostics, biomedical imaging, and laser surgery. We are recognised as a leading provider of advanced optics, fibre optics, acousto-optics, and electro-optics for diagnostic and therapeutic applications in life sciences worldwide.

We work with leading laser system OEMs and medical equipment manufacturers to optimize patient outcomes in a broad range of surgical applications, including prostate surgery, scar correction, treatment of cataracts, removal of freckles, moles, and tattoos, wrinkle reduction, and teeth whitening. Our optics also provide surgical lasers with the precision and reliability needed for cardiovascular procedures.

G&H has helped drive the development of optical coherence tomography (OCT) from the technology's start. Today we support the world's leading OCT systems manufacturers with components and OEM sub-systems. Our unique ability to offer everything from fibre-optic components to subassemblies to full optical systems with embedded controls allows us to meet the demand for virtually any system design. The result for OCT instrument makers is higher-performing, more cost-effective, and more reliable optical engines.

The high performance of our fibre components such as bandwidth and spectral flatness enable clearer image resolution, deeper penetration and hence improved diagnoses, making a better world with photonics.

Through our G&H | ITL business, we offer end to end design and manufacturing services for medical devices, invitro diagnostics, and laboratory instruments. Together with our customers we create and deliver breakthrough technologies for the healthcare and life science industries, developing new life saving medical technology and instruments.



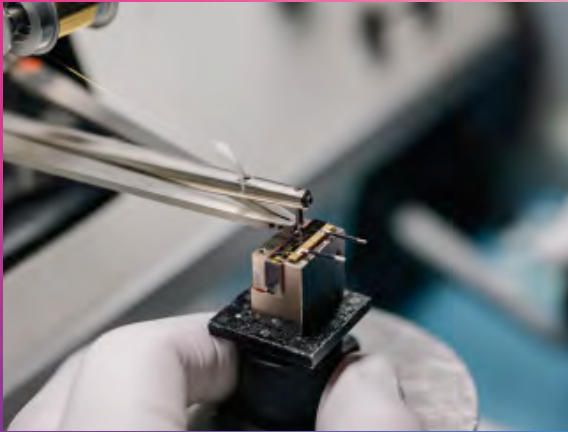
# Our Products and Capabilities

## Leading Photonics Technology

Building on its proud history that dates back 75 years, Gooch & Housego remains at the forefront of photonics technology.

Our expertise in optical systems, subsystems and components extends from research through the development of prototypes to volume manufacturing.

Our commitment to working in partnership with our customers enables us to deliver the highest quality photonic devices and optical systems.



## Acousto-Optics

G&H has been a leader in acousto-optic (AO) device design and manufacturing for over 35 years.

Many of our acousto-optic and electro-optic products are manufactured using our own in-house grown materials such as Tellurium Dioxide. Through advanced orienting, sawing, grinding, and lapping technologies, all are built to the highest standards.

G&H's components are at the heart of today's most advanced semiconductor manufacturing equipment, maximising throughput and yield. Our Germanium and UV acousto-optic modulators are integral to modern laser tools, enabling power stabilisation, precise and stable beam positioning, and extremely short pulse duration.

## Advanced Electro-Optics

Using proprietary crystal growth, fabrication, and polishing techniques, G&H produces a wide range of electrooptic devices including in-house grown potassium di-deuterium phosphate (KD\*P) Pockels cells. These Pockels cells are used extensively in medical lasers for skin and other treatments, leading to effective procedures for patients with less discomfort and faster recovery times. We also grow beta-barium borate (BBO), Cadmium Selenide (CdSe), cadmium sulfide, (CdS), potassium di-hydrogen phosphate (KDP) for use in sensing and laser-based manufacturing applications.

France's Centre Commissariat à l'Énergie Atomique and the National Ignition Facility in the US both selected G&H as their primary supplier of large crystals for their high fluence lasers in their inertial confinement fusion programs. These laser systems are some of the most powerful in existence as they seek to generate energy from nuclear fusion.

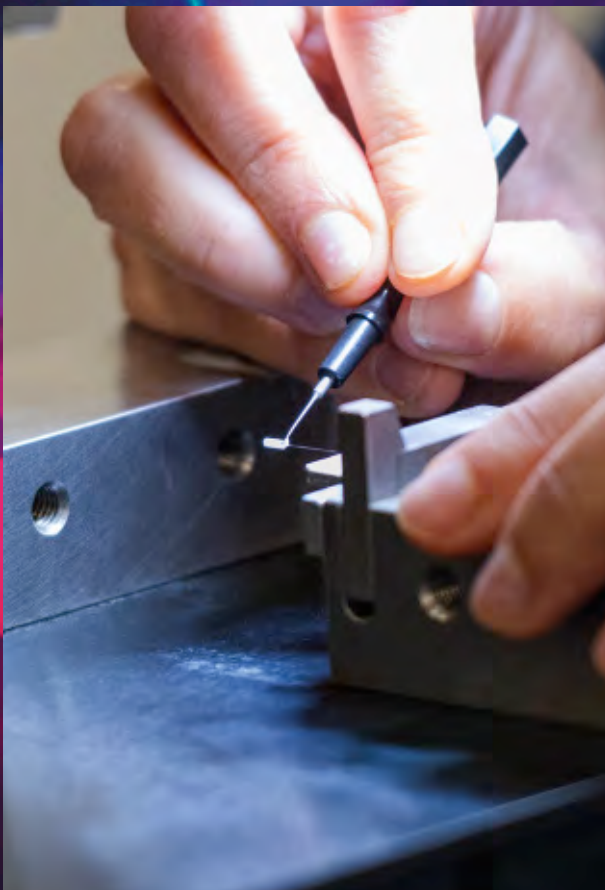


## Precision Optics

G&H produces precision optical components and assemblies for semiconductor laser manufacturing, aerospace and defence, medical systems, and research applications. We leverage our expertise in the optical and mechanical properties of materials, coupled with the capability 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 applied in transmission and imaging. Our ring laser gyro products are utilised by every commercial airline globally. Furthermore, G&H supplied polished optics for NASA's Mars Curiosity mission.

Operating from multiple chambers in the UK and the US, we provide a comprehensive range of optical coating capabilities, leveraging them to enhance products across various segments of our business. Our acquisition of Artemis Optical added to our capabilities in the field of infra-red and near infra-red filter coating, strengthening our vertical integration in laser protection filters. Our engineers are continuously researching the performance characteristics of new coating materials and integrating the results into our modelling software to optimise the designs for customers' applications.



## Fibre Optics

Our active and passive fibre optic components and sub-systems offer the performance and reliability required for some of the most demanding applications in the world. G&H's fibre optic modules are found in the world's most advanced semiconductor manufacturing plants and in the harshest of environments, orbiting our planet.

We assist customers throughout the entire system development process, leveraging our expertise in integrating end-to-end fibre optic systems and designing for challenging environments. G&H's products facilitate the transmission of terabits of data across continents through subsea data cables. Additionally, our fibre-based products play a crucial role in ensuring the safe and efficient operation of wind turbines through wind sensing, infibre linear asset monitoring, and perimeter detection. G&H's optical amplifiers are at the heart of new systems that enable satellite-to-satellite, satellite-to-ground communication, and on board optical sensing. These products will increasingly replace traditional radio frequency-based space communication systems.





## Imaging and Sighting Systems

Our optical systems group is recognised as an industry leader, delivering cutting-edge lens assemblies, integrated imaging systems, and advanced direct-view and electro-optic periscopes. We cater to a diverse customer base across a wide range of applications.

We work with system integrators worldwide, providing high-performing products of exceptional quality and value. The G&H | StingRay range of lens assemblies and integrated optical systems is renowned for its high resolution, world-class design, and proven capability to deliver mission-critical imaging in the most challenging environments, including space.

We design and manufacture unity vision periscopes, sights, drivers vision aids, and related equipment and vision systems for armoured fighting vehicles (AFVs) such as tanks, infantry fighting vehicles, and armoured personnel carriers. Our newly developed G&H | Kent Embedded Imaging Periscope (EIP) is being developed for the Challenger 3 platform upgrade. Our optical systems group is actively involved in the design of laser-directed energy weapons and has successfully delivered prototype systems to major UK programs.

## Polymer Optics

The acquisition of GS Optics brought a new enabling technology to the Group in the field of polymer optics. G&H | GS Optics is recognised as one of the world's leading manufacturers of custom injection moulding for optics that adds the dimension of high volume optics manufacturing in G&H. We work with customers to provide them polymer optics designed specifically for improving their product competitiveness.

As a custom optics manufacturer, G&H | GS Optics produces custom injection moulding for aspheric lenses, freeform lenses, and mirrors, as well as Fresnel and diffractive optics. The business possesses in-house capabilities to create custom-designed diamond-turned and injection-moulded prototypes, along with thin film optics and reflective coatings. These offerings cater to a diverse range of markets, including consumer, medical, LED lighting for instruments, as well as military and civilian night-vision and visible-range sighting products.



# Chairman's Statement

GARY BULLARD

## Group Overview

I am very pleased with the Group's performance in FY2023. Under the leadership of our new Chief Executive, Charlie Peppiatt, significant progress was made in improving the operational performance of the business. Through focused actions we were able to fill many of the open roles created by the record order book secured by the Group. As a result, we improved our on-time delivery performance and reduced our lead times.

Along with the operational improvements delivered from our own facilities, our suppliers also contributed materially to the significant level of on-time delivery improvement compared with the prior year. In particular our Asian contract manufacturing partner provided us with significant additional capacity for many of the Group's acousto-optic products. We are building upon this firm foundation by qualifying them for the manufacture of some of the Group's fibre optic units, and I am pleased to report that during the year and after the long qualification programme that is required for such high-reliability products, they achieved their first deliveries of fused fibre couplers direct to our customers.

Thanks to these measures the Group was able to increase its revenue by 19.0% compared with the prior year and deliver a 28.0% increase in underlying operating profit.

## Strategy Refresh

In June 2023 the team presented the results from a thorough refresh of the Group's strategy. Despite the impact in recent years of growing competition in some of our markets on the Group's financial performance, we are well-positioned in fast growing markets that can offer the possibility for superior returns. Whilst the profitability of the Group over the past few years has been disappointing, some of which has been driven by our own operational shortcomings, our new strategy sets out a path to deliver a return to sustainable margin growth by positioning G&H in our growing end markets as an innovative customer focused technology company.

There will be a relentless focus on building long-term partnerships with our customers through both superior operational performance and by providing them with our new and exciting technologies that address their most complex photonic needs. As an enabler we have refreshed our product development roadmaps to ensure we focus our resources on fewer activities thereby accelerating the time to market for the developments that offer the best returns.

Our suppliers will have an important part to play in helping us deliver on this strategy. We have been clear that we expect to increase the proportion of the Group's revenues that will come from product fully outsourced to our contract manufacturing partners. To achieve this we have invested further resources in our supply chain teams and have permanently located G&H employees in our main contract manufacturing supplier's facilities to ensure this partnership is successful.



“

The success of the strategy depends upon the skills and expertise of my colleagues in G&H. I am always extremely proud of their hard work and dedication. During the recent difficult times they have risen to every challenge.”



We have been recognised by the rating agency MSCI, who have now placed us in the highest scoring range relative to our global peers for our corporate governance practices.”

Ultimately the success of the strategy depends upon the skills and expertise of my colleagues in G&H. I am always extremely proud of their hard work and dedication. During the recent difficult times they have risen to every challenge. The significant progress made by the Group during the year would not have been possible without them. I am also delighted that thanks to the Group’s growth we have been able to offer new, high quality employment opportunities to colleagues at all stages in their careers.

#### **Focused Investment**

In delivering the Group’s strategy, the Board is focused on the efficient use of capital. We have continued to invest in R&D to embed ourselves in our customers’ next generation programmes but we are also prepared to make careful use of the balance sheet to support inorganic growth. We were delighted to be able to complete the acquisitions of both G&H | GS Optics and Artemis during the year. The addition of both companies to the G&H family provides the opportunity to drive significant synergies and is aligned to key areas of focus outlined in our new strategy. The integration of both companies into G&H is progressing well and I was pleased to see during my recent visit to G&H | GS Optics’ facility in Rochester the additional space that we have taken on that campus to accommodate our G&H | ITL medical and diagnostics device production activities in the US.

#### **The Environment**

The Group’s products are playing their part in the migration to a more sustainable and healthier world. Our medical diagnostic products help with the earlier diagnosis of disease and illness ultimately leading to better patient outcomes whilst our sensing products are integral to the efficient generation of clean, renewable energy. We are committed to achieving net zero for our scope 1 & 2 emissions by 2035 and made further significant steps towards that target in the financial year. Our carbon intensity measure, which records our volume adjusted emissions, reduced by 33.2%. With the development of the renewable energy market in the US, we are now able to make progress in migrating our US sites to purchase their energy from renewable sources following the lead given by our UK sites where all of our purchased electricity now comes from renewable sources.

We also recognise the importance of supporting the communities in which we operate. As well as providing high quality, skilled jobs we encourage our employees to support local charities, often matching with G&H monies the amounts they raise.

#### **Board**

We were delighted to welcome Susan Searle to join the Board as a new non-executive director in April 2023. Susan brings strong experience of commercialising new technologies as well as a broad base of other expertise including ESG matters. I am sure she will make a strong contribution to the further growth of the Group.

Recognising the importance the Board places upon ensuring the long-term sustainability of the Group we have established a new Sustainability Committee of the Board. Susan will chair this committee which will focus on the integration of the Group’s financial objectives with its social and environmental ambitions. We will also explore the establishment of targets around some of the Group’s scope 3 emissions.

As a Board we take our governance responsibilities very seriously, so I was delighted to see further progress in this area when the rating agency MSCI placed us in the highest scoring range relative to our global peers for our corporate governance practices.

#### **Dividend**

Given the progression of the Group in the year and the long-term positive outlook for the business underpinned by the work completed during the year to refresh the Group’s strategy, the Board is proposing a final dividend of 8.2 pence per share for approval at the Company’s Annual General Meeting on 21 February 2024, giving a total of 13.0 pence for the year. Payment of the dividend will be made on 23 February 2024, to shareholders on the register as at 19 January 2024. The Board is committed to growing the level of dividend cover.

#### **Outlook**

The strategic objectives that support the return of the Group to mid-teens profitability over the mid-term are in place and already delivering benefits. Our customers recognise us for the quality of our products and the skills of our people. The Group is well-positioned in structurally growing markets. Our order book gives us good visibility for FY2024, and we are confident we will deliver further profitable growth in the coming year.

#### **Gary Bullard**

##### **Chairman**

5 December 2023



# 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 leveraging our expertise to supply our world-leading products and services to 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 onshore 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.

There is 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 are 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 manufacturer 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.

## 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 engineering and production teams who operate according to consistent processes.

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

We uphold clear corporate values and reinforce them through communicated behaviours, ensuring our people operate as effectively as possible.

We effectively prioritise the deployment of our capital.

## Creating 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 £9.3m in R&D and brought 57 new products to the market in FY2023.

**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 £62m with our suppliers in FY2023.

**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 33% 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 3.2% to 13.0p.

## UNDERPINNED BY

### 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 & 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 66.

### Financial Position

Our revenues are generated from markets with different growth dynamics meaning that the Group is naturally protected against individual market cyclicity. We are cash generative and at 30 September 2023, we had \$25.4m of undrawn committed facilities and \$10m of undrawn uncommitted funding facilities to support the further growth of the Group.

See our financial statements from page 128.

### 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 98.

### 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 88.

# Our Key Performance Indicators

## KPI AND DESCRIPTION

### Organic revenue growth (%)

The percentage change in revenue in the current year compared to 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

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

#### 2023 PERFORMANCE

Organic revenue was 13.6% higher, excluding foreign exchange, with significant growth achieved across all three of our end markets. The growth in our productive capacity achieved in the year enabled us to deliver on our record order book.

## KPI AND DESCRIPTION

### Adjusted operating profit (£'m)

Operating profit 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

**2023: £11.3m**  
2022: £8.9m  
2021: £13.3m  
2020: £11.2m

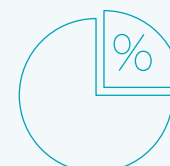
#### 2023 PERFORMANCE

We achieved a 28.0% increase in operating profit in the year, reflecting a combination of growth and our operational improvement activities.

## KPI AND DESCRIPTION

### Adjusted operating margin (%)

Adjusted operating profit as a percentage of revenue.



#### 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

**2023: 7.6%**  
2022: 7.1%  
2021: 10.8%  
2020: 9.2%

#### 2023 PERFORMANCE

The adjusted operating margin was 7.6% reflecting our growing revenues offset to some extent by the additional investment made to deliver upon our strategic objectives. In the first half of the financial year the net impact of inflation was a headwind.



## KPI AND DESCRIPTION

## R&amp;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

**2023: £9.3m**  
 2022: £9.2m  
 2021: £8.1m  
 2020: £7.9m

## 2023 PERFORMANCE

We increased our investment levels in FY2023. In the year we released another 57 products to the market and revenues from products contributed £26.1m of revenue in the year.

## 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

**2023: £18.2m**  
 2022: £6.6m  
 2021: £21.9m  
 2020: £22.5m

## 2023 PERFORMANCE

We invested £7.4m in new capital for the Group. In the second half of the financial year significant progress was made in reducing our inventory holdings. Despite the 13.6% organic growth in revenue the overall investment in working capital during the year was £2.0m

## 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 FY2023 were reportable.

## PERFORMANCE

**2023: 7**  
 2022: 8  
 2021: 8  
 2020: 11

## 2023 PERFORMANCE

Our safety performance remains significantly better than the industry average. We have conducted further Spot It, Stop It awareness training to encourage employees highlight potential issues before an accident occurs.

## 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

**2023: 3,135**  
 2022: 3,941  
 2021: 5,414  
 2020: 5,852

## 2023 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 mindful of the increasingly uncertain macroeconomic and geopolitical landscape, G&H remains well-positioned with a robust pipeline across all our end markets, and have a fully deployed clear new strategy to deliver sustainable margin growth.”

# Chief Executive Officer's Statement

## Introduction

FY2023 has been a year of strong growth for G&H reflecting the significant improvements that have been made in operational output. This has been complemented by a number of new customer wins and incremental business opportunities with existing customers. The growth in revenue and the continued strong order intake reflect multi-year programme wins and the positive structural trends evident in many of our end markets.

Our teams across the Group have executed exceptionally well in a challenging environment, given the significant supply chain and cost headwinds, to deliver a strong trading performance with improved profit growth in line with expectations. Having completed my first full year with G&H, I am pleased with the progress that has been made across the business through the collective hard work of the workforce which has been harnessed more effectively through our new strategy that was launched in the summer.

I am proud that G&H products 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 FY2023 we achieved a 20.5% reduction in our emissions as we work towards our goal of being net neutral on our scope 1 & 2 emissions by 2035.

## Business Performance

Following the positive performance reported in the first half, the Group sustained strong trading momentum during the second half of the year enhanced by the focused operational improvements and capability investment over the last year. For the full financial year 2023 G&H achieved revenues of £148.5m, representing an increase of 19% over the previous year (FY2022: £124.8m), or on an organic, constant currency basis saw growth of 13.6%. Adjusted profit before tax was £9.6m, an increase of 17.5% over last year (FY2022: £8.1m). At the same time, we saw continued strong levels of customer demand albeit at more normalised levels resulting in the order book stabilising at £124.1m (FY2023

£147.7m) and positive book-to-bill ratio in the second half of the year at 1.04x. There has been further extension of the order book following the year end.

## Strategy

Over the last year many of my first impressions have been confirmed, that G&H is a company with outstanding products, enormous technical capability and highly talented people that required greater focus on operational execution, customer experience, employee engagement and better prioritisation of valuable R&D technology investment.

Following a full strategic review of the business during the first half of the year, we introduced a refreshed strategy across the Group in the summer. This aims to: focus our business in the right product development areas aligned to customer-led growth drivers, enhance the ease of doing business with G&H to ensure long-term profitable customer partnerships, and focus on disciplined, superior operational execution. This approach is designed to avoid repeating the manufacturing and supply chain problems of the recent past.

Our new strategy is now 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 including our employees, our customers, our shareholders, our eco-system partners or the communities where we operate. We will offer 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

The Group's new strategy has identified a path to mid-teens returns over the medium term that includes benefits from our 'portfolio' achieved through addressing non-performers in combination with pursuing 'speed to value' acquisitions. During 2023 I was delighted to be able to announce the completion of the back-to-back strategic acquisition of GS Optics and Artemis Optical. 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 in A&D, advanced industrial or Life Sciences markets. Our new strategy has a greater focus on filling gaps that we have in coating, complex systems assembly, new materials and specifically our Life Sciences footprint in North America. Both acquisitions are already proving an excellent fit in terms of our commitment to precision, innovation and customer focus, confirming their potential to support the growth of the Group.

### Our markets

Industrial demand continued to be strong, especially the semiconductor and industrial laser markets, where underlying market growth was complemented by very good uptake of new G&H products launched into those markets. Demand for our high-reliability fibre couplers remained robust, with the use of those products in the growing satellite communications market complementing the long-standing undersea cable business.

The Life Sciences business performed well and we saw continued growth in demand for our products used in medical lasers and our medical diagnostic products. 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 in FY2024.

Volumes in our Aerospace & Defence markets grew significantly as a result of improved productive capacity at several of our sites and a number of projects moving into production phase. 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 FY2023 where the conflict in Ukraine is fuelling increased demand and greater urgency of supply.

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 some of our hi-reliability fibre coupler business to that same partner. With the appointment of a new VP of Supply Chain and Contract Manufacturing during FY2023, we are looking to accelerate the transfer of further opportunities to outsource several other products, where technological sovereignty is not a differentiator, building upon the successful partnership that we have now established.

We have continued to invest in our technology roadmaps albeit it with a greater focus following the recent strategic review and our R&D teams are working closely with many of our customers on their next generation products. New products contributed a record £26.1m of revenue in FY2023 (FY2022: £17.9m).

The Group retained high levels of inventory during FY2023, similar to last year, as a risk reduction exercise given the ongoing difficult supply chain environment. Although this is expected to improve in FY2024 we do not expect it to return fully to pre-pandemic levels in the next 12 months.

This combined with the funding of the two acquisitions resulted in net debt excluding lease liabilities increasing to £20.9m from £12.8m. Our leverage as measured for our banking covenant stands at 1.1x (2022 0.7x), which along with available committed and uncommitted bank facilities of \$35.4m 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 FY2023 we introduced 57 new products (FY2022: 54) and delivered £26.1m of revenue (FY2022 £17.9m) from new products. Following our strategic review, we are refocusing and prioritising our R&D efforts and investment behind the following seven vital few areas:

- Expansion of acousto-optic technologies into semiconductor and EUV.
- New medical laser technologies and applications.
- Advanced fibre technology supporting submarine networks.
- Imaging and sighting systems.
- Added value around our precision optics and optical coatings capability.
- Moving up the value chain in fibre optics with a focus on sensing, modules and LiDAR.
- Medical diagnostics and biophotonic IVD solutions.

These projects are expected to contribute £50m of incremental margin accretive revenue over the plan period.

### Corporate Responsibility

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. We were pleased to welcome Susan Searle to join the Board during the year with her wealth of experience in many of the markets in which we operate. Susan also assumed the role of Chair for our newly introduced Sustainability Committee.

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 women 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. With the appointment of our new non-executive director, we have established a Sustainability Committee responsible for monitoring the Group's achievement against its ESG targets. 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 & 2 carbon emissions by 20.5%, a major step forward in achieving our target of being net neutral on this measure by 2035. We were also pleased to see two sites, Ilminster and Torquay, join our Fremont site with certification to the environmental ISO 14001 standard. As part of our new strategy, we have deployed a roadmap 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

FY2023 was a year of strong operational, strategic and financial progress. We delivered excellent top line growth for the Group through improved operational execution on our record order book, which reflected a significant number of new customer wins, incremental business opportunities with existing customers and market share gains. Our teams across the Group have performed exceptionally well in a year characterised by significant change, ongoing supply chain issues and continued cost inflation.

At the same time, we have completed our strategic review and deployed a clear new plan for G&H to become an innovative customer focused technology company delivered responsibly by making a 'better world with photonics' and ensuring that G&H becomes and remains the 'first choice' for all our stakeholders whether they are our employees, our customers, our shareholders, our eco-system partners or the communities where we operate. G&H is well-aligned with the prevailing global mega-trends, many underpinned by the next frontier of photonics, that is driving demand from high-growth markets.

Despite the strength of the order book across the business that provides good visibility for FY2024, we still face some operational and commercial headwinds in the near term. The labour markets for talent in both the UK and US remain highly competitive leading to ongoing supply side challenges that continue to frustrate the recruitment of the required talent, especially in engineering and technical positions. Global supply chain constraints continue to persist alongside an inflationary environment for wages, material costs and energy. Whilst price increases have been passed onto customers in the second half of FY2023 to address these cost

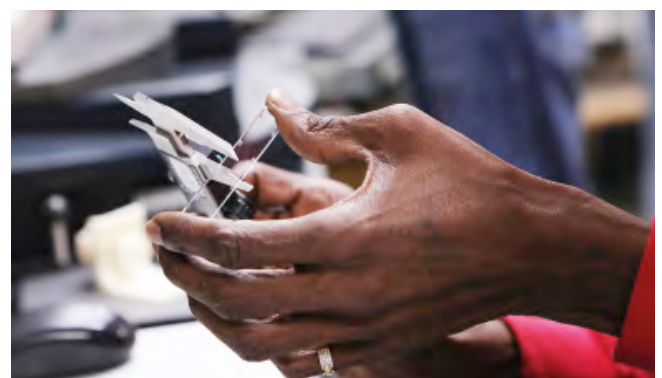
increases, cost inflation continues to impact the business. Nevertheless we expect to be able to offset cost base inflation through pricing actions in the coming financial year.

While mindful of the increasingly uncertain macroeconomic and geopolitical landscape, 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, Aerospace and Defence markets underpinning the future growth potential of the Group.

I am confident we will build on the progress made with our financial and operational performance in FY2023 and, supported by the clear direction from our new strategy, progress 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

5 December 2023



# Q&A with Charlie Peppiatt

## CHIEF EXECUTIVE OFFICER

### Q | What were your first impressions of G&H?

During my first three months with the company, I visited all our primary locations, spent time with the sales, operations, engineering and site leadership teams, met with and listened to many of the Group's top customers and key suppliers plus joined our sales teams on the stand at the Medica tradeshow in Dusseldorf last November and Photonics West in San Francisco in January. This helped form my first impressions and initial observations of the company.

Firstly, G&H's employees spread across sites in the US and UK, along with our field-based sales and support teams make up a highly dedicated, experienced and technically competent workforce. I was impressed with the commitment, resilience and hard work I saw across the business. Secondly, I was impressed by the broad range of blue-chip customers that G&H has across the three main end markets we serve; whether that is with defence primes in Europe or the US, global medical device specialists or leading industrial multinationals. It was also clear from listening to the feedback from many of these customers that our products are recognised for their superior technical performance and quality, often operating in the harshest environments.

However, it was apparent that the Group's operational performance over recent times has not been at the levels required by many of our customers related to lead time, delivery and customer service. The company had been taking steps to address this by strengthening the global operations function including the appointment of a new Chief Operating Officer during FY2022 prior to my arrival, but this area of operational improvement needed greater focus and urgency.

The Group has well invested production facilities and innovation labs with the right plant and equipment, however, to deliver cutting-edge earnings accretive growth and replace some of the historically higher margin Q-switch business that can now be sourced from Asian suppliers at lower cost, refocused investment in new product development required acceleration and greater discipline.

I observed that many elements of the company's previous strategy over the last seven years aimed at; diversification into new markets, providing greater systems content and operational excellence were valid but execution and implementation had stalled and on top of this challenges during the pandemic had then ground the business to a halt in some areas. It was clear that focusing on how we move up the value chain through greater vertical integration and the expansion of our photonics components and modules offering into subsystems or more fully integrated solution made good sense for the business and would be welcomed by many of our customers. So, in parallel to the in-depth review of the Group's strategy that was initiated shortly after I started, and alongside the continued focus on operational performance improvements I placed greater emphasis on taking action to kick-start and accelerate addressing some of these issues.

Overall, my first impression of G&H was one of a company with outstanding products, technical capability and talented people that required greater focus on operational execution, customer experience, employee engagement and better prioritisation of valuable R&D technology investment.



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I am incredibly proud of the achievements of the many talented people across G&H working together to deliver our new plan for the business. It is a real privilege to work with such a capable, committed and hard-working team.”



### Q | What are you most proud of in your first year at G&H?

Reflecting on my first year at G&H, there are several accomplishments that fill me with pride. However, if I were to highlight one aspect that stands out, I am incredibly proud of the achievements of the many talented people across G&H working together to deliver our new plan for the business. It is a real privilege to work with such a capable, committed and hard-working team. We delivered a strong trading performance in FY2023 with positive revenue growth enabled by greater operational execution and teamwork that led to profit growth in line with expectations and showed a meaningful start to deliver phase one of our new strategy to deliver sustainable margin growth.

I am also proud to say that G&H is committed to doing business responsibly; our team has really engaged with improving employee safety and reducing our environmental footprint. We achieved a further reduction in scope 1 & 2 GHG Emissions by 20.5% in FY2023 and it was pleasing to see our MSCI (Morgan Stanley Capital International) Rating improve from BBB to A in the period. We also submitted our first year of Group disclosure to CDP (Carbon Disclosure Project) and will receive our score in January 2024. This was endorsed by two additional sites, Ilminster and Torquay, attaining ISO 14001 certification to join our Fremont site. At the same time energy assessments were conducted at all sites to Environmental Best Practice ISO 50001.

It also makes me proud to witness each day the resilience and adaptability demonstrated by our teams in the face of global challenges and organisational changes. The ability to navigate uncertainties and emerge stronger speaks volumes about the calibre of our workforce. There is a lot to be excited about as we look forward.

### Q | When will we see the benefits of the Strategy refresh you announced at the interim results?

During the last year we carried out a deep strategic review of the business and in June 2023 launched a new strategy for the next decade to make 'a better world with photonics' whilst outlining a path back to delivering sustainable margin growth for all our stakeholders as an 'innovative customer focused technology company'.

This is built on our core values, the way we endeavour to do business at G&H, consisting of Customer Focus, Integrity, Action, Unity and Precision. The strategy will be delivered through a focus on four key strategic priorities: Firstly, our people – by creating a purpose-led culture that ensures G&H is a safe, engaging, diverse and inclusive place to work and thrive. Secondly, by delivering an exceptional customer experience and making it 'easier to do business with G&H' ensuring long-term customer partnerships and profitable growth. We will achieve this through disciplined focus on superior operational execution along with the agility and wisdom to avoid repeating the manufacturing and supply chain problems of the recent past. Thirdly, by delivering a better return from our advanced technical expertise in photonics. We will create enhanced value from carefully selected R&D projects for the right applications including developing platform solutions to accelerate our time to market for new technology and existing technology into new applications. This will unlock greater value through increased G&H photonics system content in new products. Fourthly, by the disciplined allocation of resources to deliver value and accelerate accretive growth, both organically and inorganically. We will refocus the business to invest in higher margin products and sectors at the same time as addressing non-performers, in combination with pursuing 'speed to value' acquisitions strategically not opportunistically.

We believe that the successful execution of the four strategic priorities (People, Self-Help, Technology and Investment) can deliver return-on-sales accretion potential of 700 to 800 bps over the medium term, net of the investments required excluding portfolio changes. This includes benefits from the following activities: the better utilisation of our well-invested factories from increased volumes, proactive expansion of outsourcing activities at an earlier stage in the product life cycle to our proven contract manufacturing partner in Thailand, productivity gains from cost-of-poor-quality reduction and other efficiency improvements. For example, we have already seen labour efficiency gains over the last year from the re-layout of several machine work centres using Lean practises at our Ilminster site, as well as the introduction of higher margin new products and the increased mix of sub-system solutions with greater G&H technology content. Finally, we will benefit from the enhancement of G&H's portfolio through non-core product rationalisation and bolt-on accretive M&A. We are at the start of our journey to deliver sustainable margin growth and clear actions have been taken with progress underway in all of these areas.





Delivering an exceptional customer experience and making it ‘easier to do business with G&H’ to ensure long-term customer partnerships and profitable growth.”

### Q | How are you engaging the G&H team in the delivery of the strategy?

Since launching our new strategy at the half year, I believe we have made significant steps forward in building the foundations for the cultural changes required to deliver and sustain our new strategy through better harnessing and leading the talent across our whole organisation, establishing dynamic high-performance teams and creating a purpose-led culture that ensures G&H is a safe, engaging, diverse and inclusive place to work and thrive.

As part of the rollout of our new strategy in the summer, I ran a global all-employees communication and engagement roadshow, supported by other members of the executive leadership team, that took place in person across all our sites. This was an invaluable exercise to speak with and listen to all our employees, share details of the new strategy and address questions directly from the employees. Subsequently, we have deployed goals across the business that are linked to delivering our new strategy and there are regular updates at employee all-hands and townhall meetings to help align effort and link improvement activity to our new strategy.

During the second half of FY2023 we marked the 75th anniversary of the founding of the company by Archie Gooch and Leslie Housego in 1948, with celebratory lunches for all employees at all sites across the business. This also provided an opportunity not only for everyone to be deservedly proud about the past, but time to pause and together look forward into the next phase of the company’s story. This helped focus all our employees on what is required in the future for G&H to become and remain an ‘innovative customer focused technology company’ delivered responsibly by making a ‘better world with photonics’ and ensuring 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.

### Q | How do you plan to reduce G&H’s impact on the environment in the coming years?

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. Following the positive progress in FY2023, we will continue working to ensure the environmental impact of our sites and manufacturing processes are further reduced. Our investments in solar panels and voltage optimisation systems coupled with sourcing of renewable electricity are lowering our greenhouse gas emissions. Combined with our new strategy, our executive management team have developed a plan with the objective of delivering annual reductions in the energy used by the Group and therefore its carbon equivalent emissions. I am pleased to report that we remain on track for net zero scope 1 & 2 emissions by 2035.

We will continue to maintain links with other companies within our sector and seek to learn from them regarding initiatives to reduce energy consumption. We will continue to use the structure of ISO 50001 to help us identify where the greatest reductions in energy use can be achieved. Following recent ISO 14001 accreditation at our Ilminster and Torquay sites, in FY2024 we have started the process for a further two sites in Ashford, UK and Keene, US to receive full accreditation.

In support of this wider agenda, the introduction of a Sustainability Committee in FY2024 is aimed at providing further momentum and awareness internally, whilst also improving external communications and recognition via use of formal reporting methods to enable improved benchmarking amongst our peers.

G&H will continue to focus whenever practically possible, to minimise the use of natural resources, improve our energy efficiency, minimise the generation of waste whilst implementing and promoting recycling, consider the environmental impact relevant to our business decisions, minimise pollution and promote greener transport options and encourage our employees to act in an environmentally responsible manner. During FY2024, Environmental Champions are being introduced around the Group, which is aimed at enabling more projects to be assigned and further underpin ability to influence change within the sites.

### Q | What are the technology developments in G&H that excite you most?

As part of the new strategy we have updated our technology roadmaps to deploy platform design solutions to accelerate ‘time to market’ where G&H has technical differentiators. Under the leadership of our Chief Product and Technology Officer, I am excited about the refocused technology developments going into the three end markets we serve.

In our Industrial business we are investing to grow our acousto-optic offering by focusing on advanced deflectors and modulators for optical wafer inspection, advanced lasers in microelectronics, photolithography applications and other high-tech wafer fab infrastructure expansion. In our fibre optics business unit, G&H’s ‘ultra-clean’ couplers for extreme ultraviolet semiconductor foundries are now operational and we will continue to develop this world leading capability. We are also focused on exciting new product growth opportunities for G&H with fibre optics for distributed acoustic sensing, wind sensing, undersea sensing and quantum sensing. Our undersea telecom coupler business was strong in FY2023 and the outlook remains positive.

In A&D we have carried out an exercise to ensure we are more focused with our R&D activities ensuring better returns in the part of the business in future. We have started to prioritise high growth



As the world moves towards a more sustainable future, we are well-positioned to contribute to and benefit from the increasing demand for eco-friendly and energy-efficient solutions.”

areas where we offer a highly differentiated product capability such as satellite communications, directed energy systems, imaging for shipborne, airborne and spaceborne platforms, multi-spectral periscopes and advanced protective coatings. Many of these applications are seeing increased demand as a result of the conflict in Ukraine.

In Life Sciences, our R&D teams are focused on converting opportunities that merge different segments of the biophotonics market with our medical sub-system and full device design & manufacturing capabilities of the G&H | ITL business. Key areas of focus are ophthalmology, DNA sequencing, fluorescence and confocal microscopy, flow cytometry and therapeutic lasers for aesthetic and robotic surgery.

It is also exciting to see how the recent acquisitions of GS Optics and Artemis Optical, with their capabilities in precision polymer optics and advanced thin-film coatings respectively combined with G&H existing technical competence, is enhancing the customer focused technology offering of the Group.



#### How do you feel about the growth potential of the end markets that G&H serves?

Many of the markets we serve are witnessing rapid advancements and transformations with photonics being seen as an enabler for new frontiers of technology. As a Group deeply invested in innovation, G&H is well-positioned to address the evolving needs of our customers. We are actively pursuing opportunities to drive innovation and provide solutions that are not only cutting-edge but also aligned with the sustainability goals of our clients.

The global landscape is undergoing significant changes and we see this as an opportunity for disruptive growth. Our commitment to research and development, coupled with our improving ability to adapt swiftly to market trends, positions us to capitalise on the increasing demand for advanced technologies and solutions in the photonics space.

Additionally, our focus on sustainability aligns with the growing emphasis on environmental responsibility in the various industries that we serve. As the world moves towards a more sustainable future, we are well-positioned to contribute to and benefit from the increasing demand for eco-friendly and energy-efficient solutions.

Despite some near-term cyclical softening in our industrial demand seen in H2-FY2023, especially from some of our industrial laser and machine vision markets, G&H continues to see overall solid order intake across our Industrial market complemented by good uptake of new G&H products launched in those markets. Demand for our high-reliability fibre couplers remains robust, with the opportunity to offer next generation modules enhancing this long-standing

undersea cable business. We are also seeing demand for our products going into advanced lithography systems supporting the global semiconductor wafer infrastructure build-out.

In Life Sciences we continue to see growth in demand for our products used in medical lasers with particularly strong growth for devices that support aesthetic and ophthalmic procedures. At the same time, demand for our medical diagnostic products is expected to increase, firstly as previously delayed product launches have now received regulatory approval and secondly, from the investments we are making into our North American offering focused in Rochester, NY. The pipeline of medical device business remains strong as demonstrated by a next generation cancer care product developed by our customer and productionised by our engineering team that is moving into volume production in FY2024.

Our Aerospace & Defence markets have seen positive growth simulated by the conflict in Ukraine, higher government spending due to geopolitical tension and a continued uptick in civil aviation with air passenger demand levels expected to rise above pre-pandemic levels for the first time in 2024. The business has been successful in securing a number of new programme wins, most notably the upgrade of the optical sensor suite for UK's Challenger platform and several other armoured fighting vehicle programmes that are nearing their production phase or being accelerated into production to meet revised delivery timelines.

The order book for the Group is returning to more normalised levels but at £124.1m at the end of September 2023 compared to £147.8m at the end of FY2022 and £124.4m at end of H1 FY2023 is still at a historical high.



#### What were the operational performance highlights in the year?

G&H delivered strong financial progress in FY2023 which was underpinned by an improvement in the overall operational output of the Group. Many of the challenges that were a drag on performance and constrained output in FY2022, including staffing shortages, product transfer delays and supply chain disruptions have been addressed or contained. This has resulted in a much stronger operational performance across the sites in FY2023 with step change improvements in several key metrics including on-time delivery, a more than 50% reduction in factory past due backlog and notable progress in staffing and training to meet customer demand. We have also seen several sites embrace Lean continuous improvement activities to deliver productivity and safety improvements that will be deployed more widely in FY2024 and beyond.

Another significant operational highlight during FY2023 was the progress that was made with our Asian contract manufacturing

partner in Thailand. As well as increasing the number of products manufactured through this third-party partner, we also invested in our capability to scale-up delivery of this element of our strategy through the appointment in Q4 FY2023 of an experienced new Vice President of Contract Manufacturing & Supply Chain.

This was all achieved during a year when we have successfully integrated two new acquisitions into the business with manufacturing facilities in Rochester, NY and Plymouth, UK. We have also successfully closed two smaller satellite factories in Shanghai, China and Virginia, USA as part of our new strategy to streamline our operating footprint and deliver superior operational execution.

The global operations team delivered a significant improvement in the operational performance of the Group during FY2023, however, we are not complacent with this result and understand we have significant opportunities to further improve our operations as part of our new strategy to deliver sustainable margin growth.

#### **Q | How is the integration of GS Optics and Artemis into G&H going?**

During FY2023 the Group completed two carefully selected acquisitions to enable and accelerate the delivery of our new strategy. In June 2023, GS Optics was acquired to further expand the Group's capabilities into polymer precision optics and increase our Life Sciences presence in North America. This acquisition also created a presence in Rochester, NY – a world-leading centre for optics and photonics. Then in July 2023, Artemis Optical in Plymouth became the newest member of the G&H family, strengthening the Group's expertise in advanced thin film optical coatings. I am pleased to share that the integration of both companies into G&H has been progressing well and to plan. The strategic decision to bring these companies into our fold aligns with our vision for growth and innovation and I am confident that this move will yield benefits for our organisation in the future.

The integration process has been meticulous, focusing on a seamless blending of cultures, technologies and operational processes. Our integration teams have worked collaboratively to identify synergies and leverage the unique strengths of each entity. This concerted effort has not only facilitated a smooth transition but has also fostered a sense of unity and shared purpose among our employees. Key milestones have already been achieved in terms of streamlining operations, optimising resource allocation and capitalising on the complementary expertise that GS Optics and Artemis bring to G&H. The integration has enabled us to broaden our product and service offerings, enhancing our ability to meet the evolving needs of our customers. I am particularly excited about the potential for innovation that arises from the collaboration of diverse talents within our expanded organisation. We are actively pursuing opportunities to combine the best practices from all entities, driving continuous improvement and positioning G&H as a leader in the industry.





As we move forward, our focus remains on delivering exceptional value to our customers, employees and shareholders.”



We have also seen significant progress in the build out of the G&H | GS Optics facilities in Rochester to accommodate the expansion of our G&H | ITL business into North America. This provides a credible US capability platform to meet US medical device OEM requirements and mirror the world-class capabilities in Ashford enhanced by the optical systems design know-how in the wider Group. In Plymouth, we are already seeing positive signals of the enhanced commercial and technical offering that the newly combined businesses can offer, particularly into the A&D space. The teams in Ilminster, St Asaph and Plymouth are working together on multiple combined tenders for the UK market. We are also exploring how this approach can be deployed in the US and other regions with full engagement from our global sales team.



As we move forward, our focus remains on delivering exceptional value to our customers, employees and shareholders. The dedication and hard work displayed by everyone involved in the integration process has been commendable and I am optimistic about the promising future that lies ahead with both these businesses fully integrated into G&H.

#### Q | What are your priorities for FY2024?

While mindful of the current uncertain macroeconomic and geopolitical landscape, G&H is positioned for growth with a strong demand pipeline and a refreshed strategy. Positive progress continues with operational output increasing from our factories and our Asian manufacturing partner now producing at volume with resourcing upgrades underway to manage the accelerated qualification and transfer of additional products. Our R&D talent and investment is better focused on customer-led growth opportunities and outlook for the year ahead looks positive supported by the deployment of our new strategy across the whole organisation.

In FY2024, the Group will continue to seek opportunities to enhance value by moving up the value chain, with disciplined focus on specific areas of advantage like coating and sub-systems solutions, and in Life Sciences specifically, through to full systems where we can embed our biophotonics technology into medical or IVD devices. Our commitment to being customer-led remains but this will require continued changes in behaviours

and processes to ensure better results. We will continue to offer a balanced portfolio around Industrial, A&D and Life Sciences but with an increased emphasis on capturing the opportunities in Life Sciences, especially in North America, and in Industrial with the multi-year next generation of global semiconductor infrastructure build-out. Our priorities for the next financial year remain focused on: (1) invest in people, core technology and product platforms in collaboration with our customers, (2) operational execution from our own facilities and proactive outsourcing of products earlier in life cycle where technological sovereignty is not a differentiator through our Asian manufacturing partner, (3) we will address non-performers in combination with driving value creation from strategic acquisitions and (4) commercial focus on ‘customer experience’, delivering group synergies, cross selling and value-added solutions.

#### Q | How do you attract the best people to G&H?

At G&H there is a strong culture of expertise with a refreshed value system anchored on Customer Focus, Integrity, Action, Unity and Precision. We aim to attract, promote and retain a diverse group of talented people who share our values. The wellbeing of our colleagues remains a priority for the leadership team, and I am particularly mindful of the ongoing global ‘war for talent’ and the need for greater vigilance and attention around our human resources. Employees are looking for holistic growth which encompasses not just skills, remuneration and knowledge, but also expanding their horizons, fostering creativity, and promoting mental and emotional well-being. With this in mind, we will be appointing a new Chief People Officer in FY2024 to upskill our approach and leadership in this critical area. We will continue to invest in the personal development of employees, look to add more apprentices and harness talent from all age groups, backgrounds and ethnicities.

G&H’s new strategy has outlined ‘People’ as one of our four key strategic priorities to deliver sustainable margin growth and ‘a better world with photonics’, achieved through harnessing extraordinary talent across our whole organisation, establishing dynamic high-performance teams and creating a purpose-led culture that ensures G&H is a safe, engaging, diverse and inclusive place to work and thrive.



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At G&H there is a strong culture of expertise with a refreshed value system anchored on customer focus, integrity, action, unity and precision. We aim to attract, promote and retain a diverse group of talented people who share our values.”

# Acquisitions

Expanding the  
G&H portfolio

## INTRODUCTION

After implementing the Group's new strategy, which identified a path to mid-teen returns over the medium term, incorporating benefits from 'portfolio' optimisation by addressing non-performers and pursuing acquisitions with a focus on 'speed to value,' G&H announced the completion of two consecutive strategic acquisitions in the summer of 2023: GS Optics and Artemis Optical.

This represents a significant milestone, aligning with G&H's strategic vision for growth. We aim to add value by transitioning from complex photonics components to subsystems or full system solutions. Our focus on this transition led us to target two businesses that enhance our fuller photonics systems offering in A&D, advanced Industrial and Life Sciences markets. We specifically addressed gaps in coating, complex systems assembly, and new materials, and bolstered our Life Sciences footprint in North America.



### GS Optics

#### LOCATION

Rochester, New York

#### EXPERTISE

Polymer optic design, manufacture and coating

#### TEAM      FOUNDED

60+      1916



### Artemis

#### LOCATION

Plymouth, Devon

#### EXPERTISE

A thin-film coating specialist

#### TEAM      FOUNDED

40+      19<sup>th</sup>C

# G&H | GS OPTICS

## About GS Optics

GS Optics, originally founded as Germanow-Simon Corporation in 1916, has grown into a highly recognised specialist in polymer precision optics for the US market. G&H | GS Optics specialises in the custom design and manufacture of precision polymer optics for use in the biomedical, machine vision and analytical instrument markets, as well as military and civilian night-vision and visible-range sighting applications. Located in Rochester, NY, G&H | GS Optics produces injection moulded spherical, aspherical, cylindrical, and freeform imaging optics and mirrors from a well-equipped 60,000 square foot facility. In addition, it has well established in-house capabilities to provide custom designed, diamond turned and injection moulded prototypes, thin film anti-reflective and reflective coatings and integrated optical solutions.

## Rationale for Choosing GS Optics and Rochester

This acquisition, which is closely aligned to G&H's new strategy, significantly increases the Group's commercial footprint in several high-growth areas within the large US life sciences market including ophthalmic lenses, surgical imaging and diagnostic instrumentation. Prior to acquisition, GS Optics established itself as a leader in polymer optics, with a strong presence in the medical diagnostics sector. Combining the capabilities of GS Optics with the global reach of G&H's commercial and engineering teams will accelerate the Group's growth in optical solutions for the Life Sciences market as well as for some specific A&D and industrial applications.

G&H is investing into the G&H | GS Optics site in order to establish our 'centre of excellence' for Life Sciences in North America. Recognising GS Optics' distinguished track record and the Rochester area's reputation for excellence in optical design and manufacturing, we have outlined ambitious plans to establish the site as a high-performing design, development and manufacturing centre. Mirroring many of the existing capabilities we have in G&H | ITL in Ashford, Kent for the UK and European medical device market, the expanded capabilities at the site will offer G&H | ITL's solutions to the US Life Sciences market from Rochester, NY.

## Expertise in Polymer Optics and Life Sciences

G&H | GS Optics holds a strong reputation as a leader in polymer optic design, manufacture and coating, particularly in the Life Sciences sector encompassing medical microscopy, diagnostic imaging and laser surgery. G&H anticipates an expansion of solutions for customers, emphasising the enrichment of our offering from the addition of GS's polymer materials and extensive optics heritage combined with G&H's extensive precision optics and photonics expertise.

## Talent at G&H | GS Optics and in Rochester NY

The 60+ team of committed professionals employed by G&H in Rochester bring a wide range of talent and skills to the Group across engineering, tooling design, product management, manufacturing and other functions. We will be adding to the workforce in Rochester as part of our growth plans.

G&H also sees Rochester, NY as an ideal location for the company to attract and retain new talent into the Group aligned to our new strategy and expansion plans. The city boasts a rich pipeline of highly skilled talent and an experienced workforce.

The area is globally recognised as a hub for optics and related industries, boasting a critical mass and collaborative opportunities. With over 150 optics, photonics, and imaging companies, coupled with numerous educational institutions specialising in optics and photonics in the Greater Rochester area, it forms a thriving ecosystem for G&H to tap into.







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We were delighted to welcome GS Optics, a leader in polymer optics for the medical diagnostics sector and other markets, to G&H earlier this year. GS Optics is a high quality business with a strong customer base and differentiated technology. This strategic acquisition will accelerate the Group's growth plans in the North American Life Sciences market whilst also adding to our A&D and industrial activities. The acquisition is in line with our recently announced new strategy to become an innovative customer focused technology company.”

**Charlie Peppiatt, CEO**

# G&H ARTEMIS

## About Artemis Optical

Artemis Optical, with roots tracing back to a pioneering optician in Victorian London, has grown into a Plymouth-based enterprise employing 40 skilled individuals. The company is today a thin-film coating specialist renowned for its expertise in a variety of cutting-edge applications providing products that cater to the diverse needs of customers primarily in Aerospace & Defence as well as in the Industrial and Life Sciences markets.

G&H | Artemis is recognised as a global leader in designing advanced optical filters into three niche market areas. Firstly, vehicle and dismounted soldier survivability through tailored electro-optical systems and laser protection. Secondly, mission critical bespoke head-up display combiners and helmet mounted displays patches. Thirdly, customised system-enabling optical filters, mirrors and other bespoke precision optics for the industrial and life science customers.



## Rationale for Choosing Plymouth

G&H | Artemis operates from a modern facility near Plymouth in the UK and employs a talented design and engineering team, product managers and technical production operatives. The business operates from a modern state-of-the-art c.30,000 square foot facility which serves as a Centre of Excellence to coordinate the development of new coatings across G&H and is a hugely complementary fit to the Group's existing extensive coating capabilities.

This acquisition, which is closely aligned to G&H's new strategy, provides the Group the opportunity to offer both substrates and coating materials of the highest quality that perfectly align with their application or product requirements. By applying G&H's resources, expertise, and worldwide reach G&H | Artemis will be able to access new customers and territories for its capabilities.

This acquisition not only enhances G&H's existing product portfolio but also creates opportunities for vertical integration and cross-selling of combined capabilities. The move is expected to foster greater innovation across the organisation and fits perfectly into several of the Group's prioritised areas of technological focus and growth. G&H | Artemis brings specific competitive advantage in the A&D marketplace as well as significant technology enabling synergies in our Life Science and Industrial markets.

## Expertise in Thin-Film Coating

G&H | Artemis's thin-film coating expertise is expected to significantly expand the Group's ability to offer customers diverse choices tailored to their unique requirements. The acquisition facilitates enhanced vertical integration, allowing G&H to provide comprehensive solutions to customers in defence and other industries requiring robust laser protection and advanced optical filtering. Through this acquisition, G&H customers can select precise substrate and coating materials of the highest quality, aligning perfectly with their application or product requirements. Acting as a Centre of Excellence for thin-film coatings within the Group, G&H | Artemis will accelerate the coordination of our extensive global fleet coating chambers, related technical expertise and help to accelerate the development of our customer focused roadmap, thus enhancing the 'customer experience' of doing business with G&H.

## Talent at G&H | Artemis

G&H | Artemis boasts a highly talented team of 5 thin-film design engineers and 3 manufacturing and process engineers with an average tenure of over 20 years. In addition, the G&H | Artemis team brings its own commercial expertise and relationships in A&D and precision optics which will complement our existing global sales teams.



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The addition of G&H | Artemis' coatings expertise to G&H's capabilities was identified in our new strategy as one of the opportunities to deliver sustainable margin growth for the Company. Artemis' renowned excellence in thin-film coatings complements our existing capabilities to enable us to deliver advanced photonics technology and unparalleled value for our customers. The integration of the business has proceeded in line with our plans, and we are well-positioned to accelerate our customer focused innovation plans to deliver the expected commercial synergies from the deal.”

**Charlie Peppiatt, CEO**

# Our Strategy

A white and green robotic arm, resembling a LEGO Technic model, is positioned in the upper right quadrant of the page. The arm features a prominent black camera lens at its tip, which reflects the surrounding greenery. The background is a soft-focus field of vibrant green lettuce plants under bright, natural light. The overall composition suggests a theme of precision agriculture and technological innovation.

Our strategy is focused on delivering sustainable margin growth and transforming G&H into 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 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.



### 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.

## 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 has been appointed and upskilling of the HR function through personal development and where appropriate replacement of a number of our site HR business partners.
- Assessment underway of a new Group-wide HR Information System that will provide our HR leaders with a single source of information on each of our employees.
- 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 FY2023.
- Successful integration of the two new acquisitions that joined G&H in the second half of FY2023. The 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.
- Roll out of our accident prevention "Spot It, Stop It" campaign to encourage the identification of potential workplace dangers so they can be fixed before an accident happens.
- Susan Searle has joined the Board as new non-executive director, improving our diversity.
- Susan will chair our newly established Sustainability Committee which will focus amongst other things on driving the Group's equality, diversity and inclusion agenda.

## Future Priorities

- In FY2024 we intend to complete the selection and implementation of our new Group HR Information System.
- We will 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.
- 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 FY2023 employee engagement survey to deliver further improvements in employee engagement, performance and well-being.
- Our newly formed Sustainability 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 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 commercial teams have been reorganised to allow a better focus on our medium and long-term product management strategies, separately from short-term orders generation.
- We are working closely with a number of our major customers on their next generation product roadmaps.
- The Group's on time delivery performance improved significantly during the year. Overdue backlog associated with Operations fell to £5.7m from more than £11m at the previous year end.
- We have added new resources in our Supply Chain team including a new VP of Contract Manufacturing and Supply Chain to drive process improvement in our supply chain teams.
- Our Asian contract manufacturing partner can now provide us with additional capacity for the build of acousto-optic devices as demand from our customer base grows, without impacting our on time delivery performance.
- We completed the qualification of that supplier for the manufacture of fused fibre couplers during the year adding 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 completed the transfer of our North American medical diagnostic manufacturing activity from its former site in Virginia into our newly acquired G&H | GS Optics facility in Rochester. This means we have more capacity and access to larger pool of optics talent in the Rochester, New York state location.
- Closed small satellite factory in Shanghai, China as part of our new strategy to streamline our operating footprint and deliver superior operational execution.

### 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 have appointed a new VP Global Sales & Business Development who has significant experience in global business development and go to market strategies in high tech product markets.
- 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 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 will identify 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 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 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 FY2023 totalled £9.3m.
- Revenue from new products totalled £26.1m and there were 57 new products released to the market.
- We have identified the vital few "Lucky Seven" research programmes which will receive priority given their potential to deliver materials accretion to the Group's revenues and profitability.
- Acousto-optic: commercialisation and ramp-up of optimised Germanium-based modulators for CO2 lasers used in semiconductor fabrication and micro-machining
- Electro-optic: development of new Pockels Cell devices with new coatings for medical lasers.
- Fibre optic components: design and qualification of new fused fibre optic components for next generation higher fibre-count subsea networks.
- Fibre optic systems: development and transfer into production of new fibre-optic modules for semiconductor and biomedical imaging.
- Precision optic systems: design of novel imaging sighting systems for the UK's main battle tank.
- 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 and cyber security of patient data.

#### Future Priorities

- Focused investment in the vital few "Lucky Seven" development projects.
- Use our newly acquired G&H | Artemis business to become a global hub and Centre of Excellence to develop our advanced coatings offerings and to capture a greater share of our customers' spend.
- 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 acousto-optic regional design centre in Fremont, US to support a 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 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 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. 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

- We invested £18.4m in the acquisitions of GS Optics and Artemis Optical.
- We have developed detailed integration plans and are progressing well against them. We have already transferred our US medical diagnostics business that was located in Virginia to the G&H | GS Optics Rochester campus and closed our Shanghai satellite manufacturing site.
- As our supply chain is able to increasingly deliver to us on time and in full we have been able to reduce the levels of our safety stock holding, particularly in the second half of the financial year.
- 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.
- 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 complete the integrations of GS Optics and Artemis. In particular we are focused on securing the commercial synergies that their introduction into the G&H Group will bring.
- We are already seeing the benefits of the substituting previously third party spend in both G&H and the two acquired businesses with internal supply. Our customers are excited by the combined offerings that G&H is now able to offer.
- We will 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.
- Our capital equipment spend will be focused tightly on those areas of the business that offer the greatest potential return.
- We are targeting further reduction in our inventory holdings applying the supply chain management principles that have been successfully deployed in the second half of FY2023.

## OPERATIONS REVIEW






# Industrial

## Financial

### Revenue

**£77.1m**

(FY2022: £64.6m)

2023	£77.1m	
2022	£64.6m	
2021	£55.6m	
2020	£54.8m	
2019	£60.9m	

### Adjusted Operating Profit

**£10.5m**

(FY2022: £8.4m)

### Operating Profit

**£9.3m**

(FY2022: £7.3m)

### Percentage of Revenue

**51.9%**

(FY2022: 51.7%)



### Adjusted Operating Margin

**13.6%**

(FY2022: 13.0%)

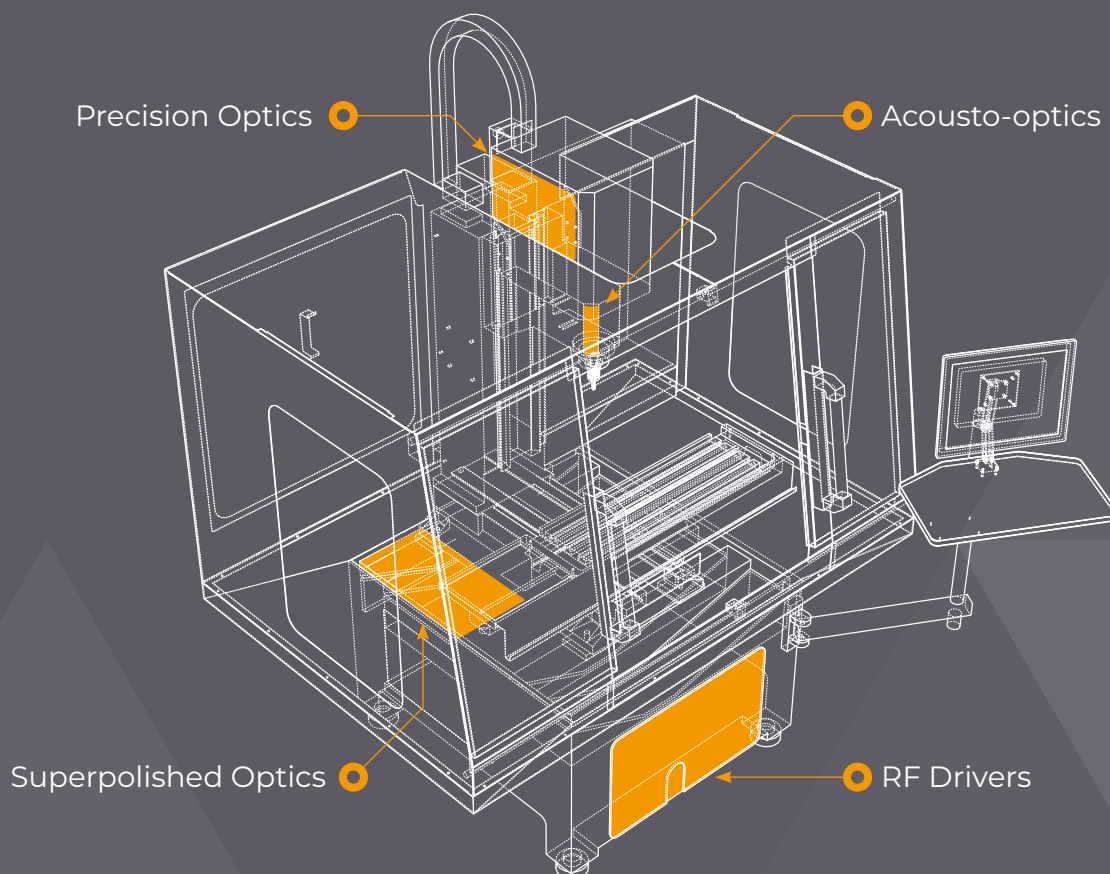
## Our Products Enable

- **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 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.

### Semiconductor Manufacturing Laser Equipment



## Our Strategy in Action

With investment and focus on our recruitment activities we were able to solve many of the resourcing problems that had impacted the Group in the previous year. We looked at our benefits packages to make sure we were an attractive place to work for our existing and new employees.

The work we have done with our supply chain supporting additional capacity for our deliveries in to the Industrial markets in FY2023. We completed the qualification our contract manufacturing partner in Asia for the production of high-reliability fused couplers in addition to the acousto-optic products they are already making for us.

The result was a significant step up in output compared with the prior year and a reduction in our overdue backlog. Our customers are seeing our on time performance improve and our lead times reduce.

Overall, sales of products into our Industrial markets grew by 19.5% (15.3% excluding foreign exchange) compared to the prior year. Revenue growth into our semiconductor markets was particularly strong as we delivered against the very strong order book we brought into FY2023. Our FY2023 revenue into this market included our first deliveries for fibre optic splitter units used in the world's most advanced deep and extreme ultraviolet semiconductor lithography machines. This customer programme is forecast to increase in volume in the coming years.

Revenues into our core industrial laser market also grew strongly. Demand for our germanium acousto-optic modulator used in the Q-switching of solid-state lasers was particularly strong. In the second half of the year we saw some evidence of over stocked positions amongst some of our distributor customers who were

asking for either a slow down or pause in deliveries to them whilst they normalised their inventory holding. This market is ultimately driven by end consumer demand primarily for personal electronics and this market tends to be naturally cyclical. We are monitoring closely the demand picture in this market to ensure we make operational capacity adjustments in a timely manner.

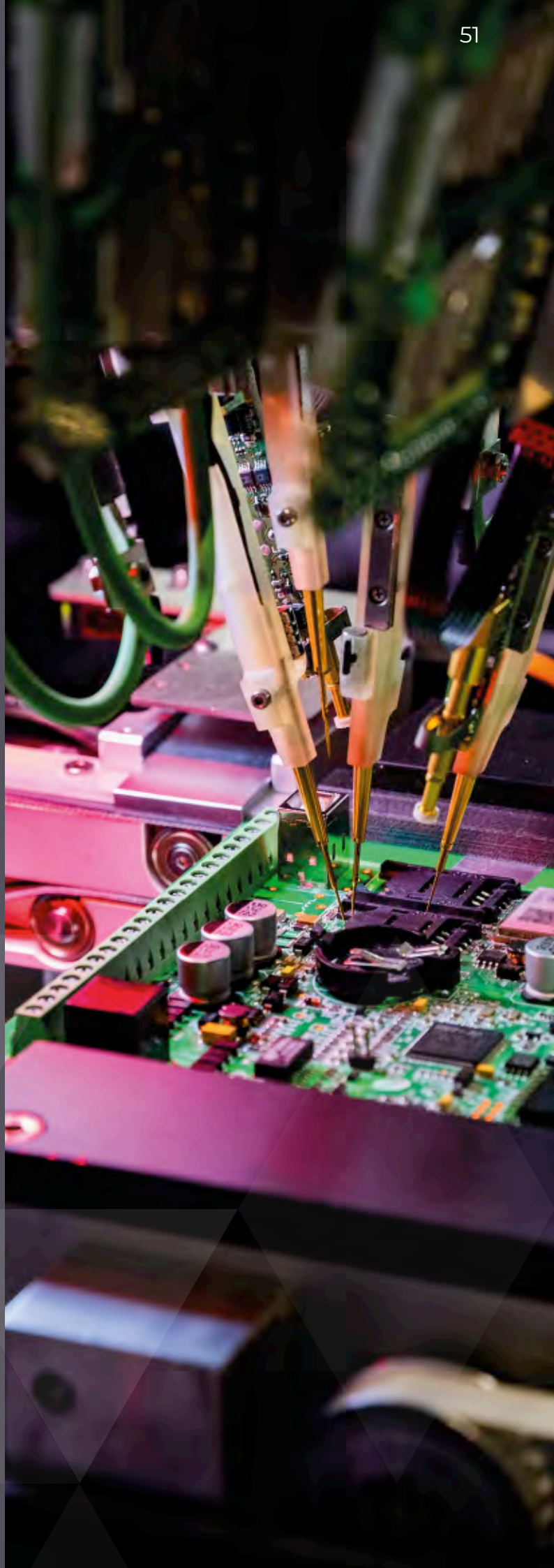
Our performance in the sensing market in the year was also strong with revenues growing by around one third. Our laser engines provided by our Torquay facility are our core offering into this market and two significant end customer programmes ramped up in FY2023 after a quieter performance in FY2022. Our customers' end programmes are for border, perimeter and pipeline monitoring and protection. We are also seeing growing demand for our sensing products that are critical to the safe and efficient operation of wind turbines. We secured an important new contract win with Europe's largest wind turbine provider who rely upon us for the laser engine that controls their wind turbine systems.

Revenues for our high-reliability fused coupler products used in subsea data cables grew marginally in FY2023 compared with the prior year. As noted above we completed the qualification of our Asian contract manufacturing partner for the production of these products during the year and first deliveries were made from them direct to some of our customers. This opens up a third source of supply for these products and in particular offers the possibility for some margin expansion on this product line. We now have the capability to offer significantly more capacity for these products to our fibre laying customers and we are hopeful of securing a greater proportion of our customers' needs.



## Strategic Priorities for FY2024

- We have recently invested in further product management resources for our acousto- and electro-optic products which form the majority of our product offerings into the Industrial market. This will enable us to further collaborate with our customers and invest our R&D in the areas that address their most demanding needs.
- We will bring new products to the market and ensure that we remain at the cutting edge of technology in this growing market. During FY2023 G&H introduced 12 new products in the Industrial market, generating £10.6m of revenue.
- We will work with our low-cost contract manufacturing partners to outsource more products to them in order to support our margin expansion and to extend the lives of these products. This will help us to offer our customers additional capacity and shorter lead times.
- We will focus on niche markets that play to the strengths of G&H, principally those that demand high levels of quality and reliability, typically requiring technically challenging design and engineering input incorporating a range of our products. Those markets may require survivability in harsh environments.
- We will leverage our technology roadmaps to transition from being a components supplier to a manufacturer of subassemblies, instruments and systems.



## OPERATIONS REVIEW






# Aerospace & Defence

## Financial

### Revenue

**£38.6m**

(FY2022: £30.6m)

2023	£38.6m	
2022	£30.6m	
2021	£41.1m	
2020	£41.4m	
2019	£44.2m	

### Adjusted Operating Loss

**£(2.3)m**

(FY2022: (£2.7m))

### Operating Loss

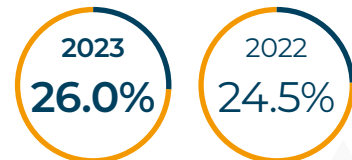
**£(2.9)m**

(FY2022: (£3.4m))

### Percentage of Revenue

**26.0%**

(FY2022: 24.5%)



### Adjusted Operating Margin

**(6.0%)**

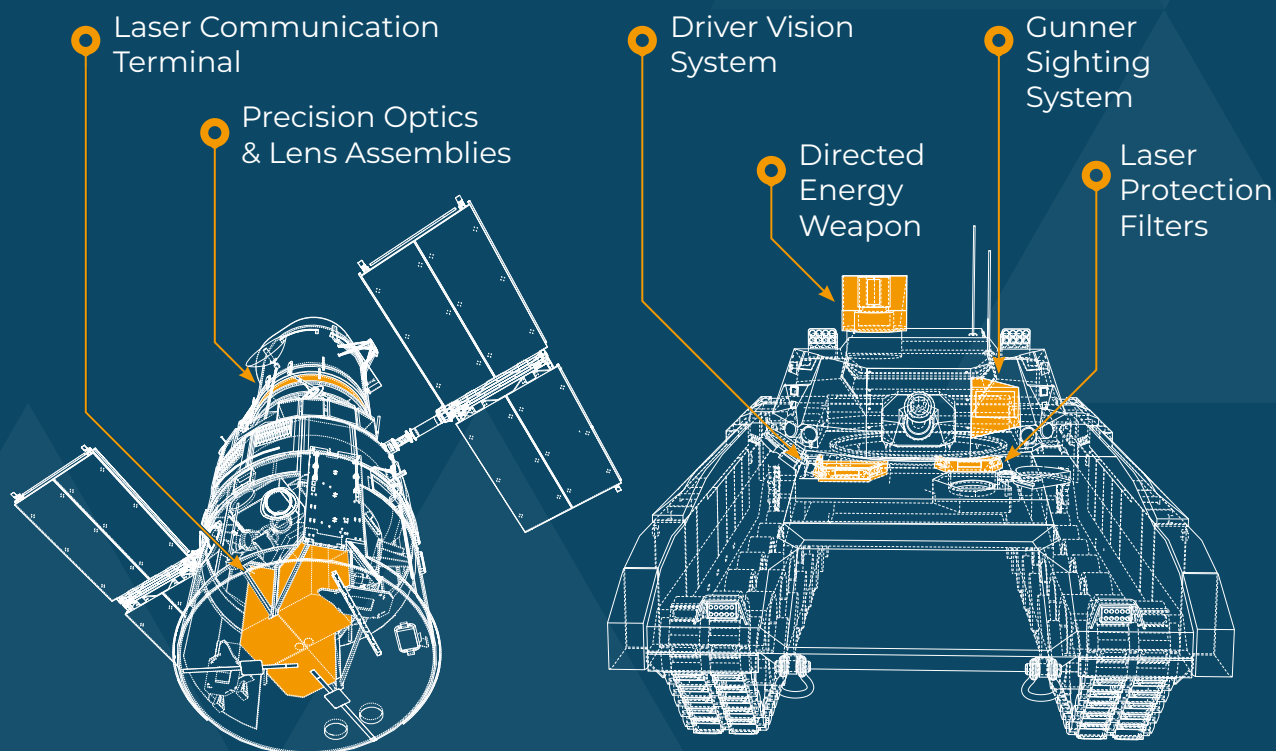
(FY2022: (8.7%))

## 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.
- **Polymer optics** for low weight, less expensive optics as required for soldier, body worn system such as night vision goggles and riflescopes.

## Market Drivers

- The Ukraine conflict has driven further investment in both armoured vehicles and 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.
- IR 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 on to 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

FY2023 saw significant improvements in our on time delivery to this market thanks to resolving some of the staffing issues that had resulted from our operational footprint restructuring programme over the previous two years. Our customers saw a reduction in lead times and an improvement in our on time delivery performance. We were rewarded by receiving a greater share of some of our larger customers' overall needs.

Important milestones were achieved in the development of our next generation periscopes systems which are to be deployed on the upgraded Challenger tank platform and on some of our export programmes.

We were delighted to be able to complete the acquisition of Artemis in July 2023. The opportunity to combine optical substrates from our Ilminster facility with the coating capabilities that the G&H | Artemis business offers is exciting. We showcased G&H | Artemis on the G&H stand at this year's DSEI trade show and there was significant customer interest in the integrated offering that we are now able to offer. Our newly acquired GS | Optics business also provides us a new capability with which to access the market for low weight optics for soldier, body worn systems.

The resolution of some of the production constraints seen in the prior financial year meant that our A&D revenues grew sharply by 26.2% during FY2023, compared with the equivalent period last year, and by 22.0% on a constant currency basis. We achieved significant increases in revenues of components and systems used in imaging systems in the defence arena, including thermal imaging cameras from our Keene, New Hampshire facility. Demand is currently strong for these systems driven in part by the increasing need for new systems that have the capability to counter UAVs.

Our Boston facility also moved in to full scale volume production for the supply of their fibre optic modules used in a missile defence platform. Whilst we continue to work on our production yields for these highly sensitive modules, which remain below expected level, we were pleased with the increasing levels of output and the fact that we were able to reduce our past due backlog on these programmes.

Revenues from our deliveries of periscopes and sighting systems for armoured vehicles increased marginally from the prior year but in FY2023 we started to record revenues for our development and prototyping activities on the UK MoD's Challenger 3 upgrade programme. This exciting new programme will generate revenues for us for several years to come as the UK fleet is progressively updated. The core technology that is being used will also form the basis of a number of other programmes that we have either been awarded or are in the process of bidding, most of which can be directly linked to the current Ukraine conflict.

Whilst it still represents a small percentage of the Group's FY2023 revenues, 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. We also continue to be active in working on customer funded programmes that use the same technology fitted to very high-altitude unmanned air vehicles. The area of laser-based space communications is a key element of our more focused and accelerated technology development programme.

Our teams have continued to work on directed energy systems with a number of prime contractor customers. 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 production revenues once development activities are complete.

In the commercial aerospace market we are seeing strong recovery in demand for our components that are used in ring laser gyroscopes for guidance and navigation purposes. Our Moorpark business that provides these components has been asked by its principal customer to increase delivery volumes and the site is busy recruiting to service that growing demand picture. We believe some of that growing demand is a result of our securing a greater share of the end customer's allocation of their overall needs given the quality of the G&H product.

Our growth in revenues in this market compared with the prior year helped to reduce our adjusted operating loss for the segment from £2.7m in FY2022 to £2.3m in the current year. We recognise we have much work to do to restore this business to the levels of profitability that are required. We are investing additional, dedicated resources to improve our production yields in our A&D businesses. We are also reviewing whether we have sufficiently differentiated product offerings in all of the areas currently supplied by our existing A&D business to justify continuing to supply.





## Strategic Priorities for FY2024

- We are investing to move up the value chain using combinations of our components and technologies to demonstrate our capability to build systems and sub-systems. The addition of G&H | Artemis coating capabilities further support this strategy. Our customers are changing their business models and are actively encouraging companies such as G&H to provide them the supply of fully outsourced sub-assemblies and modules.
- We will exploit our latest technology in digital periscopes to win new programme positions in a growing market. Our work on the UK's Challenger programmes provides the underpinning technology that we can carry forward into other programmes.
- We will continue to invest in our manufacturing processes and engineering in order to meet the needs of our customers. We are exploring new combinations of optical materials and thin film coatings to address the market's developing needs.
- We will introduce a greater number of new products, including products which look to fill a market need, in a managed and cost-effective way, as well as take on projects with a high technical content initiated by our customers. During FY2023 G&H introduced 42 new products and generated £10.5m 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.



## OPERATIONS REVIEW






# Life Sciences

## Financial

### Revenue

**£32.8m**

(FY2022: £29.7m)

2023	£32.8m	
2022	£29.7m	
2021	£27.4m	
2020	£25.9m	
2019	£24.1m	

### Adjusted Operating Profit

**£4.1m**

(FY2022: £4.0m)

### Operating Profit

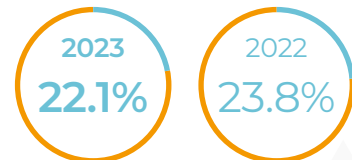
**£3.2m**

(FY2022: £3.7m)

### Percentage of Revenue

**22.1%**

(FY2022: 23.8%)



### Adjusted Operating Margin

**12.5%**

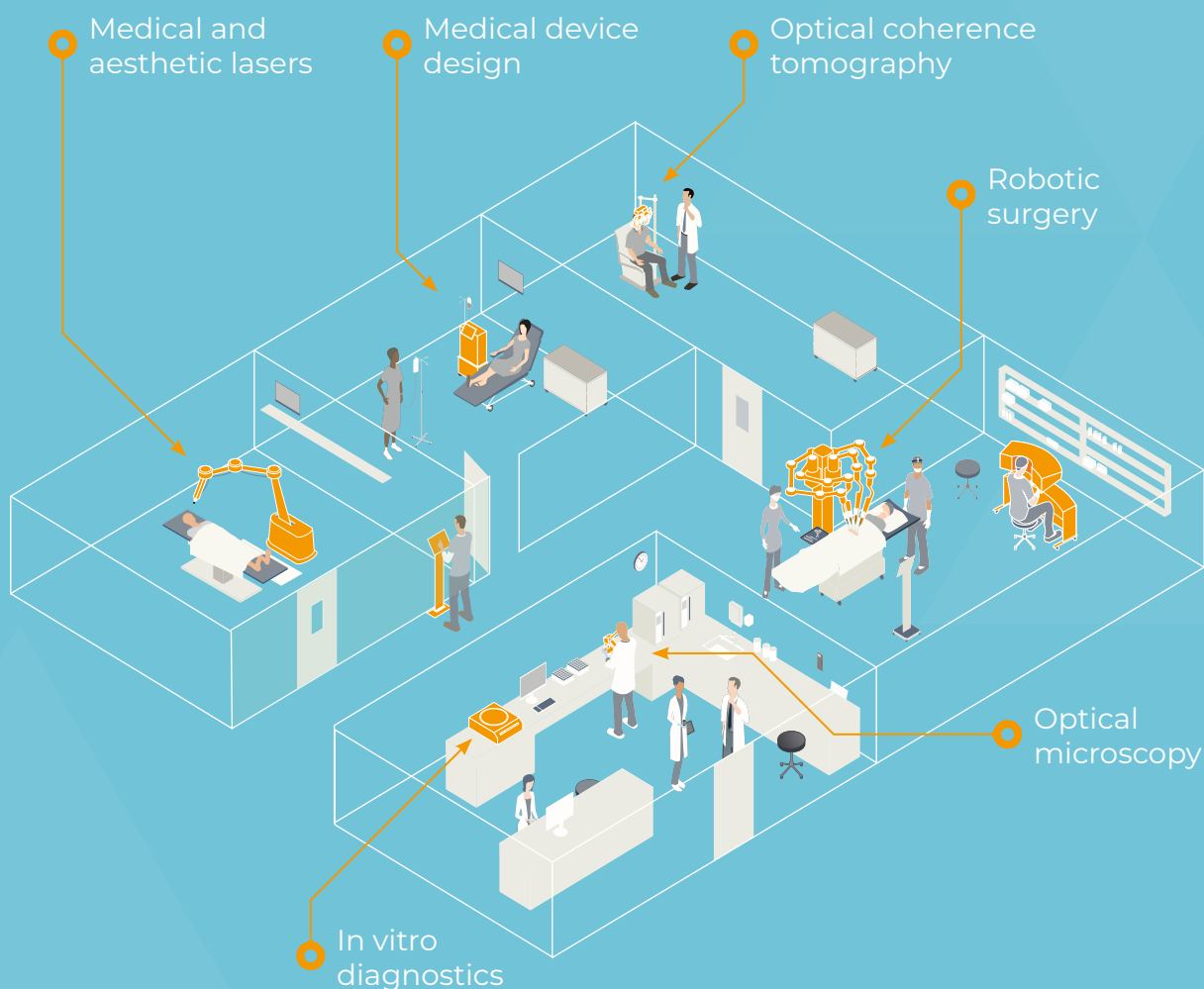
(FY2022: 13.3%)

## Our Products Enable

- **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.
- **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.

## Market Drivers

- Strong growth in 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.
- 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.
- 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

We were pleased to be able to complete the acquisition of the GS Optics business. This addition to the Group significantly increases our commercial footprint in several high-growth areas within the large US Life Sciences market including ophthalmic lenses, surgical imaging and diagnostic instrumentation. It also adds the new capability of polymer optics to the Group.

Immediately following the acquisition we have invested in the G&H | GS Optics site in Rochester, NY state to establish our Centre of Excellence for Life Sciences in North America. We will use the site to mirror many of the existing capabilities we have in Ashford, Kent for the UK and European medical device market to offer G&H | ITL's solutions to the US Life Sciences market. We are growing our medical instrument design and development team at the Rochester location and are now able to offer our OEM medical device customers significantly more capacity for production build in the US than was previously the case.

The deployment of our improved operational processes also supported our performance in the Life Sciences market. Our Life Sciences revenue grew by 10.4% in the year to 30 September 2023, compared with the prior year. When measured at constant currency this represents growth of 8.2%. Medical diagnostic demand remained broadly flat compared with the levels seen in FY2022 but one of our customers' important next generation instruments has recently received final accreditation and will therefore move into full scale production providing important underpin to FY2024 revenues.

Our ITL engineering team in Ashford continue to service a healthy order book of new development work from which we expect future production volumes will be secured. We have refreshed the management team at the site with proven leadership skills recruited from large Life Science companies and they will support the site in its next stage of growth and development.

Demand for our components used in specialist medical laser products achieved mid-single digits growth. Demand was strong in the first half of the financial year as we dealt with the very large order book, including some late deliveries brought forward from the previous financial year. In the second half we saw some tailing off of demand as some customers requested push outs of scheduled deliveries whilst they corrected their own inventory holdings. We remain watchful of the demand picture in this end market which is ultimately driven by end consumer demand for cosmetic procedures.

## Strategic Priorities for FY2024

- We will complete the investments we are making in business winning and engineering resources located in our North American Life Sciences hub located in Rochester and secure a greater share of the large North American medical diagnostic market.
- We will work with our OEM Life Sciences customers on the development and accreditation of their next generation medical devices and secure the follow-on production revenues from their instrument build.
- We will work on our crystal growth processes and look to outsource a greater proportion of our component build for medical lasers to deliver margin expansion from this product line.
- We will integrate our new polymer optics capabilities into the overall product offering for our customers helping to drive the further growth of our G&H | GS Optics business.
- We will continue to invest in R&D projects in close collaboration with our customers, to develop the existing portfolio of products and to ensure that they remain competitive. During FY2023 G&H introduced 3 new products and generated £4.9m of revenue from products that address its Life Sciences/Biophotonics market, especially in the medical instrumentation market.







# Financial Review

## Overview of the Year

We entered FY2023 with a record order book including a higher than normal level of past due backlog. During the year we have made excellent progress in delivering that order book and bringing our late backlog levels down thanks to focused activities in the area of resourcing and supply chain management. The result was growth in revenue of 17.3% excluding the effect of the two acquisitions completed over the summer months. When the contribution from the two acquisitions is added revenues for the year totalled £148.5m (2022: £124.8m). It was good to see significant revenue progression being made in each of our three market areas.

Inflation was a net headwind to Group profitability in the first half of the financial year but in the second half our pricing actions offset the cost base inflation we experienced. After the difficulties we experienced in securing on time, in full deliveries from our supply chain in FY2022 and the first few months of FY2023 in the second half of the year the situation improved and at the same time materials inflation started to abate.

The additional volumes helped to contribute to an increase in adjusted operating profit to £11.3m (2022: £8.9m), despite the net headwind from inflation in the first half of the financial year. We have also invested to add further skilled resources in our engineering, supply chain and operations teams to establish a strong foundation on which to support the further growth of the Group. After the impact of adjusting items which included acquisition and disposal costs and the cost of the Group's restructuring and site consolidation activities, the full year statutory operating profit was £6.9m (2022: a loss of £(1.6)m).

Adjusted EPS increased to 31.3 pence (2022: 27.2 pence) reflecting the Group's improved adjusted operating profit in year. Basic earnings per share was a profit of 16.1 pence (2022: a loss of 8.0 pence), with the improvement attributable to both the improvement in adjusted operating profit as well as a reduction in adjusting items compared to the prior year.

“

We've made significant progress in adding capacity. Our capital is being deployed efficiently and effectively to support our growth.”

**Organic  
Revenue Growth**

**+17.3%**

**Total  
Revenue**

**£148.5m**

**Adjusted  
Operating Profit**

**£11.3m**

During the year we invested £11.7m cash in the acquisitions of GS Optics and Artemis and a further £2.0m in working capital levels to support the Group's growing order book and to mitigate the risks from some elements of our supply chain. Our investment in additional inventory peaked at the end of the first half and in the second half of the year we inflowed £3.7m from reductions in our inventory holdings, reflecting our growing confidence in our supply chain and our ability to hold lower levels of safety stocks in the business. Cashflow from operating activities totalled £16.2m (2022: £6.1m). We ended the year with net debt of £31.7m (2022: £19.1m) including IFRS 16 lease liabilities of £10.8m (2022: £6.3m). Dividend payments totalled £3.2m (2022 - £3.1m). At 30 September 2023 leverage was 1.1x times (2022: 0.7 times).

In the first half of the financial year, our order book returned to normalised levels as our customers took advantage of our shortening lead times and, in some cases, took steps to regularise their inventory holdings which had become inflated. The result was that in the first six months of the financial year, our book-to-bill ratio was 0.8x and the order book reduced to £124.4m at the end of March 2023. During the second half of the financial year excluding the two newly acquired businesses the Group's book-to-bill ratio stood at 1.04x and the Group finished the year with an order book of £124.1m. This provides a good level of underpin and visibility for FY2024 revenues.

## Revenue

Year ended 30 September	2023		2022	
	£'000	%	£'000	%
Industrial	77,131	51.9%	64,553	51.7%
A&D	38,556	26.0%	30,553	24.5%
Life Sciences/ Biophotonics	32,789	22.1%	29,696	23.8%
<b>Group Revenue</b>	<b>148,476</b>	<b>100.0%</b>	<b>124,802</b>	<b>100.0%</b>

Group revenue totalled £148.5m (2022: £124.8m) including a £2.2m contribution from the two acquired businesses. Group revenue was 13.6% higher than the prior year on an organic, constant currency basis. Revenue in the second half grew 5% compared with the first half, again excluding the contribution from the two acquired businesses and on a constant currency basis. We saw growth in revenues across all three of our end markets with the largest percentage increase coming from our A&D business where we migrated a number of programmes into volume production and demand for our components and camera systems for a range of imaging systems was strong. Revenues into our A&D market grew by 20.4% on an organic, constant currency basis.

In our Industrial markets demand for our components that are used in semiconductor production were strong while we also achieved growth into the industrial laser and sensing market. Revenue grew in our Industrial markets by 13.7% on an organic constant currency basis. Finally in our Life Sciences markets volumes for our medical diagnostic business were broadly flat compared with the prior year but revenues in to the medical laser market were good resulting in a 6.2% revenue growth for this section when measured on an organic, constant currency basis.

## Operating profit and margin

The Group's adjusted operating profit was £11.3m (2022: £8.9m) and statutory profit was £6.9m (2022: loss of £1.6m) after a charge of £4.5m (2022: £10.4m) for items excluded from adjusted operating profit. This included:

- Acquisition costs of £2.8m (2022: £1.9m) of which £1.7m (2022: £1.9m) related to the non-cash amortisation charges on intangible assets arising on the Group's historical and current year business combinations. The remaining £1.1m related to costs incurred associated with the changes to the Group's portfolio of businesses, most significantly the acquisitions of GS Optics and Artemis.
- Restructuring costs of £0.8m (2022: £1.2m) associated with the restructuring of the Group's operations and the costs incurred to establish our contract manufacturing partners capability to manufacture both acousto-optic and fibre optic products.
- Site closure costs of £0.9m (2022: £nil). During the year the Group closed its small facility in Shanghai and transferred its G&H | ITL business' US operation from its site in Virginia into the campus in Rochester.

The adjusted operating margin of 7.6% (2022: 7.1%) reflects the benefit of the additional volumes as well as the first stages of our operational improvement programme. The above margin improvement was achieved despite a net headwind to profitability in the first half of the year from increases in input costs outstripping our own price increases to customers. In the second half of the year there was a balance achieved between increases in our input costs and our pricing to customers. Whilst profitability in our Life Sciences and Industrial businesses is approaching our medium term target of mid-teens returns our A&D business remains loss making. We are investing further resources to address poor production yields on some of our product ranges. We are also assessing whether some of our current product offering should be discontinued if we cannot formulate a clear path to acceptable returns.





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

Year ended 30 September	Operating (loss)/profit		Net finance costs		Profit/(loss) before tax		Taxation		Earnings / (losses) per share		Operating cash flow	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 pence	2022 pence	2023 £'000	2022 £'000
Reported	6,850	(1,557)	(1,830)	(717)	5,020	(2,274)	(972)	264	16.1p	(8.0p)	16,164	6,084
Acquisition costs	1,156	-	57	-	1,213	-	(83)	-	4.3p	-	1,116	-
Amortisation of acquired intangible assets	1,672	1,903	-	-	1,672	1,903	(327)	(412)	5.4p	6.0p	-	-
Impairment of goodwill and intangible assets	-	6,726	-	-	-	6,726	-	(288)	-	25.7p	-	-
Restructuring and site closure	1,666	1,179	-	-	1,666	1,179	(337)	(235)	5.5p	3.8p	934	526
CEO succession	-	613	-	-	-	613	-	(87)	-	2.0p	-	-
Deferred tax on goodwill	-	-	-	-	-	-	-	(695)	-	(2.8p)	-	-
Tax charge arising from restatement of UK Deferred tax at 25%	-	-	-	-	-	-	-	127	-	0.5p	-	-
Adjusted	11,344	8,864	(1,773)	(717)	9,571	8,147	(1,719)	(1,326)	31.3p	27.2p	18,214	6,610

**Finance costs**

Net finance costs totalled £1.8m (2022: £0.7m) with the increase due to the higher drawn debt levels and higher base rates. Included within these costs is a charge of £0.3m (2022: £0.2m) in respect of lease interest. A 1% increase in the cost of the Group's bank borrowings would have resulted in an annualised increase in interest expense of £225,000 (2022: £147,000). Further details of the Group's debt facilities are set out on page 64.

**Taxation**

The Group's overall tax charge was £1.0m (2022 credit of £0.3m) including a £0.7m credit (2022: £1.6m) in respect of items excluded from adjusted profit. The adjusted tax charge was £1.7m (2022: £1.3m) resulting in an effective tax rate of 18.0% (2022: 16.3%). 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.

**Earnings Per Share**

Basic adjusted earnings per share increased to 31.3 pence (2022: 27.2 pence), reflecting the improved adjusted profit in the period. Basic earnings per share improved to 16.1 pence (2022: 8 pence loss). This improvement was driven by the improvement in adjusted operating profit and the reduction in adjusting items set out above.

**Cash flow**

Cash flow generated from operating activities was £16.2m (2022: £6.5m). During the first half of the financial year the Group invested £3.5m in additional working capital, principally in additional inventory to support growing production volumes but also to

protect our customers' delivery schedules in the face of continuing inconsistency in on time delivery from some parts of our supply chain. In the second half of the year, the Group was able to reduce its investment by £1.5m thanks to better on time performance from our suppliers and therefore our growing confidence that lower levels of safety stocks were required.

Our net capital expenditure totalled £6.9m (2022: £8.6m). The spend included further investment in our contract manufacturing partner's facility to equip them for the build of high-reliability fibre couplers in addition to the acousto-optic devices already transferred to them. We also transferred our G&H | ITL business on to the Group ERP system during the year.

Our cash investment in the acquisition of GS Optics and Artemis totalled £11.7m, of which £8.6m was in respect of GS Optics and £3.1m in respect of Artemis. To fund the investment \$20m was converted from our uncommitted accordion facility into our base revolving credit facility. Since that time repayments of \$5.5m have been made. In addition ordinary shares with a value of £2.1m were issued to the sellers of the GS Optics business and of £2.4m to the sellers of Artemis. Deferred and contingent consideration of up to \$2.1m is payable for the acquisition of GS Optics dependent upon its financial performance in the 12 months ended 31 December 2023. Deferred and contingent consideration of up to £2.2m is payable for the acquisition of Artemis dependent upon its financial performance to 31 July 2025.

Dividend payments in the year totalled £3.2m (2022: £3.1m).



### 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. At 30 September 2023, the Group had drawn \$34.6m from its Group debt facility leaving undrawn committed and uncommitted facilities of \$35.4m. The Group's borrowings are in the form of a US\$ denominated Revolving Credit Facility (RCF). 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 2023 net debt/adjusted EBITDA was 1.1x (30 September 2022: 0.7x). Interest cover at 30 September 2023 was 9.0x (30 September 2022: 24.6x).

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 88 to 91. 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 2023, 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 8.2 pence per share (FY2022: 7.9p), giving a total of 13.0 pence per share (FY2022: 12.6p) for the year when combined with the 4.8 pence per share paid as an interim dividend in July 2023 (FY2022: 4.7p). 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 these net sales 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	
	2023	2022
USD/GBP	1.23	1.28
Euro/GBP	1.15	1.18

Balance Sheet	Closing rate	
	2023	2022
USD/GBP	1.22	1.12
Euro/GBP	1.15	1.14

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.



“

We have invested to add further skilled resources in our engineering, supply chain and operations teams to establish a strong foundation on which to support the further growth of the Group.”



# 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

We are focused on reducing our impact on the environment and supporting actions to limit climate change. We are making good progress on our sustainability journey and are working hard to maintain momentum.

We believe the current increased focus on energy security will drive further growth in the products we provide that support the move from carbon based fuels to clean, renewable energy generation.

We understand the benefits that a diverse workforce can bring. We encourage talent with different backgrounds to join G&H, at all levels within the organisation. We operate apprenticeship schemes in our facilities and are delighted to see the progression of our former apprentices within our management teams. We are committed to the wellbeing and development of our people.

We seek to maintain the highest standards of corporate governance ensuring that we operate in an ethical and sustainable way in all parts of our operations.

We have recently established a Sustainability Committee of the Board to focus and accelerate the Group's activities in this area. We are also working to ensure our suppliers apply high levels of governance. We are looking to optimise and simplify our supply chain, focusing our buying power on a smaller number of carefully selected suppliers that are better able to reach the high standards that we expect of them.

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.

## Social

We believe that establishing the right culture and values within our business is critical in allowing the Group to deliver upon its strategy. It allows us to attract and retain the skilled and talented people we need in our organisation. The G&H Values and Behaviours guide how we work with each other and with our customers and suppliers. The safety and wellbeing of our employees is of utmost importance to us. Jim Haynes is our designated non-executive director for engagement with the workforce.

### 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 our CEO and COO visited all of our sites to communicate the new G&H strategy and to show our employees how they contributed to the achievement of the Group’s strategic objectives. As part of these visits working sessions were held with each of the site’s management teams to detail their site’s contribution to the different elements of G&H’s growth targets.

We know it is important to keep our people informed on business developments and on the factors affecting the Group. We have regular all-hands site meetings as well as Gemba walks by site senior managers which review health and safety matters. Works councils or employee consultation groups, comprised of management and elected employee representatives, now operate at all of the G&H UK sites where management can listen to representatives’ views and take them into account when making decisions.

Jim Haynes is G&H’s non-executive director with responsibility for the Board’s engagement with the workforce. During FY2023, Jim met with employee representatives at each site and the feedback he received has resulted in a number of improvement actions now being addressed by the Board.



## 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.

### Reward & Recognition

During the year we supported our employees against the effect of rapidly rising prices by awarding higher than normal inflationary adjustments to salary. With the support of the Remuneration Committee we made salary adjustments that averaged around 5.0%. In addition we focused on giving additional support to our lower earners disproportionately impacted by the cost of living crisis. To support them in October 2022 we made an additional cost of living support payment of £500 to our UK employees and \$650 to our US employees. These fixed amounts were paid to around 75% of our employees and were structured in a way that was most significant to our lower paid employees.

Finally, in addition to their salary we ensure that all employees are able to participate in performance related pay schemes that reward employees for both the financial performance of their site and the Group but also their personal contribution to the business during the year.

### Developing our People

The Group recognises that it is essential to develop the skills and capabilities of its employees, and to attract and retain the best talent available in the regions in which it operates.

To support new employees joining the Group we operate an onboarding programme to provide additional support structures during an employee's first six months with the business.

The Group operates an online performance management and appraisal system which provides opportunity for individuals to discuss training needs and career planning with their manager. Our managers receive training on the setting of SMART objectives and how to complete an effective staff appraisal. 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 also reviews this process annually ensuring that effective plans are in place.

Given the geographic spread of the Group we recognise the challenge of delivering training content to our employees in a consistent and timely manner. To address this, we use an online learning platform through which a series of training programmes covering the areas of cyber security, export legislation awareness and Global Data Protection Regulations are available.

### Safety

The health, safety and wellbeing 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 and safety.

Safety performance is a Group KPI and we are pleased to report a further improvement in FY2023. We have a range of well-developed operating policies and procedures in place. These include executive leadership quarterly reviews in the US and UK, which incorporate key performance indicators and mitigating action plans where necessary. We are focused on ensuring our employees understand the importance of "near miss" reporting so that corrective action can be put in place to prevent workplace accidents

occurring. Our "Spot it, Stop it" campaigns at each of our sites actively encourage our people to identify potential safety issues as part of their day-to-day roles. This campaign has resulted in a pleasing increase in the number of 'near miss' reports, and health and safety observations form a key part of our site leaders regular Gemba walks. We back that up with annual health and safety audit 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.

Our health and safety data which we benchmark with other firms in our industry sectors confirms improving trends and best in class performance levels. Safety performance is quantified as the number of occupational accidents resulting in any time off work. During FY2023 there were seven lost time incidents, none of which were reportable.

### Health and Wellbeing

We understand the value of supporting our employees' health and wellbeing, including their mental health. We have trained in-house mental health first aiders and have continued our active partnering with the mental health charity MIND.

This is supported by regular refresher training for our managers to help them identify and manage mental health issues in their teams. The Group also makes available to our employees external employee assistance programmes (EAPs) through which employees can access third party advice on good practice health and wellbeing.

In the UK we operate a health cash plan for our employees which provides financial reimbursement for costs associated with everyday healthcare and wellbeing solutions. This supplements the US health insurance schemes which G&H provides to its employees.

To support our employees' work life balance and to make it easier for them to manage both work and home commitments we offer flexible working arrangements wherever possible. In many of our business support roles we offer a hybrid work from home/office policy where employees can choose how they do their jobs in a way that works best for them. Within that more flexible framework we do however believe in the importance of employees continuing to have regular onsite 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 8.0 years (2022: 8.3 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 10.8% across the Group in FY2023. This compares with UK/US Manufacturing sector average of 12%.



### Promoting Equality and Diversity

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

Diversity is embraced at G&H. We seek to recruit, hire, develop and retain the best talent. Our employees have diverse backgrounds, skills, and ideas that collectively contribute to our success. The Group operates to national standards of diversity in employment, including an Affirmative Action Program (AAP) in the United States which is designed to attract, retain and develop a diverse pool of talent. Through the implementation of enhanced family-friendly policies, including flexible working policies we are making our employment offering to our people. Our early year career Apprenticeship (UK) and Internship (US) programmes have been successful in drawing more talent in to the Group.

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”. In support of this objective, recruitment partners are instructed to include female candidates in all shortlist submissions. This will improve the representation of women at all levels, notably in leadership positions that (excluding the Directors) are currently 86% male (6 of 7) (FY2022: 83% (5 of 6)). We were pleased to welcome Susan Searle to the Board during the year meaning that two of the seven Board members are now female, and the % of female representation on the Board will increase to 33% in September 2024 on the retirement of Brian Phillipson.



Female representation on the Board will increase to 33% in September 2024.

### Supporting our Communities

We look to support and work with the local communities in which we operate.

The Group supports and develops students and apprentices, especially in the field of engineering and technology. Support for young students by providing work experience and undergraduates and interns with summer placements has been restricted this year due to the coronavirus pandemic.

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 letters of support to academic research projects.

We actively support local charities in the communities in which we operate.

That includes encouraging and supporting our people to take part in giving their time or raising money for charitable and community activities where they live and work. To support this each of our site leads has been allocated money to use 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 people.



## Environment

G&H products help to bring environmental and social benefits in many of our markets. Our technologies support the generation of clean, renewable energy and improve energy efficiency. We provide products that are helping with the earlier diagnosis of disease thereby supporting better outcomes for patients. We are also working hard to mitigate our own impact on the environment. We are on track to achieve net zero scope 1 & 2 emissions by 2035. To demonstrate our commitment scope 1 & 2 emissions are reported as a Group KPI (see page 22).

During FY23 we achieved a reduction on 33.2% in our carbon intensity measure as defined on page 79. Our programmes to transition our US sites to purchase all of their electricity needs from clean, renewable sources is accelerating building upon the achievements of our UK sites which had achieved that milestone at the end of FY2022. We have been pleased that the US market in renewable energy is starting to become more mature providing companies such as ours the opportunity to purchase energy only from renewable sources.

Our newly acquired G&H | Artemis business will transition to green electricity at the end of its current supply contract in September 2024.

During FY2023 we invested in further solar panels and batteries at our Ashford facility. A new voltage optimisation system is being installed at our Ilminster facility and this is expected to result in a reduction in electricity usage at the site by around 8%. We now have the capacity to generate around 900 kWp of electricity from solar resources

We use the structure of ISO 50001 – energy management systems - to help us identify where the greatest reductions in energy use can be achieved. This informs our sites' energy reduction plans, the progress of which are monitored by our Executive team and the Board. During the year our Ilminster and Torquay sites achieved full accreditation to ISO 14001 – Environmental Management and we have a plan to progressively

extend those accreditations across the rest of the Group over the coming two financial years.

### Environmental and Sustainability Governance

Oversight and governance of our environmental strategy and performance will be managed through our newly formed Sustainability Committee. This will be chaired by Susan Searle and includes representatives from the G&H Executive team.

Our SVP Global Quality is responsible for the coordination of our actions in the area of environmental management and chairs the Sustainability sub-committee. Responsibility for local planning and performance lies with our site managers who work with our site environmental champions to formulate and deliver projects.

### Risk management

We include climate and environmental risks as part of our overall risk management processes. The Group risk register is reviewed by the Audit Committee and the Board. We have identified environment, sustainability and climate change as a principal risk for the Group given the reputational risk to the Group if we fail to deliver upon our sustainability agenda as well the physical risk that climate change poses to our operations.

“

Our Ilminster and Torquay sites achieved full accreditation to ISO 14001 – Environmental Management and we have a plan to progressively extend those accreditations across the rest of the Group over the coming two financial years.”

Total scope  
1 & 2 emissions

↓20.5%

Carbon  
intensity ratio

↓33.2%

Scope 1 & 2  
net zero target

2035

# Climate Related Disclosures

We have set out below the Group's climate-related disclosures in accordance with the Non-Financial and Sustainability Information Statement. The table shows the current status of our progress in this area and our plans for the coming financial year.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

### A Describe the company's governance arrangements in relation to assessing and managing climate risks and opportunities

#### G&H TODAY

The Board has ultimate accountability for climate-related issues. It formally reviews climate and environmental risks and opportunities as part of its Group Risk Review meetings.

During the current financial year we have established a Sustainability subcommittee of the Board chaired by Susan Searle to provide further focus and attention on the Group's activities in these areas. The Committee oversees actions to minimise the impact of the Group's operations on the

environment / planet as well as ensuring the Group's strategy and operations are aligned with its social and ethical responsibilities to our employees and the communities we operate in and serve.

An update on key environmental and sustainability metrics is provided at each Board meeting and in depth reviews are undertaken on at least an annual basis. The Board monitors the Group's performance on climate-related matters using tow indicators.

#### PLANS FOR FY2024

We intend to provide the Board with a detailed analysis assessing various of climate related scenarios.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

### B Describe how the company identifies, assesses and manages climate risks and opportunities

#### G&H TODAY

As part of the Group risk management process management team members and functional leads input in to the process for identifying risks and opportunities in our organisation including climate-related risks and opportunities. This process also identifies risk mitigation actions. Our management team then monitor progress against these actions through monthly reports and dashboards. This includes both monthly site reviews as well as a quarterly deeper dive review of our climate related actions.

During the year our Ilminster and Torquay sites both achieved ISO 14001 Environmental Management accreditation. The accreditation process was valuable in further educating our managers in environmental risk management including the climate related aspects. These two accreditation programmes were led by our SVP Quality who will chair the subcommittee established to support our new Board Sustainability Committee. Through these accreditation processes we are developing a cohort of managers skilled in the assessment of climate related risks and opportunities.

#### PLANS FOR FY2024

Our risk assessments in the coming year will use different scenarios to help prioritise our risk mitigation actions. In FY2024 we will extend our ISO 14001 accreditation to further sites within the group, expanding the cadre of managers within G&H that are trained in environmental risk management.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

## C Describe how processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management process

## G&amp;H TODAY

Climate-related risk and opportunities are integrated into the company's overall risk management process as set out above.

We do however recognise that many climate related risks are likely to materialise over a longer time than most traditional business risks and there is typically more uncertainty around the severity and therefore financial impact of those risks and opportunities. To reflect this we will use a longer assessment window than is typical for our other business risks. This will be reflected in the more detailed scenario based risk assessment we intend to undertake in FY2024.

Our ESG subcommittee, chaired by our non-executive director Susan Searle provides additional focus on the specific climate related risks and opportunities of the Group.

The sub committee is resourced by representatives from across the Group.

Our executive team play key roles in this risk management process.

- Chief Executive Officer - responsible for the overall integration of climate related considerations to our Group strategy. The CEO is a member of the Sustainability Committee.
- Chief Financial Officer - responsible for climate reporting and compliance with disclosure requirements.
- Chief Operations Officer - responsible for overseeing the implementation of environmental and energy efficiency projects at our sites.

## PLANS FOR FY2024

We will undertake more detailed scenario based risk assessments.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

## D Describe the principal climate-related risks and opportunities arising in connection with the company's operations and the time periods by reference to which those risks and opportunities were assessed

## G&amp;H TODAY

We have identified sustainability, climate change and the environment as a principal risk. There is a risk that we do not deliver on our commitments to enable a sustainable future, leading to reputational damage. We have a clear commitment to achieve net zero for scope 1 & 2 emissions by 2035.

Furthermore, there is a risk that our operations may be impacted by the effects of climate change.

G&H products can help to address the drive to greater sustainability in the markets we serve. Specifically our products improve the efficiency and effectivity of many systems. For example our fibre optic sensing products are used to maximise the efficient operation of energy generating wind turbines whilst our latest acousto-optic

devices are used at the heart of the most precise industrial lasers enabling the efficient use of materials and resources. Our medical diagnostic instruments are used for early stage identification of illness and disease allowing earlier stage treatment that ultimately leads to a better outcome for patients and a healthier society.

Given our position in the supply chain and dependency upon our customers end platform development, our principal planning horizon is over the coming five years. In some cases such as our medical diagnostic equipment activities our work with customers to develop their next generation instruments can cover a longer time period.

## PLANS FOR FY2024

We intend to undertake a more detailed, scenario based risk and opportunities assessment. This will consider geographical and sector factors as relevant.

This analysis will develop our initial qualitative assessment in to a more detailed listing of climate-related risks and opportunities arising from future climate scenarios and time horizons. We will then assign values to these risks and opportunities to identify those most material to the Group to enable us to prioritise our actions in this area.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

## E Describe the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy

## G&amp;H TODAY

We have set out below the results of our initial qualitative assessment of the risks and opportunities to the Group from climate change.

We have identified the following principal transition risks and physical risks:

**Transition Risks**

- Policies and Regulation - carbon taxes, stricter climate legislation
- Markets and Technologies - increases in energy costs, increases in raw material costs, changes in end market demand, costs to transition to lower emission technologies.
- Reputation - increased stakeholder concern and expectations, inability to attract workforce.

**Physical Risks**

- Climate change - rain/snow fall variability, rising temperatures leading to damage to our property and the loss of productivity.

**Opportunities**

We have then identified opportunities that will present themselves to the Group from climate change.

- Markets and Technologies - G&H products can contribute to a cleaner more sustainable future. On-shoring driven by our customers' programmes to reduce their overall carbon emissions including from their supply chain and scarcity of materials will lead to more recycling of existing product favouring long-standing suppliers such as G&H.

## PLANS FOR FY2024

In FY2024 we plan to develop our initial risk and opportunity assessments in to more detailed and quantified assessments that will be used in our decision making processes relating to business strategy, financial planning and capital allocation.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

## F Analyse the resilience of the company's business model and strategy, taking in to consideration different climate-related scenarios

## G&amp;H TODAY

We have not yet conducted detailed scenario based assessments. However the Group has made good progress in migrating away from carbon generated energy supplies. We have invested in our own solar power generation at all three of our owned facilities in the UK. Our three existing UK sites buy all of their electricity from renewable sources and we will migrate the newly acquired G&H | Artemis business on to renewable energy when its current contract expires at the end of FY2024. In FY2023 we made good progress in transitioning our US facilities to renewable electricity. We are on track to achieve our target of being at net zero on scope 1 & 2 emissions by 2035.

Each of our sites have an energy usage reduction programme supported by target capital investment.

We see opportunities for the Group's products from the transition to a carbon free economy.

The Group's operations could be exposed to physical risks from climate change. Some of our sites are located close to existing water courses and others are located in regions prone to high snowfalls. It is possible that climate change may increase the

physical risks to these facilities as well as making it more difficult for our employees to access our sites and to operate those facilities at full capacity.

Some of our supply chain is located in Asian territories that experience high rainfall. Climate change may make these weather events more extreme impacting the ability of our suppliers to operate and supply us with their products.

We put in place site business continuity plans to identify mitigation actions to counter risks, including climate related risks. This includes measures to manage water courses in the vicinity of one of our factories to ensure extreme water fall events do not impact our operations.

We work with our larger suppliers to ensure they have put in place similar business continuity plans to ensure they can be resilient in the face of climate related change. Our Asian contract manufacturing partner is considered by the major ratings agencies to be an example of best practice in the area of business continuity planning.

## PLANS FOR FY2024

We intend to use the more detailed scenario based risk and opportunities assessment described above to develop further risk mitigation actions to increase the Group's resilience to climate change.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

## G Describe the targets used by the company to manage climate related risks and to realise climate related opportunities and of performance against those targets

## G&amp;H TODAY

Our key target used to manage our environmental impact is to achieve net zero scope 1 & 2 emissions by 2035. We are on track to achieve this. As part of that we have an additional target to move all sites to.

We measure and report upon our performance in respect of new product introductions. Our technology roadmaps seek to exploit the possibilities from the economy's shift to a low carbon world. For example our sensing products support the generation of energy from the power of the wind.

The Executive Directors' short-term and long-term incentive programmes include measures related to progress on the Group's ESG agenda, including climate-related measures.

## PLANS FOR FY2024

Based upon the above assessment we will introduce additional targets and measure performance against them.

## CLIMATE-RELATED FINANCIAL DISCLOSURE

## H Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and climate-related opportunities and of the calculation on which those key performance indicators are based

## G&amp;H TODAY

Our scope 1 & 2 emissions data can be found on page 79. This includes details as to how our reported figures are calculated. In FY2023 our total scope 1 & 2 emissions were 3,136 tCO<sub>2</sub>e, 20.5% less than FY2022. Our intensity ratio was 21.1 tCO<sub>2</sub>e/£m revenue, a 33.2% reduction from FY2022. In FY2024 we intend to assess the various categories of scope 3 emissions and determine which can be reliably and effectively measured.

We report operational GHG emissions (scope 1 & 2) per £1m revenue as one of our KPIs (see page 22). We have reported this metric since FY2020 and have made significant improvement each year since. In FY2023 our total scope 1 & 2 emissions per £1m of revenue reduced by 33.2%.

We use the following metrics to track performance.

- CO<sub>2</sub>e emissions - scope 1 & 2
- Energy consumption - electricity, gas and other carbon emissions

We recognise the need to continue to expand the range of climate-related metrics we report. In the coming year we intend to review scope 3 emissions and determine which can be reliably and effectively reported. We intend to use third party agencies to assist us in this activity as it relates to our supply chain.

## PLANS FOR FY2024

Assess scope 3 emissions categories and determine which can be reliably and effectively measured.

## External Recognition

We receive external recognition for ESG matters. We received a rating of A in MSCI's latest ratings report.

From FY2024 we will also be working with EcoVadis and CDP on their climate change surveys.

**MSCI**  
ESG RATINGS



CCC	B	BB	BBB	<b>A</b>	AA	AAA
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## Scope 1 & 2 Emissions

We are targeting to be net zero for scope 1 & 2 emissions by 2035. We are proud that in FY2023 we made a further significant reduction in our emissions. During FY2024 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.

In FY2023 we moved our Cleveland, Ohio facility to renewable electricity. Given the high temperature requirement for crystal growth conducted in that facility this assisted materially in the reduction of our scope 2 emissions in the year.

Each of our sites has developed a plan to reduce its electricity consumption. Progress against these plans is reviewed on a quarterly basis by the Executive team.

Set out below are a selection of actions coming from this plan:

- LED lighting where not already installed.
- Alternative forms of heating.
- The introduction of heat recovery from manufacturing equipment.
- Installing battery systems to harness excess energy generated from our Solar PV systems.
- Upgrade to equipment with improved energy efficiency.

We also reduce our impact on the environment through our recycling programmes. At our UK sites we are now measuring our water usage and waste to landfill so that we can put in place and measure reduction plans. We plan to start measuring water usage at our US sites in FY2024. It is not currently possible to secure waste to landfill measures for our US sites as our service providers do not currently capture that data.



# Energy Use and Scope 1 & 2 Emissions

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. 2022 Conversion factors have

been used for October 2022 to May 2023 inclusively, and 2023 Conversion factors used for June 2023 to September 2023 inclusively. In the US eGrid 2019 Conversion factors have been used for October 2022 to January 2023 inclusively, and eGrid 2020 Conversion factors used for February 2023 to September 2023 inclusively.

We have selected as our primary intensity measure carbon dioxide emissions per £1m of revenue for our global scope 1 & 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 FY2023			COMPARISON REPORTING YEAR FY2022		
	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	164	275	439	161	269	430
Emissions from electricity, heat, steam and cooling purchase for own use (scope 2)/tCO2e	75	2,622	2,697	-	3,511	3,511
Total gross scope 1 & scope 2 emissions/tCO2e	239	2,897	3,136	161	3,780	3,941
Energy consumption used to calculate above emissions:/MWh	5,784	12,881	18,655	5,126	11,940	17,066
Tonnes of carbon dioxide equivalent per £1 million of revenue	3.8	33.5	21.1	2.8	55.7	31.6

SCOPE	REPORTED
<h2>Scope 1 direct GHG emissions</h2> <p>Includes emissions from activities owned or controlled by G&amp;H that release emissions into the atmosphere.</p> <p>Examples include emissions from combustion in owned or controlled boilers, vehicles.</p>	<p>Report includes:</p> <ul style="list-style-type: none"> <li>• Emissions from combustion of gas and fuel for transport purposes.</li> </ul>
<h2>Scope 2 energy indirect emissions</h2> <p>Includes emissions from G&amp;H’s own consumption of purchased electricity, steam, heat and cooling.</p> <p>These are a consequence of the group’s activities but are from sources not owned/controlled.</p>	<p>Report includes:</p> <ul style="list-style-type: none"> <li>• Emissions from purchased electricity.</li> </ul>

The Group achieved a 33.2% reduction in its intensity measure of tCO2 emissions per £1m of revenue.

At the end of the financial year 69% of the Group purchased electricity came from renewable sources.

# Governance

## Corporate Governance

The Board is committing to maintaining 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 98.

Supporting our G&H Code of Conduct we have an extensive suite of policies. The policies are published on our website at [www.gandh.com/environmental-social-and-governance](http://www.gandh.com/environmental-social-and-governance). They apply across all of our operations. We provide training to ensure employees understand and implement our policies. We also monitor compliance supplier audits.

### Code of Conduct

The G&H Code of Conduct incorporates:

- a) critical attention on ethical business practices
- 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) seeking 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 key priority and is an integral part 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 to prevent and detect 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:** 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

97% of the Group's employees are based within the major advanced economies of the UK, USA, France, Germany 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 have 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 by 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 onsite 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 partner's 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 international standards. 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. 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 understand 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 policies 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 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 £9.3m in research and development in FY2023 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 February 2023 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

The survey results showed that G&H was performing well in the area of product quality and technical support but delivery performance was scored poorly. Specifically customers wanted to see shorter lead times and better on time delivery performance. This aligned with our expectations as we were aware that during FY2022 our delivery performance had not been good enough. This was as a result of the significant operational footprint projects that had added complexity and disruption into our factories and the problems we had had recruiting sufficient team member to service our growing order book. In FY2023 we set ourselves the objective of significantly improving our on time performance and reducing our overdue backlog. This has been successful and during FY2023 we steadily increased our on time delivery performance and by the end of the year had roughly halved the level of our overdue backlog.

The Board is regularly updated on the timeliness and quality of product deliveries to our customers. As our order book has grown and we have struggled during the financial year to add

productive capacity we are very aware that our on-time delivery performance to our customers has in some cases fallen below the high standard that we aspire to. We have put in place a series of measures including increasing our holdings of inventory and making ourselves more attractive as an employer to assist with our recruitment of new employees. As a result of these measures our output is increasing and our on-time performance to our customers is improving. We maintain regular contact with our customers to keep them informed of this progress.

As part of or review and refresh of the Group's strategy during FY2023 we took the opportunity to review again the technology roadmaps with the objective of reducing the number of projects we are running thereby allowing a concentration of effort on those projects that are considered to have the most attractive returns. We expect this to help accelerate our time to market for our next generation products. Our R&D spend in FY2023 totalled £9.3m and we brought to market 57 new products.

### Priorities for FY2024

We will continue to work on further reducing our overdue backlog. We will also conduct another customer survey to measure our progress on these objectives through the eyes of our customers as well as getting further update feedback from them on other aspects of our performance.

The Board will review at each of its meetings progress on the key projects within our technology

roadmaps. In FY2024 two important projects that will lead to production deliveries are our engineers' work on embedded imaging periscopes which are used in the Challenger tank upgrade programme and other armoured vehicle progress in the export market, and first production deliveries to a major European wind turbine integrator for our bespoke wind sensing modules.

## 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. 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.

Jim Haynes is our designated non-executive director for employee engagement. During the course of FY2023 Jim met either in person or via a video link with employee representative groups to hear their feedback on the business. Jim also arranged similar sessions with employees from our two newly acquired businesses GS Optics and Artemis to hear first-hand their experience of the G&H acquisition and integration processes. Further details are given on pages 69, 99 and 100.

### Outcomes

We achieved a further reduction in lost time accidents in the year and are working to eliminate these completely. We ran "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 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.

We were aware of the effect of high level of cost inflation on our employees especially those who are lower paid. As a result we made one off awards of £500 in the UK and \$650 in the US to help our employees through this difficult period. These fixed amounts were paid to around 75% of our employees and was structured in a way that was most significant to our lower paid employees.

Following the conclusion of the refresh of the Group strategy our CEO, Charlie Peppiatt visited each of the Group's sites to present the outcome to the site's employees. 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.

The feedback received by Jim Haynes from his structured programme of interactions from site employee groups was very informative. This identified that there is scope to better reflect the views and suggestions of employees in the production process that has the potential to improve efficiency. It also highlighted some areas for improvements around the HR aspects of our early-stage communication activities with employees of acquired businesses. A set of actions has been developed from this feedback and will be monitored by the Board during FY2024.

### Priorities for FY2024

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

Each of our sites has hosted celebratory events to mark G&H's 75th anniversary.

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 FY2023 we paid £3.2m 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. This included updating them in June 2023 on the results of the review of the Group's strategy.

In January 2023 we hosted around 50 shareholders and analysts at our Ilminster facility as part of events organised by Investec and Peel Hunt. We took the opportunity to provide them with an update on the Group focusing in particular on our fibre optic and optical systems capabilities and the future opportunities we see for our products in those technology areas. Materials from these events is available in the Investors section of our website.

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, has consulted with our principal shareholders on this subject including the Group's Long Term Incentive Plan.

### Outcomes

Our shareholders were briefed on the Group's revised strategic objectives which shows a route to mid-teen returns in the medium term. The additional detail and the focus set out in it on targeted investment in a smaller number of high growth opportunities was particularly well received by our shareholders.

The views expressed by investors have been reflected in the Group's revised Long Term Incentive Plan. Investor feedback on the importance of tying elements of the short term incentive plans to progress on the refreshed strategic objectives has also been reflected in the schemes put in place for FY2024. Further information is given in the Directors' Remuneration Report.

### Priorities for FY2024

We will continue to offer an extensive investor engagement focused primarily around our roadshows in June and December 2024. 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 FY2023 we built significantly on the relationship with our main contract manufacturing partner as we worked with them to qualify their production facilities for the manufacture of some of our fibre optic products in addition to the acousto-optic products that they are already producing. In the first half of the financial year we were also experiencing some difficulties in securing on time in full deliveries especially for electronic components. As a result we therefore established a number of new supplier relationships in this commodity area.

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.

We refreshed our standard supplier contracts during the year clarifying some of the performance standards included within them. This reinforces our Supplier Code of Conduct that sets out our expectations for matters such as human rights, employee health and safety and fraud prevention.

### Priorities for FY2024

During FY2024 we intend to start monitoring our suppliers' impact on the environment. 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 refreshed 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 its current level of less than 10% to around 25% by the end of the plan period. We will therefore be identifying the next set of products that we believe are most suitable to be outsourced and to start those transfers. We have already completed the qualification of our Asian contract manufacturing partner for the production of high-reliability fused fibre couplers and in FY2024 we will significantly increase the proportion of the Group's revenue for this product line that is sourced from that partner.



## Communities

We want to engage with the communities in which we operate in a responsible manner. We aim to make a positive contribution to our communities through 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 FY2023 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 FY2024

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 Reports

# 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 comprehensive 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 impact they may have. Risks are identified across 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 FY22 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. We will report in detail on the activities of this new Committee next year.

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

There is a risk political instability results in disruption and increased protectionism in some of our geographic markets. 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.

Following the closure of the Group's facility in Shanghai the Group's production activities are all now located in either the UK or the US.

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

### CHANGE FROM FY2022



## 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, supported by the establishment of a Sustainability Board Committee in FY2023.

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

Net zero commitment published.

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

### CHANGE FROM FY2022



## 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

We have invested in the supply chain during FY2023 with a new global supply chain leader having joined the Group in April 2023.

Our supply chain team 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.

We have a supplier audit programme in place to identify supply chain risk, and we work with our suppliers to mitigate those risks identified.

### CHANGE FROM FY2022



## Order intake and global economic trends

### RISK

There is a risk of destocking and recession affecting demand for some of our products, particularly in the Industrial market.

### MITIGATION

Order book coverage is regularly reviewed in detail and regular reviews are held of new business opportunities.

There are scheduled meetings between our site operations teams and our business development staff to identify any current unsold capacity.

### CHANGE FROM FY2022



## Inflation

### RISK

As FY2023 has progressed, we have started to see inflation abate.

If inflation persists, it will continue to have an effect on the Group's cost base through increased staff costs, material costs and overheads, including power costs. Our sales team works to pass on input price increases to customers by increasing sales prices.

### 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.

The risk in relation to utility prices appears to have reduced since the prior year and our electricity prices in the UK are fixed through to April 2025, which provides significant mitigation against the risk of higher utility prices. We also have solar panels installed on all three of our UK facilities, which reduces our demand.

In the US, our electricity prices are not fixed, but inflation levels there have not been at the levels seen in the UK. The Group's gas usage is relatively insignificant, and not therefore a significant risk.

### CHANGE FROM FY2022



## 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 in FY2023, 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 seen a significant reduction in 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 57 new products during FY2023.

The Group also has a continuous improvement plan in place which targets increased efficiency and lower waste, ultimately aimed at margin improvement. This, combined with our manufacturing footprint and appropriate 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 FY2022



## 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 FY2022



## 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 onboarding 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.

### CHANGE FROM FY2022



## Production capacity management

### RISK

One of our key challenges in the prior year was matching output to demand. We experienced difficulties due to availability of labour in a number of our sites, which affected our ability to recruit to ramp up production. We also continued to experience staff absences due to COVID, particularly in the first half of the financial year.

Both of these challenges significantly reduced in FY2023 and our sites have been close to fully resources for the majority of the FY2023.

### MITIGATION

The benefit of our senior appointments last year including a Chief Operating Officer and new site Directors for two of our sites has clearly been shown in FY2023. Our recent streamlining of the business reduced complexity significantly and made the business more agile.

We have developed a recruitment and retention strategy for all sites, and have added in-house recruiters to our HR teams where most additional labour is required.

We are monitoring output from our manufacturing partners overseas closely, and have an established team based full-time in Asia. We intend to invest further in this team in FY2024.

Our sales and operations planning processes are continually being refined to ensure we are operating as effectively as possible given our demand profile.

### CHANGE FROM FY2022



## 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 target to enable the Group's growth strategy.

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

### MITIGATION

Integration teams have been established in respect of the two recent acquisitions. These teams meet on a regular basis to review progress against agreed integration milestones. Our business development and R&D teams are working closely with the acquired businesses to drive synergies and create value.

Regular meetings continue to be held internally to review new 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 FY2022



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

**Charlie Peppiatt**  
**Chief Executive Officer**  
 5 December 2023



# Governance

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# Board of Directors

The right blend of skills and experience



**Charlie Peppiatt**

Chief Executive Officer

Appointed  
14 September 2022

Executive Director

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.



**Brian Phillipson**

Appointed  
1 September 2015

Non-executive Director

Brian Phillipson, the Senior Independent Director, has extensive A&D industry experience in both Strategic and Operational roles. Previously, he held key roles within BAE Systems Plc and served as a Board Member and Business Unit MD at Marshall Aerospace and Defence Group. He also recently worked as CTO for Lilium GmbH. Brian holds an MA (Hons) in Engineering from Cambridge University and is a Fellow of the Royal Academy of Engineering and the Royal Aeronautical Society. Brian chairs the Remuneration Committee and is a member of the Audit and Nomination Committees of the G&H Board. His strategic insight and operational expertise contribute significantly to G&H's governance.



**Louise Evans**

Appointed  
11 May 2020

Non-executive Director

Louise Evans, Chair of the Audit Committee, brings wide financial leadership experience to G&H. She held Group Finance Director roles at Braemar Shipping Services Plc and Williams Grand Prix Holdings Plc. A Chartered Accountant, Louise is also a non-executive director and Audit Committee Chair of AB Dynamics Plc and the International Foundation for Aids to Navigation. 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. With a keen focus on financial governance, Louise oversees the robustness of G&H's financial reporting, systems and controls.





## Chris Jewell

Chief Financial Officer

Appointed  
9 September 2019

Executive Director

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.



## Gary Bullard

Non-Executive Chairman

Appointed  
21 February 2018

Non-executive Director

Gary Bullard, the Non-executive Chairman of G&H, brings a wealth of experience from senior management positions at IBM, BT Group Plc and Logica Plc. He held non-executive director roles at Chloride Group Plc and Rotork Plc. Currently he also serves as the Chairman of AFC Energy Plc and is a non-executive director of Spirent Communications Plc. With a strategic and visionary approach, Gary plays a crucial role in shaping the direction of G&H.



## Jim Haynes

Appointed  
12 February 2021

Non-executive Director

Jim Haynes, with over 35 years experience in the optoelectronics industry, holds a Bachelor's Degree in Material Science from the University of Wales. Jim has held senior management positions in operations, engineering, and business at Nortel Networks, Agility Communications, and Oclaro Plc. He was COO at Oclaro Plc and a non-executive director at Andor Plc. Jim is a member of the Audit, Remuneration, and Nominations Committees of the G&H Board. Additionally, he serves as the non-executive director responsible for the Board's engagement with the workforce. Jim's extensive industry knowledge and operational expertise contribute significantly to G&H's strategic decisions.



## Susan Searle

Appointed  
3 April 2023

Non-executive Director

Susan Searle, Chair of the Sustainability Committee, holds an MA in Chemistry from Oxford University. A founder of Touchstone Innovations Plc, she formerly served as its CEO. Susan has broad experience on public and private company boards in engineering, healthcare, and advanced materials. Susan was formerly Non-executive Senior Independent Director and Remuneration Chair of Horizon Discovery and Benchmark Holdings Plc, both technology businesses. She also chaired two listed investment businesses - Mercia Asset Management and Schroders UK public private. Currently, she holds non-executive roles at QinetiQ Group Plc, Greenback Recycling Technologies Limited, and Bibby Line Group. Susan is the Remuneration Chair at QinetiQ and the Chair of Greenback Recycling Technologies. She is also a member of the Audit, Remuneration, and Nominations Committees of the G&H Board. Susan's leadership in environmental, social, and governance matters ensures G&H's commitment to sustainable and ethical business practices.

# Executive Management Team

A skilled and experienced team



**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.



**John Andzulis**

Chief Operating Officer

Appointed 2022

Assuming the role of Chief Operating Officer at G&H in early 2022, John Andzulis brings over 25 years of expertise in precision and fibre optic manufacturing, supply chain, and engineering. His diverse background includes notable positions at Ciena, Corning Incorporated, and Rochester Precision Optics. John is passionately dedicated to Lean manufacturing and supply chain optimisation, holding a Bachelor of Science Degree in Industrial Engineering from the Pennsylvania State University. His expertise spans operational supply network design, M&A diligence and integration, enterprise transformation, and talent development, making him a key driver of G&H's operational excellence.



**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.



## Sarabjit Singh

VP Global Sales and Business Development

Appointed 2023

Joining G&H in October 2023 as the VP of Global Sales & Business Development, Sarabjit Singh brings over 27 years of exemplary experience in commercial leadership. With a track record of success at Keysight Technologies, Anite Telecoms, and Tata Consultancy Services, Sarabjit is renowned for his strategic acumen, commercial excellence, and operational proficiency. Throughout his career, he has consistently delivered outstanding results, cultivating world-class sales teams and driving substantial revenue and profitable growth for the organisations he has served.



## Stratos Kehayas, PhD

Chief Product & Technology Officer

Appointed 2013

Dr. Efstratios (Stratos) Kehayas serves as the Chief Product & Technology Officer, leading the global product management, R&D and strategic marketing of G&H group. 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.



## Gareth Crowe

Company Secretary & Group Financial Controller

Appointed 2014

Gareth Crowe has been an integral part of G&H since 2014, serving as Company Secretary, Interim CFO and Group Financial Controller. Gareth is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with PwC, and has a degree in Accounting and Finance from Exeter University. Prior to joining G&H, Gareth was a senior manager in PwC's Transaction Services team, where he provided financial due diligence services on a wide range of global M&A deals. Gareth's areas of expertise include financial reporting, financial controls, taxation, corporate governance and due diligence.

# 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](http://www.frc.org.uk).

The Board of Gooch & Housego PLC reviewed its corporate governance procedures at its September 2023 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 2023.

### 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 94 to 95 and are also available on our website; [www.gandh.com](http://www.gandh.com).

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 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 individual 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.

Brian Phillipson is the Senior Independent Director. His 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 Brian 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	9/9
Chris Jewell	9/9
Non-executive Directors	
Gary Bullard	9/9
Brian Phillipson	9/9
Louise Evans	9/9
Jim Haynes	9/9
Susan Searle	4/4 Appointed 3 April 2023

### Maintaining a Dialogue with Shareholders

The Chairman ensures that the Board maintains an appropriate dialogue with shareholders. During FY2023, the Chairman met with a number of major shareholders following the appointment of Charlie Peppiatt late in the year ended 30 September 2022. Brian Phillipson has also consulted with major shareholders on certain remuneration matters during the year.

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, including the two recent acquisitions. In the UK, employee communication groups were already well established, and this model was extended as part of this process, with the formation of groups in the US. We now have employee representative groups on all G&H sites, and they will play a key role going forward as a conduit for direct employee communication with management and board. The site leaders and HR partners were also present at these meetings. Jim invited feedback from the groups on a diverse range of topics including strategy, communications, G&H as an employer, and site specific matters. In the case of the recent acquisitions, it was an ideal opportunity to get employees' first impressions of being part of G&H, and on the integration process. The conversations were frank and open, and the level of engagement was encouraging, particularly since many of the actions identified are being addressed as part of

the Group's new strategy. Jim collated and summarised the feedback received and a detailed paper was presented at the October 2023 board meeting. Following the discussion thereof, a number of actions have been identified. It was agreed that feedback would be provided to the sites on this process during the all-employee meetings to be held in FY2024. Jim will also write to each of the employees involved to thank them for their participation and to re-emphasise that the communication line remains open. The Board is now evaluating how best to take this employee engagement process forward during the current year and will report thereon in next year's Annual Report.

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. Every year, a performance evaluation of the Board is carried out. This year, the evaluation took place in September 2023, and was led by the Senior Independent Director, Brian Phillipson, using a formal structured questionnaire. The Board review showed significant improvement over the range of areas covered in the review. Areas identified for focus during FY2024 were Board succession planning and formalising the approach to appraising Executive Directors' performance.

The Senior Independent Director leads an annual appraisal of the Chairman's performance. This review took place during September 2023, using a formal questionnaire. Brian Phillipson collated the feedback received and presented initially to the Chairman and then to the Board.

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. The Sustainability Committee was newly formed in FY2023 and we will report on its activities next year. 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 2023 meeting following which a number of changes were agreed. The risk disclosure was presented and approved at the September 2023 meeting.

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 2023. This showed significant progress during the year.

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 2023. The Directors who held office during the year and up to the date of this report are shown on pages 94 and 95.

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 22.

#### Dividends

During the year ended 30 September 2023 a final dividend of 7.7p per share was paid for the previous financial year. An interim dividend of 4.8p was paid for the half year ended 31 March 2023 (2022: 4.7p).

For the year ended 30 September 2023, the Directors have proposed a final dividend of 8.2p per share (2022: 7.9p).

#### Substantial Shareholdings

As at 15 November 2023, 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
Octopus Investments	3,055,201	11.9%
Odyssean Capital LLP	2,094,400	8.1%
Canaccord Genuity Group Inc	1,958,515	7.6%
Invesco	1,954,646	7.6%
Rathbone plc	1,386,512	5.4%
Royal London Mutual Assurance Society	1,078,864	4.2%
JM Finn & Co	1,060,785	4.1%
Perpetual	980,000	3.8%
abdrn plc	808,191	3.1%

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 £9.3m in R&D in the year ended 30 September 2023 (2022: £9.2m). 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 79.

### Going Concern

The Directors have reviewed the current financial forecasts for FY2024 and 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 64.

At 30 September 2023, the Group has a strong balance sheet with net current assets of £55.8m. The Group's cash and undrawn committed and uncommitted facilities totalled £36.3m.

The Directors have reviewed severe but plausible downside scenarios that estimate the potential impact of the principal risks that the Group faces (see pages 88 to 91 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. This assessment covered not only the coming 12 month period but also for the period to September 2026 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 2026 taking into account the Group's current position and the potential impact of the principal risk and uncertainties set out on pages 88 to 91 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 focussing 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 2026 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 2026.

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

**Charlie Peppiatt**

**Director**

5 December 2023

# 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, Brian Phillipson, 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	
Brian Phillipson	3/3	
Jim Haynes	3/3	
Susan Searle	2/2	Appointed 3 April 2023

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 auditor 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

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 2026 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 US and ITL CGUs.

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

#### 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 4% 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

### Acquisition accounting

#### CONCLUSION

The Committee has reviewed the judgements taken in the accounting for the acquisitions of GS Optics and Artemis Optical in the year, particularly in relation to the valuation of acquired intangible assets, and is satisfied that the approach taken is reasonable.

#### 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 increased in the year, noting the additional safety stocks being held due to current supply chain challenges.

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

### 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 2023.

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 since a revised framework was rolled out in the year ended 30 September 2021. 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 appointed Grant Thornton to provide its global tax services during the year ended 30 September 2021 in response to the FRC's Revised Ethical Standard 2019 which prevents auditors of AIM listed businesses such as G&H from providing non-audit services to those businesses.

We believe the independence of the auditors has been enhanced by this change, and the auditors continue to be required to make a formal report to the Audit Committee on an annual basis on the safeguards that are in place to maintain their independence and the internal safeguards in place to ensure their objectivity.

We reported our intention to tender the audit service for the year ending 30 September 2024 in last year's Annual Report. During the year, we invited five major accounting firms as well as the incumbent auditor to tender for the provision of audit services. The Chief Financial Officer and Chair of the Audit Committee met with representatives of these firms. We were unable to complete a reasonable and effective tender process because the majority of firms declined to tender as they had insufficient capacity to complete the audit. We will therefore re-appoint PricewaterhouseCoopers LLP as auditors for the year ending 30 September 2024. Our incumbent audit partner is rotating off of the engagement so we will have a new partner leading the audit for the year ending 30 September 2024. The Audit Committee is satisfied and this and PricewaterhouseCoopers LLP's other independence safeguards mean that despite their long tenure, PricewaterhouseCoopers LLP's independence and effectiveness is not affected. The Audit Committee will keep this matter under review and will tender for the provision of audit services as soon as the opportunity arises.

### Approval

**Louise Evans**  
**Chair of the Audit Committee**  
 5 December 2023

# 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 FY2023

- Recruitment of Susan Searle, non-executive director.
- Succession planning for other members of the Board.
- Diversity in the senior management team. Further details in this regard can be found in our Corporate Governance Report.

## Appointment Process

As reported last year, the Committee determined that with only a single female representative on the Board, we did not have sufficient diversity and determined that we should appoint an additional female non-executive director. Warren Partners were selected to conduct the search based on the selection criteria set by the Nomination Committee. Warren Partners duly identified a diverse list of candidates from a range of industries and backgrounds for initial appraisal by the Committee. From this, a shortlist of suitable candidates were interviewed and Susan Searle was recommended to the Board as the preferred candidate. Susan was appointed on 3 April 2023.

## Membership and Attendance at Meetings Held in FY2023

Non-executive Directors		
Gary Bullard	1/1	
Brian Phillipson	1/1	
Louise Evans	1/1	
Jim Haynes	1/1	
Susan Searle	0/0	Appointed 3 April 2023
Executive Directors		
Charlie Peppiatt	1/1	

## Approval

**Gary Bullard**  
Chairman of the Nomination Committee

5 December 2023

# Remuneration Committee Report

## Annual Statement (unaudited)

Dear Shareholder

I am pleased to introduce the Remuneration Committee Report for FY2023. This report is divided into three sections, being:

- **This Annual Statement**, which summarises the work of the Committee, remuneration outcomes in FY2023 and how the Remuneration Policy will be operated for FY2024;
- **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 FY2023.

### 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. Although not a member of the Committee, the Chief Executive Officer submits a report outlining proposals and is usually invited to present the report to the Committee. After presenting the report he withdraws from the meeting and does not participate in the decision making or voting processes. 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 FY2023

Non-executive Directors		
Brian Phillipson (Chairman)	4/4	
Gary Bullard	4/4	
Louise Evans	4/4	
Jim Haynes	4/4	
Susan Searle	2/2	Appointed 3 April 2023



### 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](http://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 FY2022 Remuneration Committee Report prior to its approval by the Board.
- Reviewed performance against the FY2022 annual bonus plan targets and resulting awards and agreed the metrics and targets for the FY2023 bonus plan.
- Reviewed and set targets for the FY2023 LTIP awards.
- Reviewed and renewed the Gooch & Housego Long Term Incentive Plan (LTIP)\*.

\*As the LTIP reached the end of its ten-year life earlier in the year, the Committee took the opportunity to renew the share plan for a further ten-years. 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 have not made any significant changes to vesting or holding periods, maximum potential award levels, or change of control and leaver provisions.

### Performance and Reward for FY2023

The Group had a much improved year in FY2023, having successfully completed two acquisitions and reported an increase in adjusted profit before tax from £8.1m to £9.6m, an increase of 17.5%. This meant that the profit element of the Executive Directors’ short term incentive scheme was partially met, although the cash flow target was not achieved. I am pleased to report that very good progress was made in respect of the Executive Directors’ personal objectives element of the annual bonus award. As a result, annual bonuses were awarded to the CEO and CFO at 65% and 62.5% of salary respectively. No LTIP awards vested in FY2023.

### Implementing the Remuneration Policy for FY2024

In respect of the implementation of the Remuneration Policy for the CEO and CFO in FY2024:

**Base Salary:** The Committee reviewed the Executive Directors’ salaries at its October 2023 meeting. It agreed to increase the salary of both Charlie Peppiatt and Chris Jewell by 3% with effect from 1 January 2024. 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, encouraging an increased focus on cash and on steps to achieve year on year growth not just annual financial results. Accordingly, for FY2024, the cash target will account for 30% of the bonus plan, with the EPS element reduced to from 60% to 50%. 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 Committee also approved a change to performance criteria of the financial elements 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 FY2024 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. However, reflecting input from shareholders and noting the views of the major shareholder representative bodies, the Committee has agreed to set relative rather than absolute TSR targets going forward. TSR will be measured against the constituents of the AIM100. Specific targets will be disclosed retrospectively in our Annual Report.

**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 are detailed in the Remuneration Policy section of this report.

### Remuneration and Retention of the Wider Workforce

At the October 2023 Committee meeting, the Committee reviewed the salary levels of the senior management team. It recommended to the CEO a number of performance related adjustments be made with effect from 1 January 2024. The Committee 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.

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

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

## Remuneration Policy (unaudited)

The table below summarises our policy for FY2023 and its implementation for FY2024:

### ELEMENT OF REMUNERATION

#### Base Salary

##### 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.

##### FY2023 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

##### OPPORTUNITY

Base salary increases are applied in line with the outcome of the annual review.

##### FY2024 POLICY AND APPROACH

The Remuneration Committee approved a 3% increase to the Executive Directors' salaries effective from 1 January 2024. This increase is in line with that given to the wider workforce.

### ELEMENT OF REMUNERATION

#### Annual Bonus

##### PURPOSE AND LINK TO STRATEGY

Incentivise achievement of short-term financial targets that the Committee considers to be critical drivers of business growth.

##### FY2023 POLICY AND APPROACH

- Awarded annually
- Based on broad performance measures
- Up to 60% payable for exceeding target EPS by 10%. Nil if not met
- 20% of bonus payable for achieving target operating cash flow. Nil if not met.
- Up to 20% of bonus payable for achievement of personal objectives half of which are linked to ESG metrics.

##### OPPORTUNITY

Maximum of 100% of base salary.

##### FY2024 POLICY AND APPROACH

The Committee has agreed to change the proportion of the bonus scheme linked to the cash target to 30%. The EPS element will reduce from 60% to 50% accordingly.

These elements of the bonus will also move to a sliding scale pay-out between 90% and 100% of target.

Personal objectives are now tied more closely to company strategy.

### ELEMENT OF REMUNERATION

#### Pension

##### PURPOSE AND LINK TO STRATEGY

Provide employees with market competitive pension scheme.

##### FY2023 POLICY AND APPROACH

- 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

6% of base salary from 1 October 2023.

The Committee keeps the benefit policy and benefit levels under regular review.

##### FY2024 POLICY AND APPROACH

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.

## FY2023 POLICY AND APPROACH

- Awards vest after three years subject to achievement of targets, and are then subject to a two-year holding period.
- Absolute TSR for 50% of awards, with full vesting at 15% TSR per annum.
- 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).

## FY2024 POLICY AND APPROACH

Relative TSR target introduced for FY2024, accounting for 50% of awards relative to the performance of the AIM100.

40% will continue to be based on EPS targets, with the remaining 10% based on ESG targets.

The 15% annual growth target for full vesting has been retained.

## ELEMENT OF REMUNERATION

## Shareholding Guidelines

## PURPOSE AND LINK TO STRATEGY

To promote share ownership for Executive Directors.

## FY2023 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.

## FY2024 POLICY AND APPROACH

No changes proposed.

**Directors' Remuneration (Audited)**

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
<b>Executive</b>							
C Peppiatt	405	250	25	-	680	430	250
C Jewell	286	175	11	10	482	307	175
<b>Non-executive</b>							
G Bullard	87	-	-	-	87	87	-
B Phillipson	49	-	-	-	49	49	-
L Evans	49	-	-	-	49	49	-
J Haynes	49	-	-	-	49	49	-
S Searle <sup>1</sup>	25	-	-	-	25	25	-
	950	425	36	10	1,421	996	425
<b>2022</b>							
2022	Basic pay £'000	Performance related bonus £'000	Benefits in kind £'000	Pension contribution £'000	Sub-total 2022 £'000	Total fixed remuneration £'000	Total variable remuneration £'000
<b>Executive</b>							
C Peppiatt	21	-	-	-	21	21	-
C Jewell	268	43	11	10	332	289	43
M Webster <sup>2</sup>	345	-	13	-	358	358	-
<b>Non-executive</b>							
G Bullard	83	-	-	-	83	83	-
B Phillipson	47	-	-	-	47	47	-
L Evans	47	-	-	-	47	47	-
J Haynes	47	-	-	-	47	47	-
	858	43	24	10	935	892	43

The above disclosure has been audited.

- 1 Susan Searle was appointed 3 April 2023.
- 2 Mark Webster retired as a Director of the Company on 13 September 2022, but remained in employment until 30 September 2022.

**Compensation for Loss of Office (Audited)**

Mark Webster was paid compensation for loss of office equivalent to one year's base salary and company pension contributions totalling £366,000 in October 2022.

**Remuneration (Audited)**

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 FY2023 or FY2022. The Board approved an increase to the non-executive directors' salaries of 3% with effect from 1 January 2024.

**Benefits (Audited)**

Executive Directors receive private health insurance, life assurance and long-term disability insurance.

**2023 Performance Related Bonuses (Audited)**

Bonuses in 2023 were based 60% on EPS, 20% 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)	28.4p	32.0p	60%	31.0p	45.0
Adjusted operating cash flow target	£19.4m	£19.4m	20%	£18.2m	-

The EPS target was partially met, meaning that 45% of the 60% available for that element of the bonus was payable. The cash flow target was not met. 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**

- Perform full strategic review and agree the Group's new strategy with the Board.
- Achieve ESG targets set by the Board.
- Achieve specified targets related to improving customer experience to enable sales growth.
- Oversee implementation of plan to deliver operational excellence, optimised supply chains and continuous improvement across the Group.

**Chris Jewell, CFO**

- Achieve ESG targets set by the Board.
- Continue the Group's internal controls testing programme and achieve a set reduction in the number of exceptions identified.
- Achieve targets related to working capital efficiency.

The view of the Remuneration Committee is that excellent progress was made against the objectives set. Specifically the Committee noted that while the working capital targets had not been achieved, the other objectives had been delivered fully. Following due discussion at the November 2023 Remuneration Committee meeting, the Committee approved achievement levels of 20% out of the maximum 20% of the bonus for the CEO Charlie Peppiatt and 17.5% for Chris Jewell.

**Directors' Pension Arrangements (Audited)**

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.

During the year the Group contributed to a money purchase pension scheme on behalf of the executive Directors. The number of Directors who are currently accruing benefits under a pension scheme is 1 (2022: 1). Charlie Peppiatt is currently entitled to Group pension contributions of 6% of his basic salary, although he sacrificed this entitlement for an increase in salary of the same amount. Chris Jewell is entitled to Group pension contributions of 6% of his basic salary, although he has sacrificed part of that entitlement for an increase in salary of the same amount.

**Directors' Contracts (Unaudited)**

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 (Unaudited)**

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. As noted earlier in this report, we have also now introduced malus and clawback clauses to the long term incentive plan 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 2022 or 30 September 2023.

**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 2023	% of salary As at 30 September 2023	Number of shares at 30 September 2022	% of salary As at 30 September 2022
<b>Executive Directors</b>				
Charlie Peppiatt	5,000	6%	–	–
Chris Jewell	5,715	10%	1,278	3%
<b>Non-executive Directors</b>				
Gary Bullard	38,581	N/A	22,567	N/A
Brian Phillipson	3,460	N/A	3,460	N/A
Louise Evans	473	N/A	473	N/A
Jim Haynes	–	–	–	–
Susan Searle	2,700	N/A	–	–

**Shareholding Guidelines (Unaudited)**

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, any shares vesting in relation to the LTIP granted prior to 30 September 2021, 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 2013 Long Term Incentive Plan (Audited)

The existing Gooch & Housego 2013 LTIP was adopted on 9 April 2013. 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.

	Date of grant	At 01.10.2022	Number of ordinary shares under option			At 30.09.2023	Expiry Date
			Awarded in year	Exercised in year	Lapsed		
<b>Executive</b>							
C Peppiatt	09.01.2023	-	175,090	-	-	175,090	09.01.2026
C Jewell	13.01.2020	25,245	-	-	(25,245)	-	13.01.2024
C Jewell	07.01.2021	22,839	-	-	-	22,839	07.01.2025
C Jewell	07.01.2021	18,686	-	-	(18,686)	-	07.01.2024
C Jewell	13.01.2022	24,360	-	-	-	24,360	13.01.2025
C Jewell	09.01.2023	-	70,698	-	-	70,698	09.01.2026

The Gooch & Housego 2013 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 is open to all UK employees. The scheme allows participants to save up to a maximum of £100 per month over the three year vesting period. Participants commit to a fixed monthly savings amount at the start of the savings period and are granted options at a 10% discount to the market price of Gooch & Housego PLC shares on the date of commencement of the vesting period. There were no grants of options under the SAYE scheme during the year ended 30 September 2022 or 2023. For the Executive Directors, take-up of this SAYE scheme has been as follows:

	Date of grant	At 01.10.2022	Number of ordinary shares under option			At 30.09.2023	Expiry Date
			Awarded in year	Exercised in year	Lapsed		
<b>Executive</b>							
C Jewell	26.03.2021	310	-	-	-	310	26.03.2025

During the year ended 30 September 2023, £337,000 (2022: £743,000) 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 nil (2022: credit £17,000) in respect of employer's national insurance contributions, based on a year end share price of £4.95 (2022: £5.75).

**Brian Phillipson**

**Chairman of the Remuneration Committee**

5 December 2023



# Financial Statements



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# Independent Auditors' Report

To the members of  
**Gooch & Housego PLC**

## Report on the audit of the financial statements

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### 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 2023 and of the Group's profit 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 Balance Sheet and the Company Balance Sheet as at 30 September 2023; the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Cash Flow Statement, and the Company Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### 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

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### Overview

#### Audit scope

- The UK audit team performed full scope audit procedures in respect of three operating units based in the USA (Gooch & Housego (Palo Alto) LLC, EM4 Inc., and Gooch & Housego (Ohio) LLC) and three operating units in the UK (Integrated Technologies Limited, Gooch & Housego (Torquay) Limited and Gooch & Housego (UK) Limited).
- Taken together, these six reporting units (post consolidation entries) account for 86% of the Group's revenue.
- 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, and G&H US Holdings Ltd, along with analytical procedures on all of the remaining reporting units.

#### Key audit matters

- Recoverability of the Group goodwill (Group).
- Acquisition accounting, including the identification and valuation of intangible assets and goodwill (Group).
- Recoverability of the Company's investments in subsidiaries (Company).

#### Materiality

- Overall Group materiality: £1,484,000 (2022: £1,248,000) based on 1% of Group revenues.
- Overall Company materiality: £662,300 (2022: £376,000) based on 1% of total assets.
- Performance materiality: £1,113,000 (2022: £936,000) (Group) and £496,700 (2022: £282,000) (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 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

## Recoverability of the Group goodwill (Group)

### KEY AUDIT MATTER

As at 30 September 2023, the Group Balance Sheet includes £59.7m of intangible assets (2022: £47.9m), of which £45.1m is goodwill (2022: £35.6m), and £14.6m amortised intangible assets (2022: £12.3m).

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 cashflows. 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 CGU, including cashflow 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.

## Acquisition accounting, including the identification and valuation of intangible assets and goodwill (Group)

### KEY AUDIT MATTER

On 20 June 2023, the Group 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. The cost of acquisition of GS Optics was largely funded through the issue of ordinary G&H shares with a value of £2.1m, cash consideration of \$11.1m, \$0.2m of deferred consideration and a working capital true-up payable in cash. Contingent consideration of up to \$1.85m may be payable based on the achievement of certain earnings targets up to 31 December 2023 however the Directors do not believe such targets will be met. On 21 July 2023, the Group acquired the entire issued share capital of Artemis Optical Holdings Limited ("Artemis"), a thin-film coating company based in the United Kingdom. The cost of acquisition of Artemis was largely funded through the issue of ordinary G&H shares with a value of £2.4m, cash consideration of £3.1m, £0.3m of deferred consideration, a working capital true-up payable in cash, plus contingent consideration of up to £2.0m based on the achievement of certain earnings targets, payable over the next two years.

The fair values ascribed to the intangibles assumed can be highly judgemental. Other assets and liabilities are generally less judgemental and not considered part of our significant risk assessment. We focus on the accounting for these transactions because they are material to the consolidated financial statements of the Group and because there is a degree of judgement in the identification and valuation of the assets and liabilities acquired. The amount of goodwill recognised is dependent on the valuation of the intangible assets. Refer to note 32, Business Combinations. The intangible assets recognised on acquisition have been disclosed in note 18, Intangible assets.

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have worked alongside our internal valuation experts to assess the appropriateness of the valuation analysis prepared by the directors to calculate the fair value of the intangible assets used in the business combination accounting. This included:

- Assessing the appropriateness of the methodology applied, and integrity of the discounted cash-flow used to determine the fair value of the intangibles assets in the business combination. We corroborated cash flows to Board approved forecasts;
- Challenging the key assumptions made by management in determining the fair values of assets identified, in particular, the forecast EBITDA and discount rates, including benchmarking of discount rates, and the attrition rates;
- Challenging the key assumptions made by management in determining the fair values of consideration recognised, including the assessment and calculation of contingent consideration;
- Assessing the Group's disclosures regarding the acquisition and estimation assumptions and whether they had been disclosed appropriately.

We concur with the assessment performed and consider the fair values ascribed to the intangibles to be reasonably stated.

## Recoverability of the Company's investments in subsidiaries (Company)

### KEY AUDIT MATTER

As at 30 September 2023, investments in subsidiaries included in the Company Balance Sheet was £43.2m (2022: £35.7m). 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 that there are no impairment triggers we obtained the relevant subsidiaries' cash flow forecasts supporting management's assessments and evaluated the appropriateness of key assumptions, including the procedures set out in the Goodwill impairment assessment (Group).

We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs. 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 eight 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 EM4 Inc., Gooch & Housego (Ohio) LLC, 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 six entities' financial information has 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, and G&H US Holdings Ltd, along with analytical procedures on all of the remaining reporting units. Our audit addressed components making up 86% 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

£1,484,000 (2022: £1,248,000).

#### FINANCIAL STATEMENTS – COMPANY

£662,300 (2022: £376,000).

### How we determined it

#### FINANCIAL STATEMENTS – GROUP

1% of Group revenues.

#### FINANCIAL STATEMENTS – COMPANY

1% of total assets

### Rationale for benchmark applied

#### FINANCIAL STATEMENTS – GROUP

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. We have also considered this benchmark in relation to other similar sized AIM listed entities in similar industries and performed a benchmarking assessment to ensure its appropriateness.

#### FINANCIAL STATEMENTS – COMPANY

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. In the prior year we restricted this as part of our Group scoping exercise however in the current year chose instead to only perform work over large balances for Group scoping purposes.

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 £280,000 and £1,200,000.

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% (2022: 75%) of overall materiality, amounting to £1,113,000 (2022: £936,000) for the Group financial statements and £496,700 (2022: £282,000) 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 £74,200 (Group audit) (2022: £62,000) and £33,000 (Company audit) (2022: £19,000) 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 2023 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 compliance with laws and regulations, including consideration of actual or potential litigation and claims;
- Reading board minutes for evidence of breaches of regulations and reading any relevant correspondence;

- 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](http://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

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### 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.

## Other voluntary reporting

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### Directors' remuneration

The Company voluntarily prepares a Remuneration Committee Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Remuneration Committee Report specified by the Companies Act 2006 to be audited as if the Company were a quoted company.

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Jason Clarke (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Cardiff

5 December 2023

# Group Income Statement

For the year ended 30 September 2023

	Note	30 September 2023			30 September 2022		
		Underlying £'000	Non-underlying (Note 13) £'000	Total £'000	Underlying £'000	Non-underlying (Note 13) £'000	Total £'000
Revenue	6	148,476	-	148,476	124,802	-	124,802
Cost of revenue		(104,454)	-	(104,454)	(85,741)	-	(85,741)
Gross profit		44,022	-	44,022	39,061	-	39,061
Research and development		(9,274)	-	(9,274)	(9,181)	-	(9,181)
Sales and marketing expenses		(10,259)	-	(10,259)	(8,697)	-	(8,697)
Administration expenses		(13,980)	(4,494)	(18,474)	(12,879)	(3,695)	(16,574)
Impairment of goodwill and acquired intangible assets	18	-	-	-	-	(6,726)	(6,726)
Other income	8	835	-	835	560	-	560
Operating profit/(loss)	6	11,344	(4,494)	6,850	8,864	(10,421)	(1,557)
Finance income	11	11	-	11	-	-	-
Finance costs	11	(1,784)	(57)	(1,841)	(717)	-	(717)
Profit/(loss) before income tax (expense)/income		9,571	(4,551)	5,020	8,147	(10,421)	(2,274)
Income tax (expense)/income	12	(1,719)	747	(972)	(1,326)	1,590	264
Profit/(loss) for the year		7,852	(3,804)	4,048	6,821	(8,831)	(2,010)
Basic earnings/(losses) per share	15	31.3p	(15.2p)	16.1p	27.2p	(35.2p)	(8.0p)
Diluted earnings/(losses) per share	15	31.0p	(15.0p)	16.0p	27.0p	(35.0p)	(8.0p)

# Group Statement of Comprehensive Income

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Profit/(loss) for the year		4,048	(2,010)
Other comprehensive income/(expense) – items that may be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedges	27	1,287	(1,137)
Currency translation differences	27	(5,801)	9,774
Other comprehensive (expense)/income for the year net of tax		(4,514)	8,637
Total comprehensive (expense)/income for the year attributable to the shareholders of Gooch & Housego PLC		(466)	6,627

# Group Balance Sheet

As at 30 September 2023

	Note	2023 £'000	2022 £'000
<b>Non-current assets</b>			
Property, plant and equipment	16	41,818	42,447
Right of use assets	17	9,932	5,063
Intangible assets	18	59,729	47,939
Deferred income tax assets	25	2,178	1,969
		<b>113,657</b>	<b>97,418</b>
<b>Current assets</b>			
Inventories	19	37,582	37,073
Trade and other receivables	20	34,075	35,598
Cash and cash equivalents	21	7,294	5,999
		<b>78,951</b>	<b>78,670</b>
<b>Current liabilities</b>			
Trade and other payables	22	(21,156)	(22,765)
Borrowings	23	(10)	(64)
Lease liabilities	23	(1,443)	(1,732)
Income tax liabilities		(581)	(578)
		<b>(23,190)</b>	<b>(25,139)</b>
<b>Net current assets</b>		<b>55,761</b>	<b>53,531</b>
<b>Non-current liabilities</b>			
Borrowings	23	(28,157)	(18,730)
Lease liabilities	23	(9,394)	(4,539)
Provisions for other liabilities and charges	24	(1,582)	(848)
Deferred consideration	32	(870)	-
Deferred income tax liabilities	25	(9,682)	(8,291)
		<b>(49,685)</b>	<b>(32,408)</b>
<b>Net assets</b>		<b>119,733</b>	<b>118,541</b>
<b>Shareholders' equity</b>			
Called up share capital	26	5,159	5,008
Share premium account	27	16,051	16,000
Merger reserve	27	11,561	7,262
Cumulative translation reserve	27	10,027	15,828
Hedging reserve	27	15	(1,272)
Retained earnings	27	76,920	75,715
<b>Total equity</b>		<b>119,733</b>	<b>118,541</b>

The financial statements for Gooch & Housego PLC, registered number 00526832, on pages 128 to 163 were approved by the Board of Directors on 5 December 2023 and signed on its behalf by:

Charlie Peppiatt  
Director

Chris Jewell  
Director

# Group Statement of Changes in Equity

For the year ended 30 September 2023

	Note	Called up share capital	Share premium account	Merger reserve	Retained earnings	Hedging reserve	Cumulative translation reserve	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2021		5,008	16,000	7,262	80,087	(135)	6,054	114,276
Loss for the financial year		-	-	-	(2,010)	-	-	(2,010)
Other comprehensive expense/(income) for the year		-	-	-	-	(1,137)	9,774	8,637
Total comprehensive (expense)/income for the year		-	-	-	(2,010)	(1,137)	9,774	6,627
Dividends	14	-	-	-	(3,105)	-	-	(3,105)
Share-based payments	28	-	-	-	743	-	-	743
Total contributions by and distributions to owners of the parent recognised directly in equity		-	-	-	(2,362)	-	-	(2,362)
At 30 September 2022		5,008	16,000	7,262	75,715	(1,272)	15,828	118,541
At 1 October 2022		5,008	16,000	7,262	75,715	(1,272)	15,828	118,541
Profit for the financial year		-	-	-	4,048	-	-	4,048
Other comprehensive income/(expense) for the year		-	-	-	-	1,287	(5,801)	(4,514)
Total comprehensive income/(expense) for the year		-	-	-	4,048	1,287	(5,801)	(466)
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	76,920	15	10,027	119,733

# Group Cash Flow Statement

For the year ended 30 September 2023

	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	16,164	6,084
Income tax repaid	2	456
<b>Net cash generated from operating activities</b>	<b>16,166</b>	<b>6,540</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	(11,697)	-
Purchase of property, plant and equipment	(6,257)	(6,669)
Sale of property, plant and equipment	516	-
Purchase of intangible assets	(1,062)	(1,899)
Interest received	11	-
<b>Net cash used in investing activities</b>	<b>(18,489)</b>	<b>(8,568)</b>
<b>Cash flows from financing activities</b>		
Drawdown of borrowings	19,154	6,300
Repayment of borrowings	(8,378)	(1,312)
Principal elements of lease payments	(1,624)	(1,584)
Interest paid*	(1,784)	(717)
Dividends paid to ordinary shareholders	(3,180)	(3,105)
<b>Net cash generated from/(used in) financing activities</b>	<b>4,188</b>	<b>(418)</b>
<b>Net increase/(decrease) in cash</b>	<b>1,865</b>	<b>(2,446)</b>
Cash at beginning of the year	5,999	8,352
Exchange (losses)/gains on cash	(570)	93
<b>Cash at the end of the year</b>	<b>7,294</b>	<b>5,999</b>

\* Interest paid in the year ended 30 September 2022 of £717,000 has been reclassified from investing activities to financing activities.

# Notes to the Group Cash Flow Statement

For the year ended 30 September 2023

## Reconciliation of cash generated from operations

	2023	2022
	£'000	£'000
Profit/(loss) before income tax	5,020	(2,274)
Adjustments for:		
- Amortisation of acquired intangible assets	1,672	1,903
- Amortisation of other intangible assets	1,692	1,438
- Impairment of intangible assets	-	6,726
- Loss on disposal of property, plant and equipment	234	71
- Write back of lease creditor on early termination of lease	-	(96)
- Depreciation	7,652	7,102
- Share based payment charge	337	743
- Amounts claimed under the RDEC	(200)	(200)
- Finance income	(11)	-
- Finance costs	1,841	717
- Non cash interest charge included in finance costs	(57)	-
<b>Total</b>	<b>13,160</b>	<b>18,404</b>
Changes in working capital		
- Inventories	(1,291)	(5,557)
- Trade and other receivables	1,005	(5,707)
- Trade and other payables	(1,730)	1,218
<b>Total</b>	<b>(2,016)</b>	<b>(10,046)</b>
<b>Cash generated from operating activities</b>	<b>16,164</b>	<b>6,084</b>

## Reconciliation of net cash outflow to movement in net debt

	2023	2022
	£'000	£'000
Increase/(decrease) in cash in the year	1,865	(2,446)
Drawdown of borrowings	(19,154)	(6,300)
Repayment of borrowings	10,298	3,144
Changes in net cash resulting from cash flows	(6,991)	(5,602)
New leases	(3,305)	(25)
Translation differences	1,443	(4,031)
Non cash movements	(392)	(165)
Acquired debt due after 1 year	(54)	-
Acquired leases	(3,345)	-
Movement in net debt in the year	(12,644)	(9,823)
Net debt at 1 October	(19,066)	(9,243)
Net debt at 30 September	(31,710)	(19,066)

# Notes to the Group

## Cash Flow Statement Continued

For the year ended 30 September 2023

### Analysis of net debt

	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)

	At 1 Oct 2021	Cash flow	New leases	Exchange movement	Arising on acquisition	Non-cash movement	At 30 Sep 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	8,352	(2,446)	-	93	-	-	5,999
Debt due within 1 year	(65)	1,312	-	-	-	(1,311)	(64)
Debt due after 1 year	(10,903)	(6,300)	-	(2,999)	-	1,472	(18,730)
Leases	(6,627)	1,832	(25)	(1,125)	-	(326)	(6,271)
Net debt	(9,243)	(5,602)	(25)	(4,031)	-	(165)	(19,066)

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 2023

### 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 184.

The consolidated financial statements of the Group for the year ended 30 September 2023 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 172.

The Group is a manufacturer of specialist optoelectronic components, materials and systems and specialist instrumentation and life sciences devices. The Group has facilities in the United Kingdom, Germany 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.

#### Going concern

The financial statements have been prepared on a going concern basis.

The Directors have reviewed the budget for FY2024 and the strategic plan for FY2025. They have assessed the future funding requirements and covenant performance of the Group and compared them with available borrowing facilities. Details of the financial and liquidity positions of the Group are given on page 64.

At 30 September 2023 the Group has a strong balance sheet with net current assets of £55.8m. The Group's cash and undrawn available facilities totalled £36.3m.

The Directors have reviewed severe but plausible scenarios that estimate the potential impact of the principal risks that the Group faces (see pages 88 to 91 of this report) on the financial forecasts. These include the impact of a possible recession and/or further waves of the pandemic, 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 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. This assessment covered not only the coming 12 month period but also for the period to September 2025 in order to support the Viability Statement given on page 105.

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 2023, however, they have not had a material impact on our consolidated financial statements:

- Annual Improvements 2018-2020.
- Narrow scope amendments to IFRS 3, IAS16 and IAS38.

None of the amendments to the above standards had a material impact on the Financial Statements.

The following other amended standards and interpretations have been issued but were not mandatory for the financial year ended 30 September 2023. These are not expected to have a material impact on the consolidated financial statements.

- Narrow scope amendments to IAS1, IAS 8 and IFRS Practice Statement 2.
- Amendments to IAS 12 'Taxation'.
- Amendments to IAS 8 Accounting Policies, Changed in Accounting Estimates and Errors: Definition of Accounting Estimates.
- Amendment to IAS12 – International Tax Reform – pillar two model rules.

Work will continue in the new financial year to assess the impact of the new standards and interpretations on the Group's Financial Statements.

#### 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 FY2023 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 2013 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 Gooch & 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;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; 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 20.2% of the gross inventory value (2022: 17.3%). 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 £0.9m.

Further detail is given in note 19.

### Accounting for acquisitions

An assessment of the fair value of the purchase consideration and net assets acquired has been undertaken in respect of the acquisitions of GS Optics and Artemis. Determining the fair value of the consideration involves an estimate of the deferred consideration payable, which is dependent on post-acquisition performance, and therefore inherently uncertain. Intangible assets relating to customer relationships, order books and brands have been recognised based on estimates of the future cash flows to be derived from those assets.

Further detail is given in note 32.

### 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 139.

## 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 Aerospace and Defence, Life Sciences/Biophotonics 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 48 to 58.

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 143 is provided by location

	Aerospace and Defence	Life Sciences / Biophotonics	Industrial	Corporate	Total
For year ended 30 September 2023	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
Total revenue	40,110	34,928	80,748	-	155,786
Inter and intra-division	(1,554)	(2,139)	(3,617)	-	(7,310)
<b>External revenue</b>	<b>38,556</b>	<b>32,789</b>	<b>77,131</b>	<b>-</b>	<b>148,476</b>
Divisional expenses	(38,889)	(28,426)	(64,224)	929	(130,610)
<b>EBITDA<sup>1</sup></b>	<b>(333)</b>	<b>4,363</b>	<b>12,907</b>	<b>929</b>	<b>17,866</b>
EBITDA %	(0.9%)	13.3%	16.7%	-	12.0%
Depreciation and amortisation	(2,604)	(1,205)	(3,641)	(1,894)	(9,344)
Operating (loss)/profit before amortisation of acquired intangible assets	(2,937)	3,158	9,266	(965)	8,522
Amortisation of acquired intangible assets	-	-	-	(1,672)	(1,672)
<b>Operating (loss)/profit</b>	<b>(2,937)</b>	<b>3,158</b>	<b>9,266</b>	<b>(2,637)</b>	<b>6,850</b>
Operating (loss)/profit margin %	(7.6%)	9.6%	12.0%	-	4.6%
Add back non-underlying items and amortisation of acquired intangibles	639	946	1,232	1,677	4,494
<b>Adjusted operating (loss)/profit</b>	<b>(2,298)</b>	<b>4,104</b>	<b>10,498</b>	<b>(960)</b>	<b>11,344</b>
<b>Adjusted (loss)/profit margin %</b>	<b>(6.0%)</b>	<b>12.5%</b>	<b>13.6%</b>	<b>-</b>	<b>7.6%</b>
Finance costs	(59)	(65)	(172)	(1,534)	(1,830)
<b>(Loss)/Profit before income tax expense</b>	<b>(2,996)</b>	<b>3,093</b>	<b>9,094</b>	<b>(4,171)</b>	<b>5,020</b>

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.

	Aerospace and Defence	Life Sciences / Biophotonics	Industrial	Corporate	Total
For year ended 30 September 2022	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>					
Total revenue	32,992	33,190	69,316	-	135,498
Inter and intra-division	(2,439)	(3,494)	(4,763)	-	(10,696)
<b>External revenue</b>	<b>30,553</b>	<b>29,696</b>	<b>64,553</b>	<b>-</b>	<b>124,802</b>
Divisional expenses	(31,220)	(24,640)	(53,437)	107	(109,190)
<b>EBITDA<sup>1</sup></b>	<b>(667)</b>	<b>5,056</b>	<b>11,116</b>	<b>107</b>	<b>15,612</b>
EBITDA %	(2.2%)	17.0%	17.2%	-	12.5%
Depreciation and amortisation	(2,745)	(1,378)	(3,803)	(614)	(8,540)
Operating (loss)/profit before amortisation of acquired intangible assets	(3,412)	3,678	7,313	(507)	7,072
Amortisation of acquired intangible assets	-	-	-	(8,629)	(8,629)
<b>Operating (loss)/profit</b>	<b>(3,412)</b>	<b>3,678</b>	<b>7,313</b>	<b>(9,136)</b>	<b>(1,557)</b>
Operating (loss)/profit margin %	(11.2%)	12.4%	11.3%	-	(1.2%)
Add back non-underlying items and amortisation of acquired intangibles	746	273	1,093	8,309	10,421
<b>Adjusted operating (loss)/profit</b>	<b>(2,666)</b>	<b>3,951</b>	<b>8,406</b>	<b>(827)</b>	<b>8,864</b>
<b>Adjusted (loss)/profit margin %</b>	<b>(8.7%)</b>	<b>13.3%</b>	<b>13.0%</b>	<b>-</b>	<b>7.1%</b>
Finance costs	(113)	(56)	(130)	(418)	(717)
<b>(Loss)/Profit before income tax expense</b>	<b>(3,525)</b>	<b>3,622</b>	<b>7,183</b>	<b>(9,554)</b>	<b>(2,274)</b>

<sup>1</sup>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 and CEO succession 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 2023	Industrial £'000	Life Sciences £'000	A&D £'000	Total £'000
Revenue from long term contracts	972	1,326	3,416	5,714
Revenue from sale of products	76,159	31,463	35,140	142,762
<b>Total revenue</b>	<b>77,131</b>	<b>32,789</b>	<b>38,556</b>	<b>148,476</b>

For year ended 30 September 2022	Industrial £'000	Life Sciences £'000	A&D £'000	Total £'000
Revenue from long term contracts	5,316	582	1,383	7,281
Revenue from sale of products	59,237	29,114	29,170	117,521
<b>Total revenue</b>	<b>64,553</b>	<b>29,696</b>	<b>30,553</b>	<b>124,802</b>

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 (2022: nil).

The timing of receipts related to revenue from long term contracts is not materially different to that recognised at point of sale.

As noted on page 142 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.

### Analysis of net assets by location:

	2023 Assets £'000	2023 Liabilities £'000	2023 Net Assets £'000	2022 Assets £'000	2022 Liabilities £'000	2022 Net Assets £'000
United Kingdom	83,746	(47,947)	35,799	72,870	(33,909)	38,961
USA	107,748	(24,323)	83,425	101,574	(23,472)	78,102
Continental Europe	198	(84)	114	488	(52)	436
Asia Pacific	916	(521)	395	1,156	(114)	1,042
	<b>192,608</b>	<b>(72,875)</b>	<b>119,733</b>	<b>176,088</b>	<b>(57,547)</b>	<b>118,541</b>

For the year to 30 September 2023 non-current asset additions were £4.0m (2022: £5.5m) for the UK and for the USA £6.6m (2022: £3.3m). There were no additions to non-current assets in respect of Europe (2022: £nil) or the Asia Pacific region (2022: £nil). The value of non-current assets in the USA was £66.2m (2022: £56.4m) and in the United Kingdom £45.5m (2022: £41.5m). There were no non-current assets in Europe or the Asia-Pacific region.

### Analysis of revenue by destination:

	2023 £'000	2022 £'000
United Kingdom	27,309	27,848
North America	59,328	47,267
Continental Europe	34,769	26,749
Asia Pacific and Other	27,070	22,938
<b>Total revenue</b>	<b>148,476</b>	<b>124,802</b>

## 7. Expenses by nature

	Note	2023 £'000	2022 £'000
Raw materials and consumables		53,134	45,520
Changes in inventory		(2,690)	3,996
Employee costs	9	62,527	54,368
Other operating charges		18,175	6,506
Depreciation on property, plant and equipment		6,129	5,839
Depreciation on right of use assets		1,522	1,263
Amortisation of acquired intangible assets		1,672	1,903
Amortisation of other intangible assets		1,692	1,438
Impairment of goodwill and other intangible assets	18	-	6,726
Net losses/(gains) on foreign exchange		300	(640)
		<b>142,461</b>	<b>126,919</b>

**8. Other income**

	2023	2022
	£'000	£'000
Grants receivable	414	363
Amounts claimed under the RDEC	200	197
Other income	221	-
	835	560

Other income relates to sales of certain materials used in production which need to be reprocessed periodically.

**9. Employee benefit expense**

	2023	2022
	£'000	£'000
Wages and salaries	50,632	43,377
Social security costs	4,459	4,200
Share based payment charge	337	743
Medical and other insurance	4,386	3,638
Other pension costs	2,713	2,410
	62,527	54,368

The monthly average number of employees during the year was:

	2023	2022
	Number	Number
Manufacturing	767	635
Sales, finance and administration	263	254
	1,030	889

**Key management compensation**

	2023	2022
	£'000	£'000
Salaries and other short-term benefits	4,124	4,936
Compensation for loss of office	-	366
Share based payments	337	743
Other pension costs	199	267
	4,660	6,312

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 114 of the Remuneration Committee Report.

**10. Auditors' remuneration**

PricewaterhouseCoopers LLP's remuneration comprised:

	2023	2022
	£'000	£'000
Fees payable to the Group's auditors for the audit of the parent company and consolidated financial statements	355	226

**11. Finance income and costs**

	2023	2022
	£'000	£'000
Finance income comprises:		
- Bank interest	11	-
	11	-
Finance costs comprise:		
- Bank interest	(1,487)	(469)
- Lease interest	(297)	(248)
- Unwind of discount on deferred consideration	(57)	-
	(1,841)	(717)

**12. Income tax expense/(income)**

Analysis of tax charge/(credit) in the year

	2023	2022
	£'000	£'000
<b>Current taxation</b>		
UK Corporation tax	843	399
Overseas tax	703	(3)
Adjustments in respect of prior years	(1,130)	(678)
Total current tax	416	(282)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(349)	(422)
Adjustments in respect of prior years	874	313
Change to UK tax rate	31	127
Total deferred tax	556	18
<b>Income tax expense/(income) per income statement</b>	<b>972</b>	<b>(264)</b>

The taxation (income)/expense for the year is lower (2022: higher) than the standard rate of corporation tax in the UK. An explanation of the differences is detailed below:

	2023	2022
	£'000	£'000
<b>Profit/(loss) before income tax expense</b>	<b>5,020</b>	<b>(2,274)</b>
Profit/(loss) at the standard rate of tax of 22.0% for the year (2022: 19.0%)	1,104	(432)
Permanent differences	73	1,105
Adjustments in respect of foreign tax rates	6	(32)
Effect of UK rate change on deferred tax balances	31	127
Other timing differences	14	28
Adjustments in respect of prior years	(256)	(365)
Release of deferred tax liability in relation to goodwill	-	(695)
<b>Total tax expense/(income)</b>	<b>972</b>	<b>(264)</b>

There was no income tax relating to items included in other comprehensive income (2022: nil).

**Factors affecting the future tax charge**

Overseas tax losses of £14.1m (2022: £11.1m) and UK tax losses of £1.7m (2022: nil) are available against future profits of the Group. The utilisation of these losses is not sufficiently certain to recognise a deferred tax asset.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**13. Non-underlying items**

	2023 £'000	2022 £'000
<b>Included within administration expenses</b>		
Amortisation of acquired intangible assets	1,672	1,903
Acquisitions costs	1,156	-
Restructuring costs	787	1,179
Site closure costs	879	-
Impairment of goodwill and acquired intangible assets	-	6,726
Other	-	613
	<b>4,494</b>	<b>10,421</b>
<b>Included within finance costs</b>		
Unwind of discount on deferred consideration	57	-
	<b>57</b>	<b>-</b>
<b>Included within taxation</b>		
Tax effect of the non-underlying items above	(747)	(1,022)
Restatement of UK deferred tax balances at 25%	-	127
Release of deferred tax on goodwill	-	(695)
	<b>(747)</b>	<b>(1,590)</b>

Further detail in respect of the amortisation of acquired intangible assets is given in the accounting policies and note 18.

Acquisition costs of £1.2m (2022: £nil) related to costs incurred associated with the changes to the Group's portfolio of business, most significantly the acquisitions of GS Optics and Artemis.

Restructuring costs of £0.8m (2022:£1.2m) associated with the restructuring of the Group's operating model and the costs incurred to establish our contract manufacturing partner's capability to manufacture both acousto-optic and fibre optic products.

Site closure costs of £0.9m (2022: £nil). During the year the Group closed its small facility in Shanghai and transferred its ITL business' US operation from its site in Virginia into the GS Optics campus in Rochester.

Restructuring costs incurred in the year ended 30 September 2022 related to the ongoing streamlining of our manufacturing operations and outsourcing production of our commodity AO products to a contract manufacturer in Thailand. The costs incurred in the period largely comprised staff costs, severance costs, travel costs and asset write downs at the sites being closed.

Other non-underlying items in the year ended 30 September 2022 relate to costs associated with the chief executive officer succession and principally included payment in lieu of notice and accelerated IFRS 2 costs.

The UK corporation tax rate increased to 25% with effect from 1 April 2023. During the year ended 30 September 2022, a charge of £0.1m was incurred in relation to the tax rate differential between current and deferred tax on timing differences arising in the year. The effect in the year ended 30 September 2023 was £31,000, which has been included in the underlying tax charge.

**14. Dividends**

	2023	2022
	£'000	£'000
Final 2022 dividend: 7.7p per share (Final 2021 dividend paid in 2022: 7.7p)	1,978	1,928
2023 Interim dividend of 4.8p per share (2022: 4.7p per share)	1,202	1,177
	3,180	3,105

The Directors have proposed a final dividend of 8.2p per share making the total dividend paid and proposed in respect of the 2023 financial year 13.0p. (2022: 12.6p per share). The total value of the proposed final dividend is £2,114,000 (2022: £1,978,000).

**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 2023 is given below:

	2023	2022
Number of shares used for basic earnings per share	25,085,805	25,040,919
Number of dilutive shares	272,361	211,603
Number of shares used for dilutive earnings per share	25,358,166	25,252,522

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

	2023		2022	
	£'000	pence per share	£'000	pence per share
Basic earnings/(losses) per share	4,048	16.1p	(2,010)	(8.0p)
Amortisation of acquired intangible assets (net of tax)	1,345	5.4p	1,491	6.0p
Acquisition costs	1,073	4.1p	-	-
Site closure costs	729	2.9p	-	-
Impairment of goodwill and intangible assets (net of tax)	-	-	6,438	25.7p
Restructuring costs (net of tax)	599	2.6p	944	3.8p
Other non-underlying items (net of tax)	-	-	526	2.0p
Unwind of discount on deferred consideration	58	0.2p	-	-
Release of deferred tax on goodwill	-	-	(695)	(2.8p)
UK deferred tax rate change	-	-	127	0.5p
Total adjustments net of income tax expense	3,804	15.2p	8,831	35.2p
Adjusted basic earnings per share	7,852	31.3p	6,821	27.2p
Basic diluted earnings/(losses) per share	4,048	16.0p	(2,010)	(8.0p)
Adjusted diluted earnings per share	7,852	31.0p	6,821	27.0p

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
<b>Cost or valuation</b>							
At 1 October 2021	1,109	9,236	18,708	44,190	4,086	83	77,412
Additions	4,050	-	411	1,444	764	-	6,669
Disposals	-	-	(24)	(227)	(59)	-	(310)
Reclassification	(2,389)	112	913	822	542	-	-
Exchange rate differences	205	165	3,274	3,825	299	19	7,787
At 30 September 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
<b>Accumulated depreciation</b>							
At 1 October 2021	-	2,400	6,432	27,507	3,087	41	39,467
Charge for the year	-	408	1,282	3,606	532	11	5,839
Disposals	-	-	(22)	(173)	(44)	-	(239)
Reclassification	-	112	73	(528)	343	-	-
Exchange rate differences	-	162	1,317	2,333	216	16	4,044
At 30 September 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
<b>Net book value</b>							
At 30 September 2021	1,109	6,836	12,276	16,683	999	42	37,945
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

No interest was capitalised in the year (2022: £Nil).

**17. Right of use assets**

	Fixtures and fittings £'000	Motor vehicles £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>					
At 1 October 2021	32	45	8,403	77	8,557
Additions	14	-	188	-	202
Disposals	(9)	-	(987)	-	(996)
Exchange rate differences	6	-	1,559	16	1,581
<b>At 30 September 2022</b>	<b>43</b>	<b>45</b>	<b>9,163</b>	<b>93</b>	<b>9,344</b>
Acquisitions	42	-	2,656	679	3,377
Additions	25	13	3,237	-	3,275
Exchange rate differences	(3)	-	(586)	(8)	(597)
<b>At 30 September 2023</b>	<b>107</b>	<b>58</b>	<b>14,470</b>	<b>764</b>	<b>15,399</b>
<b>Accumulated depreciation</b>					
At 1 October 2021	19	36	3,218	54	3,327
Charge for the year	10	7	1,224	22	1,263
Disposals	(9)	-	(987)	-	(996)
Exchange rate differences	2	-	671	14	687
<b>At 30 September 2022</b>	<b>22</b>	<b>43</b>	<b>4,126</b>	<b>90</b>	<b>4,281</b>
Charge for the year	12	3	1,492	15	1,522
Exchange rate differences	(2)	-	(326)	(8)	(336)
<b>At 30 September 2023</b>	<b>32</b>	<b>46</b>	<b>5,292</b>	<b>97</b>	<b>5,467</b>
<b>Net book value</b>					
At 30 September 2021	13	9	5,185	23	5,230
At 30 September 2022	21	2	5,037	3	5,063
At 30 September 2023	75	12	9,178	667	9,932

**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
<b>Cost</b>						
At 1 October 2021	52,316	30,202	4,128	5,289	4,164	96,099
Additions	-	-	-	785	1,114	1,899
Disposals	-	(12,364)	-	(414)	(118)	(12,896)
Exchange rate differences	7,012	2,182	292	22	38	9,546
<b>At 30 September 2022</b>	<b>59,328</b>	<b>20,020</b>	<b>4,420</b>	<b>5,682</b>	<b>5,198</b>	<b>94,648</b>
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)
<b>At 30 September 2023</b>	<b>67,907</b>	<b>22,242</b>	<b>5,724</b>	<b>6,476</b>	<b>5,539</b>	<b>107,888</b>
<b>Accumulated amortisation and impairment</b>						
At 1 October 2021	15,598	22,486	1,824	3,140	2,216	45,264
Charge for the year	-	1,500	403	791	647	3,341
Impairment charge	5,574	586	566	-	-	6,726
Disposals	-	(12,364)	-	(414)	(118)	(12,896)
Exchange rate differences	2,540	1,521	154	(3)	62	4,274
<b>At 30 September 2022</b>	<b>23,712</b>	<b>13,729</b>	<b>2,947</b>	<b>3,514</b>	<b>2,807</b>	<b>46,709</b>
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)
<b>At 30 September 2023</b>	<b>22,852</b>	<b>14,355</b>	<b>3,142</b>	<b>4,403</b>	<b>3,407</b>	<b>48,159</b>
<b>Net book value</b>						
At 30 September 2021	36,718	7,716	2,304	2,149	1,948	50,835
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

## 18. Intangible assets (continued)

In the year ended 30 September 2022, the Group recorded an impairment charge of £6.7m on the carrying value of its goodwill and other acquired intangible assets held in respect of its UK sites CGU. This was as a consequence of an increase in the Group's weighted average cost of capital which has been driven higher by increased costs of borrowing in the market as well as the weaker financial performance of that CGU in the financial year. The CGUs reflect our operating model, being regionally based.

Goodwill is allocated to the operating regions as follows: US £29.9m and UK £5m. The goodwill relating to the Ashford site, which continues to constitute a separate CGU is £10.2m. The CGUs reflect our operating model, being regionally based.

The provisional goodwill attributable to the UK cash generating unit arose on the acquisition of Artemis Optical Holdings Limited during the year. Further details are given in note 32. Due to the short period of time that has elapsed since the acquisition, the Directors have not considered it necessary to undertake a detailed impairment review in respect of this goodwill. The Directors have reviewed the post acquisition performance of the business and are satisfied that the future prospects of the acquired business support the carrying value of goodwill. The UK CGU is not therefore included in the sensitivity disclosures included below.

The goodwill which arose on the acquisition of GS Optics has been included in the US CGU.

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 FY2023 to FY2026	Average annual growth in revenue from FY2026 to FY2038	Growth into perpetuity	Average operating margin to FY2038	Pre Tax Discount Rate
US	3.8%	3.0%	2.0%	17.6%	15.8%
Ashford (ITL)	17.6%	3.0%	2.0%	17.4%	16.4%

The headroom on the value in use calculations is summarised for each of the cash generating units below:

Cash Generating Unit	Headroom
US	£50.2m
Ashford (ITL)	£7.0m

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 FY2023 to FY2026	Effect of a 1% reduction in growth per annum from FY2026 to FY2038	Effect of a 1% reduction in growth to perpetuity	Effect of a 1% reduction in operating margin from FY2024 - FY2026
US	(£12.2m)	(£0.8m)	(£5.9m)	(£3.4m)	(£2.2m)
Ashford (ITL)	(£2.9m)	(£0.2m)	(£2.2m)	(£0.8m)	(£0.6m)



**19. Inventories**

	2023	2022
	£'000	£'000
Raw materials	15,887	16,231
Work in progress	16,936	17,517
Finished goods	4,759	3,325
	37,582	37,073

The cost of inventories recognised as an expense and included in cost of revenue amounted to £54.2m (2022: £49.5m).

	2023	2022
	£'000	£'000
At 1 October	7,744	7,298
Acquired	452	-
Increase/(decrease) in provision	1,518	(31)
Exchange rate movement	(226)	477
At 30 September	9,488	7,744

The Group's banking facilities are secured on certain of its assets including inventory.

**20. Trade and other receivables**

	2023	2022
	£'000	£'000
Trade receivables	27,804	31,608
Other receivables	1,557	1,220
Contract assets	3,168	1,708
Prepayments	1,546	1,062
	34,075	35,598

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

	2023	2022
	£'000	£'000
Pound Sterling	9,926	8,204
US Dollar	22,711	25,968
Euro	1,438	1,104
Other	-	322
	34,075	35,598

The ageing of trade receivables and contract assets by due date is as follows:

	2023	2022
	£'000	£'000
Current	21,170	23,417
1 to 3 months	8,078	8,910
Over 3 months	2,226	1,543
	31,474	33,870
Less provision for impairment	(502)	(554)
Net trade receivables and contract assets	30,972	33,316

None of the trade receivables are with customers where we have had any history of default.

	2023	2022
	£'000	£'000
At 1 October	554	463
Acquired	25	-
Release of provision	(199)	(131)
Increase in provision	140	184
Exchange rate movement	(18)	38
At 30 September	502	554

The provision for expected credit loss amounts to 0.5% of current balances, 2% of balances in the 1 – 3 month category, and 10% of balances greater than 3 months old.

**21. Cash and cash equivalents**

	2023	2022
	£'000	£'000
Cash at bank and on hand	7,294	5,999

**22. Trade and other payables**

	2023	2022
	£'000	£'000
Trade payables	5,889	7,698
Contract liabilities	764	1,063
Other taxation and social security	905	1,017
Derivative financial instruments	-	1,272
Accruals	13,598	11,715
	21,156	22,765

**23. Borrowings and lease liabilities**

	2023	2022
	£'000	£'000
<b>Current:</b>		
Bank borrowings	10	64
Leases	1,443	1,732
	1,453	1,796
<b>Non-current:</b>		
Bank borrowings	28,157	18,730
Leases	9,394	4,539
	37,551	23,269
<b>Total borrowings and lease liabilities</b>	<b>39,004</b>	<b>25,065</b>

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 \$60m (£49.2m) dollar revolving credit facility and a \$10m (£8.2m) flexible acquisition facility. At 30 September 2023, the balance drawn on the revolving credit facility was \$34.6m (£28.3m) (2022: \$21.3m (£19.1m)) and on the flexible acquisition facility nil (2022: nil).

The facilities above are committed until 31 March 2027 and attract 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.

**23. Borrowings and lease liabilities (continued)**

## Maturity profile of bank borrowings

	2023	2022
	£'000	£'000
Within one year	10	64
Between one and five years	28,103	18,730
	28,113	18,794

## Maturity profile of lease liabilities

	2023	2022
	£'000	£'000
Within one year	2,009	1,944
Between two and five years	8,481	3,500
After five years	3,528	1,555
	14,018	6,999

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 2023 was £1.9m (2022: £1.8m)

**24. Provisions for other liabilities and charges**

The movements in the Group provision for other liabilities and charges during the year are as follows:

	2023	2022
	£'000	£'000
At 1 October	848	1,447
Utilised during year	(282)	(832)
Increase in year	1,027	207
Exchange movements	(11)	26
At 30 September	1,582	848

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:

	2023 £'000	2022 £'000
At 1 October	(6,322)	(5,699)
Charged to the income statement	(556)	(18)
On acquisitions	(912)	-
Exchange movements	286	(605)
<b>Net liability at 30 September</b>	<b>(7,504)</b>	<b>(6,322)</b>

The current portion of the deferred tax liability is £1.6m (2022: £0.3m)

The deferred tax provided for in the financial statements is disclosed under the following balance sheet headings and can be analysed as follows:

	2023 £'000	2022 £'000
<b>Deferred income tax assets</b>		
Intangible assets	100	225
IFRS16 Leases	319	352
Provisions	1,759	1,392
	<b>2,178</b>	<b>1,969</b>
<b>Deferred income tax liabilities</b>		
Property, plant and equipment	(6,338)	(6,203)
Intangible assets	(2,837)	(2,088)
Other timing differences	(507)	-
	<b>(9,682)</b>	<b>(8,291)</b>
<b>Deferred tax balance at 30 September</b>	<b>(7,504)</b>	<b>(6,322)</b>

The movement on the deferred tax balances by category is shown below:

	Intangible assets £'000	IFRS16 leases £'000	Provisions £'000	Property, plant and equipment £'000	Intangible assets £'000	Other timing differences £'000	Total £'000
At 1 October 2021	281	392	1,210	(4,999)	(2,583)	-	(5,699)
(Charged)/credited to income statement	(98)	(107)	(2)	(488)	677	-	(18)
Exchange movements	42	67	184	(716)	(182)	-	(605)
At 30 September 2022	225	352	1,392	(6,203)	(2,088)	-	(6,322)
(Charged)/credited to income statement	(129)	(17)	442	(239)	(106)	(507)	(556)
On acquisitions	-	14	(12)	(250)	(664)	-	(912)
Exchange movements	4	(30)	(63)	354	21	-	286
At 30 September 2023	100	319	1,759	(6,338)	(2,837)	(507)	(7,504)

Overseas tax losses of £14.1m (2022: £11.1m) and UK tax losses of £1.7m (2022: £nil) are available to offset against future profits of the Group. The Group has not recognised a deferred income tax asset of £4.0m (2022: £2.3m) 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

	2023 Number	2022 Number	2023 £'000	2022 £'000
Issued and fully paid ordinary shares of 20p each				
At 1 October	25,040,919	25,040,919	5,008	5,008
Shares issued and fully paid	745,478	-	151	-
At 30 September	25,786,397	25,040,919	5,159	5,008

11,275 shares were allotted under share option schemes during the year ended 30 September 2023 (2022: nil). 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.

**27. Reserves**

	Share premium account £'000	Merger reserve £'000	Cumulative translation reserve £'000	Hedging reserve £'000	Retained earnings £'000
At 1 October 2021	16,000	7,262	6,054	(135)	80,087
Loss for the financial year	-	-	-	-	(2,010)
Dividends paid	-	-	-	-	(3,105)
Fair value of share options	-	-	-	-	743
Currency hedge fair value	-	-	-	(1,137)	-
Currency translation differences	-	-	9,774	-	-
At 30 September 2022	16,000	7,262	15,828	(1,272)	75,715
At 1 October 2022	16,000	7,262	15,828	(1,272)	75,715
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	-	-	(5,801)	-	-
At 30 September 2023	16,051	11,561	10,027	15	76,920

**28. Share options**

The Group 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:

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	457,515	0.84	392,276	1.18
Awarded	409,782	-	167,929	-
Exercised	(11,275)	(4.64)	-	-
Adjustment	2,323	4.64	-	-
Lapsed	(190,283)	(0.36)	(102,690)	(0.76)
Outstanding at 30 September	668,062	0.33	457,515	0.84
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 2023 was 2.7 years (2022: 1.8 years).

The total charge for the year relating to share options was £337,000 (2022: £743,000), all of which related to equity-settled share based payment transactions.

## 28. 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. Under the plan, awards are made annually to key employees based on a percentage of salary. Subject to the satisfaction of the required Total Shareholder Return performance criteria and Earnings Per Share financial performance, these grants will vest upon publication of the results of the Group three years after the grant date.

There have been ten grants of options under the 2013 Long Term Incentive Plan, which will expire in 2023. The remuneration report provides further details on the share options awarded and exercised during the financial year.

The 2013 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 2023 are summarised below:

	Grant date		
	9 Jan 2023	13 Jan 2022	7 Jan 2021
No. of options granted	409,782	142,380	174,781
Expected volatility	44%	46%	46%
Risk free rate	2.00%	0.76%	0.76%
Option term	3 years	3 years	2-3 years
Fair value (£)	1,537,338	1,119,282	1,751,334
Exercise price	nil	nil	nil
Expected dividend yield	2.1%	1%	1%
Share price at grant date	530p	1175p	1198p

A reconciliation of LTIP option movements is shown below:

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	398,317	-	351,868	-
Awarded	409,782	-	142,380	-
Exercised	-	-	-	-
Lapsed	(184,449)	-	(95,931)	-
Outstanding at 30 September	623,650	-	398,317	-
Exercisable at 30 September	-	-	-	-

The weighted average fair value of options granted in the year was 375.0p per option (2022: 550.0p per option).

The weighted average remaining contractual life of LTIP options outstanding at 30 September 2023 was 2.8 years (2022: 1.9 years).

The total share-based payments charge for the year ended 30 September 2023 relating to the 2013 LTIP scheme was £197,000 (2022: £669,000).

**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 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.

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	24,697	11.59	31,284	11.59
Awarded	-	-	-	-
Lapsed	(5,835)	11.59	(6,587)	11.59
Outstanding at 30 September	18,862	11.59	24,697	11.59
Exercisable at 30 September	-	-	-	-

There were no options granted under the Save As You Earn Scheme in the year ended 30 September 2023 or 30 September 2022.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

	Exercise price per share option	Number of share options	
		2023	2022
G&H PLC Save As You Earn Scheme	£11.59	18,862	24,697

The weighted average remaining contractual life of SAYE options outstanding at 30 September 2023 was 0.5 years (2022: 1.5 years).

The total share-based payments charge for the year ended 30 September 2023 relating to the SAYE scheme was £18,000 (2022: £20,000).

**28. Share options (continued)****The Gooch & Housego PLC Employee Stock Purchase Plan**

The Gooch & Housego PLC Employee Stock Purchase Plan was established in February 2021 and is open to all US employees. Under the Plan, participants save a fixed monthly amount of between \$5 and \$135 over the two-year savings period. At maturity of the savings period, employees are able to withdraw their savings, or exercise their options at a price equal to the lower of a 10% discount to the market price at the start of the savings plan and a 10% discount to the market price at the end of the savings plan.

The initial award under the Employee Stock Purchase Plan matured on 1 May 2023 and there are no outstanding options as at 30 September 2023. The option price was set at a 10% discount to the closing share price on 30 April 2023.

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	8,952	11.14	9,124	11.14
Awarded	-	-	-	-
Adjustment	2,323	4.64	-	-
Exercised	(11,275)	4.64	-	-
Lapsed	-	-	(172)	11.14
Outstanding at 30 September	-	-	8,952	11.14
Exercisable at 30 September	-	-	-	-

There were no options granted under the Employee Stock Purchase Plan during the year ended 30 September 2023 or 30 September 2022.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

	Exercise price per share option	Number of share options	
		2023	2022
Employee Stock Purchase Plan	£4.64	0	8,952

The weighted average remaining contractual life of Employee Stock Purchase Plan options outstanding at 30 September 2022 was 0.5 years.

The total share-based payments charge for the year ended 30 September 2023 relating to the Employee Stock Purchase Plan was £24,000 (2022: £9,000).



**28. 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. A total of 25,549 units were awarded on 30 May 2022, with a vesting commencement date of 14 April 2022. There are no performance criteria attached to these RSUs, one third of which will vest on 14 April 2024 and the remaining two thirds will vest on 14 April 2025 provided the beneficiary is still employed by G&H on those dates.

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	25,549	-	-	-
Awarded	-	-	25,549	-
Lapsed	-	-	-	-
Outstanding at 30 September	25,549	-	25,549	-
Exercisable at 30 September	-	-	-	-

The weighted average fair value of options granted in the year ended 30 September 2022 was 990p per option.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

	Exercise price per share option	Number of share options	
		2023	2022
Employee Stock Purchase Plan	-	25,549	25,549

The weighted average remaining contractual life of Restricted Stock Units outstanding at 30 September 2023 was 1.3 years (2022: 2.2 years).

The total share-based payments charge for the year ended 30 September 2023 relating to the Restricted Stock Units Plan was £98,000 (2022: £45,000).

**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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Pound Sterling	3,680	1,914	1,220	1,500
US Dollars	3,171	3,038	37,784	24,837
Euro	387	898	-	-
Yen	71	149	-	-
	7,309	5,999	39,004	26,337

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.

## 29. Financial instruments (continued)

### 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 2023, 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 2023, the Group had contracts to sell \$10.0m in the period to 30 September 2024. The fair value of these contracts, an asset of £15,000, has been included within receivables on the balance sheet (2022: contracts to sell \$11.0m in the period to 30 September 2022 with a fair value of negative £1.3m).

#### 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 2022, with all other variables constant, post tax profits for the year would have been £221,000 higher (2022: £534,000 lower) 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 £3,369,000 lower (2022: £4,033,000 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 £3,706,000 higher (2022: £4,929,000 higher).

**b. Cash flow interest rate risk**

The Group has cash balances of £7.3m, a proportion of which are held in interest bearing current accounts. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its revolving credit facility. A 1% increase in the cost of the Group's bank borrowings would have resulted in an annualised increase in interest expense of £225,000 (2022: £147,000).

Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. During 2022 and 2023, the Group's borrowings at variable interest rates were denominated in Pound Sterling and US Dollars as detailed in Note 23.

**ii. Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's trade receivables.

**a. Trade and other receivables**

The management of credit risk exposure is the responsibility of each business unit which has credit policies in place to mitigate the risk. The credit policies seek to verify a customer's credit worthiness prior to trading and maintain the level of trading within agreed credit limits. Changes to credit limits require authorisation in accordance with internal control policies.

The Group is exposed to concentration of credit risk. The Group's top ten customers in 2023 accounted for 31% of the Group's revenue (2022: 29%). No individual customer made up more than 6% of revenue in either the current or prior year.

The Group's trade receivables are analysed in note 20.

**b. Cash**

Cash is held in current and deposit accounts with financial institutions which have credit ratings of A- or greater.

**iii. Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group aims to achieve a balance between certainty of funding and a flexible, cost effective borrowing structure.

The Group's facilities comprise a committed revolving credit facility of \$60m (£49.2m) of which \$34.6m (£28.3m) is drawn and an uncommitted flexible acquisition facility of \$10m (£8.2m) which is undrawn. Both are available until 31 March 2027. These are analysed in Note 23.

The Group aims to ensure that there are sufficient funds or credit lines available to supplement cash flows generated from trading to meet known obligations in the next 12 months

**30. Commitments**

	2023	2022
	£'000	£'000
Capital commitments – authorised and contracted but not provided for	867	2,451

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 a material interest.

Details of key management compensation are given in note 9.

### 32. Business combinations

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 enhances G&H’s product portfolio and creates new opportunities for vertical integration and the cross selling of the Group’s combined capabilities.

Provisional 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)
<b>Total purchase consideration</b>	<b>7,352</b>

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 are as follows:

	Provisional 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
<b>Net assets acquired</b>	<b>7,352</b>

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 are achieved by Artemis in the 12 month periods ended 31 July 2024 and 31 July 2025, additional consideration of up to £2m might be payable in cash on or around 31 August 2024 and 31 August 2025. The fair value of the contingent consideration of £1,730,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 14.3%.

£155,000 of the consideration payable was retained to cover certain specific risk items. This will be payable in equal instalments on the first and second anniversaries of the acquisition.

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

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 increases G&H’s commercial footprint in high-growth areas within the large US life sciences marking including ophthalmic lenses, surgical imaging and diagnostic instrumentation.

Provisional details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
Cash paid	8,678
Ordinary shares 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
Trade and other receivables	856
Inventories	562
Right of use assets	2,205
Plant and equipment	1,549
Deferred tax assets	79
Intangible assets – customer relationships	1,127
Intangible assets – brand	886
Trade and other payables	(377)
Lease liabilities	(2,224)
Add: goodwill	6,365
Net assets acquired	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 are achieved by Artemis 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. The Directors do not believe that these targets will be met, and therefore zero contingent consideration has been assumed in the provisional purchase price allocation. £294,000 of the 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

# Company Balance Sheet

As at 30 September 2023

Company number 00526832

	Note	2023 £'000	Restated 2022 £'000
<b>Non-current assets</b>			
Investments	5	43,181	35,674
Property, plant and equipment	6a	199	399
Investment properties	6b	3,173	3,256
Intangible assets	7	782	1,282
Deferred income tax assets	9	394	330
		47,729	40,941
<b>Current assets</b>			
Other receivables	8	17,496	17,636
Cash and cash equivalents		1,011	615
		18,507	18,251
<b>Current liabilities</b>			
Trade and other payables	10	(3,954)	(3,706)
<b>Net current assets</b>		<b>14,553</b>	<b>14,545</b>
<b>Non-current liabilities</b>			
Deferred consideration		(870)	-
Deferred income tax liabilities	9	(76)	(15)
		(946)	(15)
<b>Net assets</b>		<b>61,336</b>	<b>55,471</b>
<b>Shareholders' equity</b>			
Called up share capital	11	5,159	5,008
Share premium account		16,051	16,000
Merger reserve		8,890	4,591
Hedging reserve		15	(1,272)
Retained earnings			
At 1 October		31,144	42,537
Profit/(loss) for the year		2,920	(9,031)
Other changes in retained earnings		(2,843)	(2,362)
		31,221	31,144
<b>Total equity</b>		<b>61,336</b>	<b>55,471</b>

The financial statements on pages 164 to 181, were approved by the Board of Directors on 5 December 2023 and signed on its behalf by:

Charlie Peppiatt  
Director

Chris Jewell  
Director

# Company Statement of Changes in Equity

For the year ended 30 September 2023

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 2021		5,008	16,000	4,591	(135)	42,537	68,001
Loss for the financial year		-	-	-	-	(9,031)	(9,031)
Total comprehensive expense for the year		-	-	-	-	(9,031)	(9,031)
Dividends	4	-	-	-	-	(3,105)	(3,105)
Share based payments		-	-	-	-	743	743
Loss on cash flow hedge		-	-	-	(1,137)	-	(1,137)
Total contributions by and distributions to owners of the parent recognised directly in equity		-	-	-	(1,137)	(2,362)	(3,499)
At 30 September 2022		5,008	16,000	4,591	(1,272)	31,144	55,471
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

# Company Cash Flow Statement

For the year ended 30 September 2023

Company number 00526832

	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>		
Cash generated by/(used in) operations	1,563	(2,002)
Income tax repaid/(paid)	2	(102)
<b>Net cash generated by/(used in) operating activities</b>	<b>1,565</b>	<b>(2,104)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	(3,077)	-
Purchase of property, plant and equipment	(7)	(4)
Purchase of intangible assets	-	(272)
Interest received	6	-
Dividends received from subsidiaries	5,089	5,215
<b>Net cash generated by investing activities</b>	<b>2,011</b>	<b>4,939</b>
<b>Cash flows from financing activities</b>		
Dividends paid to ordinary shareholders	(3,180)	(3,105)
<b>Net cash used by financing activities</b>	<b>(3,180)</b>	<b>(3,105)</b>
<b>Net increase/(decrease) in cash</b>	<b>396</b>	<b>(270)</b>
Cash at beginning of the year	615	885
<b>Cash at the end of the year</b>	<b>1,011</b>	<b>615</b>



# Notes to the Company

## Cash Flow Statement

For the year ended 30 September 2023

### Reconciliation of cash generated by/(used in) operations

	2023	2022
	£'000	£'000
Profit/(loss) before income tax	2,473	(8,891)
Adjustments for:		
- Dividends received from subsidiaries	(5,089)	(5,215)
- Amortisation of intangible assets	500	466
- Depreciation	290	462
- Share based payment obligations	183	465
- Loss on disposal of property, plant and equipment	-	1
- Impairment of investments	-	16,241
Total	(4,116)	12,420
Changes in working capital		
- Trade and other receivables	5,081	(4,296)
- Trade and other payables	(1,875)	(1,235)
Total	3,206	(5,531)
Cash generated by/(used in) operating activities	1,563	(2,002)

### Analysis of net cash

	At 1 Oct 2022	Cash flow	At 30 Sep 2023
	£'000	£'000	£'000
Cash at bank and in hand	615	396	1,011
Net cash	615	396	1,011

### Analysis of net cash

	At 1 Oct 2021	Cash flow	At 30 Sep 2022
	£'000	£'000	£'000
Cash at bank and in hand	885	(270)	615
Net cash	885	(270)	615

# Notes to the Company Financial Statements

## For the year ended 30 September 2023

### 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 projections for FY2024 and FY2025. They have assessed the future funding requirements of the Company and compared them with available cash balances.

The Directors have considered the going concern review performed for the Group financial statements in assessing the status of the parent company. Noting that work, and the strength of the Company balance sheet, 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 Company 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.

#### Prior year adjustment

The Company owns freehold land and buildings, which are rented out to a subsidiary undertaking. Within the Group financial statements, these freehold land and buildings have been correctly included within property plant and equipment, but in prior years these have also been included within property, plant and equipment within the financial statements of the entity. However, in accordance with IAS 40 'Investment Property', the Company has restated its comparatives to reclassify these freehold properties from property plant and equipment to investment properties. Accordingly a prior year adjustment has been made to reclassify these freehold properties at a net book value of £3,256,000 at 30 September 2022 (£3,338,000 at 30 September 2021) from property, plant and equipment to investment property. There is no impact on the income statement, the net assets or the statement of changes in equity of the company in the current year or prior years as, in accordance with IAS 40, the Company adopts the cost model and shows investment properties at cost less accumulated depreciation and any accumulated impairment losses, as disclosed in the accounting policies of the Company. As a result of the prior year adjustment, at 30 September 2022 investment properties have been restated from £nil to £3,256,000 and freehold land and buildings within property, plant and equipment restated from £3,256,000 to £nil and at 30 September 2021 investment

properties have been restated from £nil to £3,338,000 and freehold land and buildings within property, plant and equipment restated from £3,338,000 to £nil.

#### New standards and interpretations not yet adopted

The following amended standards and interpretations were effective for the financial year ended 30 September 2023, however, they have not had a material impact on our financial statements:

- Annual Improvements 2018-2020.
- Narrow scope amendments to IFRS 3, IAS16 and IAS38.

None of the amendments to the above standards had a material impact on the Financial Statements. The following other amended standards and interpretations have been issued but were not mandatory for the financial year ended 30 September 2023. These are not expected to have a material impact on the consolidated financial statements.

- Narrow scope amendments to IAS1, IAS 8 and IFRS Practice Statement 2.
- Amendments to IAS 12 'Taxation'.
- Amendments to IAS 8 Accounting Policies, Changed in Accounting Estimates and Errors: Definition of Accounting Estimates.
- Amendment to IAS12 – International Tax Reform – pillar two model rules.

Work will continue in the new financial year to assess the impact of the new standards and interpretations on the Company's Financial Statements.

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 FY2023 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. See prior year adjustment paragraph in note 1 on page 155 for further details. 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 £2,920,000 (2022: £9,031,000 loss).

Fees payable to the Company auditors for the statutory audit for the year amounted to £22,000 (2022: £17,500).

## 3. Employee benefit expense

	2023	2022
	£'000	£'000
Wages and salaries	3,681	2,567
Compensation for loss of office	37	366
Social security costs	224	287
Medical and other insurances	28	39
Share based payments	183	465
Other pension costs	82	87
	4,235	3,811

The average number of employees during the year was 23 (2022: 21), all of whom were administrative.

### Directors' remuneration and key management compensation

	2023	2022
	£'000	£'000
Directors' remuneration	1,375	901
Share based payments	162	412
Compensation for loss of office	-	366
Medical and other insurances	26	24
Company car allowance	10	-
Directors' pension scheme contributions	10	10
	1,583	1,713

The aggregate emoluments of the highest paid Director were £680,000 (2022: £724,000). Further information is included in the Remuneration Committee report on page 87.

The aggregate gain on Directors' share option exercises in the year was nil (2022: nil).

The number of Directors who are accruing retirement benefits under a money purchase pension scheme is 1 (2022: 1).

**4. Dividends**

	2023	2022
	£'000	£'000
Final 2022 dividend paid: 7.7p per share. (Final 2021 dividend paid in 2021: nil per share)	1,978	1,928
2023 Interim dividend paid: 4.8p per share (2022: 4.7p per share)	1,202	1,177
	3,180	3,105

The Directors have proposed a final dividend of 8.2p (2022: 7.9p) for the financial year ended 30 September 2023, making the dividend for the full year 13.0p (2022: 12.6p per share).

The total value of the proposed final dividend is £2,114,000 (2022: £1,978,000).

**5. Investments**

	2023	2022
	£'000	£'000
Cost and net book value at 1 October	35,674	51,638
Additions related to share based payments for subsidiary employees	154	277
Additions	18,381	-
Transfer to subsidiary	(11,028)	-
Impairment of investments	-	(16,241)
Cost and net book value at 30 September	43,181	35,674

The impairment charge in the year ending 30 September 2022 of £16.2m related to the Company's investments in Spanoptic Limited and Kent Periscopes Limited. As part of the Group's site rationalisation, the trade and assets of these two companies were transferred to Gooch & Housego (UK) Limited. Following the transfers, the remaining value of these investments was assessed by the Directors as nil, and therefore the carrying value of the investments has been fully impaired.

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.

## 5. Investments (continued)

The subsidiary companies at 30 September 2023, 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
StingRay Optics 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
ITL (Virginia) Inc.	100%	305 Ashcake Rd, VA23005, 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**

Restated	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 October 2021	3,987	1,392	233	5,612
At 30 September 2022	3,987	1,392	233	5,612
Additions	-	-	7	7
At 30 September 2023	3,987	1,392	240	5,619
<b>Accumulated depreciation</b>				
At 1 October 2021	3,381	1,262	193	4,836
Charge for the year	266	93	21	380
Disposal	-	-	(3)	(3)
At 30 September 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
<b>Net book value</b>				
At 30 September 2021	606	130	40	776
At 30 September 2022	340	37	22	399
At 30 September 2023	188	1	10	199

Further detail in respect of the restatement is given in note 1.

**6b. Investment properties**

Restated	Investment Properties Restated £'000
<b>Cost or valuation</b>	
At 1 October 2021	4,432
At 30 September 2022	4,432
At 30 September 2023	4,432
<b>Accumulated depreciation</b>	
At 1 October 2021	1,094
Charge for the year	82
At 30 September 2022	1,176
Charge for the year	83
At 30 September 2023	1,259
<b>Net book value</b>	
At 30 September 2021	3,338
At 30 September 2022	3,256
At 30 September 2023	3,173

Further detail in respect of the restatement is given in note 1.

The fair value of the investment property is not materially different to the book value disclosed above.

## 7. Intangible assets

	Systems	Computer software	Patents and licences	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 October 2021	2,125	904	64	3,093
Additions	75	197	-	272
At 30 September 2022	2,200	1,101	64	3,365
Additions	-	-	-	-
At 30 September 2023	2,200	1,101	64	3,365
<b>Accumulated amortisation</b>				
At 1 October 2021	705	850	62	1,617
Charge for the year	425	39	2	466
At 30 September 2022	1,130	889	64	2,083
Charge for the year	440	60	-	500
At 30 September 2023	1,570	949	64	2,583
<b>Net book value</b>				
At 30 September 2021	1,420	54	2	1,476
At 30 September 2022	1,070	212	-	1,282
At 30 September 2023	630	152	-	782

## 8. Other receivables

	2023	2022
	£'000	£'000
Prepayments and accrued income	417	461
Intercompany receivables	17,079	17,175
	17,496	17,636

## 9. Deferred tax

The movement in the deferred tax assets and liabilities during the year was as follows:

	2023	2022
	£'000	£'000
At 1 October	315	205
Credited to the income statement	93	110
Arising on acquisition	(90)	-
At 30 September	318	315

The deferred tax provided for in the financial statements can be analysed as follows:

	2023	2022
	£'000	£'000
Property, plant and equipment	339	292
Intangible assets	55	(15)
Other timing differences	(76)	38
	318	315

All movements on deferred tax were recognised in the income statement in the year ended 30 September 2023 and 30 September 2022.

The current portion of the deferred tax asset is £0.1m (2022: £0.1m).

### Factors affecting the future tax charge

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.



**10. Trade and other payables**

	2023	2022
	£'000	£'000
Trade payables	313	449
Amounts owed to group undertakings	1,230	859
Taxation and Social Security	-	90
Derivative financial instruments	-	1,272
Deferred consideration	980	-
Accruals and deferred income	1,431	1,036
	3,954	3,706

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**

	2023	2022	2023	2022
	Number	Number	£'000	£'000
<b>Allotted, issued and fully paid</b>				
At 1 October	25,040,919	25,040,919	5,008	5,008
Shares issued and fully paid	745,478	-	151	-
At 30 September	25,786,397	25,040,919	5,159	5,008

11,275 shares were allotted under share option schemes during the year ended 30 September 2023 (2022: nil). 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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Pound Sterling	900	518	-	-
US Dollars	118	55	-	1,272
Euro	8	42	-	-
	1,026	615	-	1,272

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 \$10.0m in the period to 30 September 2024 (2022: contracts to sell \$11m in the period to 30 September 2022). The fair value of these contracts, of £15,000, has been included in payables on the balance sheet (2022: £1.3m liability).

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:

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	457,515	0.84	392,276	1.18
Awarded	409,782	-	167,929	-
Exercised	(11,275)	(4.64)	-	-
Adjustment	2,323	4.64	-	-
Lapsed	(190,283)	(0.36)	(102,690)	(0.76)
Outstanding at 30 September	668,062	0.33	457,515	0.84
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 2023 was 2.7 years (2022: 1.8 years).

The total charge for the year relating to share options was £183,000 (2022: £465,000), 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. Under the plan, awards are made annually to key employees based on a percentage of salary. Subject to the satisfaction of the required Total Shareholder Return performance criteria and Earnings Per Share financial performance, these grants will vest upon publication of the results of the Group three years after the grant date.

There have been ten grants of options under the 2013 Long Term Incentive Plan, which will expire in 2023. The remuneration report provides further details on the share options awarded and exercised during the financial year.

The 2013 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 2023 are summarised below:

	Grant date		
	9 Jan 2023	13 Jan 2022	7 Jan 2021
No. of options granted	409,782	142,380	174,781
Expected volatility	44%	46%	46%
Risk free rate	2.00%	0.76%	0.76%
Option term	3 years	3 years	2-3 years
Fair value (£)	1,537,338	1,119,282	1,751,334
Exercise price	nil	nil	nil
Expected dividend yield	2.1%	1%	1%
Share price at grant date	530p	1175p	1198p

A reconciliation of LTIP option movements is shown below:

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	398,317	-	351,868	-
Awarded	409,782	-	142,380	-
Exercised	-	-	-	-
Lapsed	(184,449)	-	(95,931)	-
Outstanding at 30 September	623,650	-	398,317	-
Exercisable at 30 September	-	-	-	-

The weighted average fair value of options granted in the year was 375.0p per option (2022: 550.0p per option).

The weighted average remaining contractual life of LTIP options outstanding at 30 September 2023 was 2.8 years (2022: 1.9 years).

The total share-based payments charge for the year ended 30 September 2023 relating to the 2013 LTIP scheme was £175,000 (2022: £463,000).

### 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.

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	24,697	11.59	31,284	11.59
Awarded	-	-	-	-
Lapsed	(5,835)	11.59	(6,587)	11.59
Outstanding at 30 September	18,862	11.59	24,697	11.59
Exercisable at 30 September	-	-	-	-

There were no options granted under the Save As You Earn Scheme in the year ended 30 September 2023 or 30 September 2022.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

	Exercise price per share option	Number of share options	
		2023	2022
G&H PLC Save As You Earn Scheme	£11.59	18,862	24,697

The weighted average remaining contractual life of SAYE options outstanding at 30 September 2023 was 0.5 years (2022: 1.5 years).

The total share-based payments charge for the year ended 30 September 2023 relating to the SAYE scheme was £18,000 (2022: £2,000).

**13. Share options (continued)****The Gooch & Housego PLC Employee Stock Purchase Plan**

The Gooch & Housego PLC Employee Stock Purchase Plan was established in February 2021 and is open to all US employees. Under the Plan, participants save a fixed monthly amount of between \$5 and \$135 over the two year savings period. At maturity of the savings period, employees are able to withdraw their savings, or exercise their options at a price equal to the lower of a 10% discount to the market price at the start of the savings plan and a 10% discount to the market price at the end of the savings plan.

The initial award under the Employee Stock Purchase Plan matured on 1 May 2023 and there are no outstanding options as at 30 September 2023. The option price was set at a 10% discount to the closing share price on 30 April 2023.

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	8,952	11.14	9,124	11.14
Awarded	-	-	-	-
Adjustment	2,323	4.64	-	-
Exercised	(11,275)	4.64	-	-
Lapsed	-	-	(172)	11.14
Outstanding at 30 September	-	-	8,952	11.14
Exercisable at 30 September	-	-	-	-

There were no options granted under the Employee Stock Purchase Plan during the year ended 30 September 2023 or 30 September 2022.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

	Exercise price per share option	Number of share options	
		2023	2022
Employee Stock Purchase Plan	£4.64	-	8,952

The weighted average remaining contractual life of Employee Stock Purchase Plan options outstanding at 30 September 2022 was 0.5 years.

The total share-based payments charge for the year ended 30 September 2023 relating to the Employee Stock Purchase Plan was £nil (2022: £nil).

**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. A total of 25,549 units were awarded on 30 May 2022, with a vesting commencement date of 14 April 2022. There are no performance criteria attached to these RSUs, one third of which will vest on 14 April 2024 and the remaining two thirds will vest on 14 April 2025 provided the beneficiary is still employed by G&H on those dates.

	2023		2022	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at 1 October	25,249	-	-	-
Awarded	-	-	25,549	-
Lapsed	-	-	-	-
Outstanding at 30 September	25,249	-	25,249	-
Exercisable at 30 September	-	-	-	-

The weighted average fair value of options granted in the year ended 30 September 2022 was 990p per option.

Share options outstanding at the end of the year expire one year after their respective vesting dates and have the following exercise prices:

	Exercise price per share option	Number of share options	
		2023	2022
Restricted stock units	-	25,549	25,549

The weighted average remaining contractual life of Restricted Stock Units outstanding at 30 September 2023 was 1.3 years (2022: 2.2 years).

The total share-based payments charge for the year ended 30 September 2022 relating to the Restricted Stock Units Plan was £nil (2022: £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:

	2023 £'000	2022 £'000
EM4 Inc	44	-
Gooch & Housego (Palo Alto) LLC	88	-
Gooch & Housego (Ohio) LLC	-	8
Gooch & Housego (UK) Limited	31	46
Gooch & Housego (Torquay) Limited	28	91
Gooch & Housego (Deutschland) GmbH	385	343
Gooch & Housego Japan KK	319	314
	895	802

The amounts recharged by Gooch & Housego PLC to group undertakings during the year ended 30 September were:

	2023 £'000	2022 £'000
EM4 Inc	660	687
Gooch & Housego (Ohio) LLC	645	638
Gooch & Housego (UK) Limited	1,247	1,789
Gooch & Housego (California) LLC	533	537
Gooch & Housego (Palo Alto) LLC	1,707	1,560
StingRay Optics LLC	504	550
Gooch & Housego (Torquay) Limited	1,301	1,312
Integrated Technologies Limited	629	585
	7,226	7,658

The amounts receivable from/(payable to) subsidiary undertakings as at 30 September were:

	2023 £'000	2022 £'000
EM4 Inc	-	(362)
G&H (US Holdings) Limited	7,339	6,184
Gooch & Housego (UK) Limited	8,569	8,040
Gooch & Housego (Palo Alto) LLC	(501)	(140)
Spanoptic Limited	(115)	-
Artemis Optical Limited	1,152	-
Gooch & Housego (Deutschland) GmbH	(592)	(357)
Gooch & Housego Japan KK	(20)	20
G&H Holdings (Delaware) Inc.	-	2,759
Integrated Technologies Limited	18	4
	15,850	16,148

During the 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. In the prior year, Gooch & Housego PLC received dividends of £0.2m, £0.6m, £2.7m and £1.7m respectively from G&H (Property) Holdings Limited, Gooch & Housego (Torquay) Limited, Kent Periscopes Limited and Integrated Technologies Limited. The total dividend received from subsidiary undertakings during the year was £5.08m (2022: £5.2m).

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





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# Company Information

## Legal Information

### Nominated Adviser and Broker

**Investec Bank PLC**

2 Gresham Street  
London  
EC2V 7QP

### Legal Advisers

**Burges Salmon LLP**

One Glass Wharf  
Temple Quay  
Bristol  
BS2 0ZX

### Independent Auditors

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Temple Quay  
Bristol  
BS2 0FR

### 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**

**21  
February  
2024**

**Interim Results  
Announcement**

**June  
2024**

**Financial Year End**

**30  
September  
2024**

**Preliminary  
Announcement  
of Results for  
the Year Ending  
30 September 2024**

**December  
2024**

# Notice of Annual General Meeting

## Form of proxy

You will not receive a form of proxy for the 2024 AGM in the post. Instead, you can vote online at [www.signalshares.com](http://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](mailto: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.

**Notice is hereby given that the Annual General Meeting of the Company will be held at Dowlish Ford, Ilminster, Somerset, TA19 0PF on 21 February 2024 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 2023 together with the Directors' Report and Auditors' Report thereon.
- 2 To receive and approve the Remuneration Committee Report set out on pages 110 to 117 (excluding pages 112 and 113) of the Annual Report for the financial year ended 30 September 2023.
- 3 To declare a final dividend, as recommended by the Directors, of 8.2p per ordinary share for the financial year ended 30 September 2023, payable on 23 February 2024 to those members whose names appear in the Company's register of members at the close of business on 19 January 2024.
- 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 Brian Phillipson as a Director.
- 8 To re-elect Louise Evans as a Director.
- 9 To re-elect Jim Haynes as a Director.
- 10 To elect Susan Searle as a Director
- 11 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.
- 12 To authorise the Directors to fix the remuneration of the Auditors.
- 13 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 21 May 2025 (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 5 December 2023). 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:

**14 (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 13 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 5 December 2023); and

**(b)** THAT the Directors of the Company be authorised in addition to any authority granted under Resolution 14(a) to allot equity securities (as defined in section 560 of the Act) for cash under the authority conferred by Resolution 13 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 5 December 2023); 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 14 shall expire at the conclusion of the next Annual General Meeting of the Company or 21 May 2025 (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.

**15** 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 5 December 2023);
- (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 21 May 2025 (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**  
 5 December 2023

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 110 to 117 of the Annual Report for the financial year ended 30 September 2023. Pages 110, 111, 114, 115, 116 and 117 of the Remuneration Committee Report set out the pay and benefits received by each of the directors for the year ended 30 September 2023. The Company's policy on remuneration and potential pay outs to directors in the future, which is set out on pages 112 and 113 of the Annual Report for the financial year ended 30 September 2023, is specifically excluded from this Resolution.
- 3 Resolutions 1 to 13 (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 14 and 15 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](http://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](mailto: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 19 February 2024.

# Notes Continued

- 9 Only those members registered on the register of members of the Company at close of business on 19 February 2024 (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.
- 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](http://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](http://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 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

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Google Play







“

I am confident we will build on the progress made in our financial and operational performance as well as the clear direction from our new strategy to progress to become a 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, CEO**

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