For immediate release **3 December 2024**

Gooch & Housego PLC

("Gooch & Housego", "G&H", the "Company" or the "Group")

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2024

Gooch & Housego PLC (AIM: GHH), the specialist manufacturer of photonic components and systems, today announces its audited results for the year ended 30 September 2024.

Year ended / as at 30 September	**2024**	2023**	Change
Revenue (£m)	**136.0**	135.0	+0.7%
Adjusted profit before tax (£m)*	**8.1**	10.3	(21.6%)
Adjusted basic earnings per share (pence)*	**25.5p**	33.9p	(24.8%)
Statutory profit before tax (£m)	**4.2**	6.0	(29.9%)
(Loss) / profit for the year including discontinued operations	**(6.4)**	4.0	(10.4)
Basic earnings per share (pence)	**12.7p**	19.4p	(34.5%)
Basic earnings per share from continuing and discontinuing operations (pence)	**(24.7p)**	16.1p	(40.8p)
Total dividend per share (pence)	**13.2p**	13.0p	+1.5%
Net debt excluding IFRS16 (£m)	**16.0**	20.9	(4.9)
Net debt (£m)	**25.8**	31.7	(5.9)

*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 19.

** Represented to exclude discontinued operations

Key points

- **Strategy** – good progress delivering the strategic changes that will support mid-teen return on sales over the medium-term.
- **Portfolio** – divestment of the EM4 business in March 2024 and the acquisition of Phoenix Optical in October 2024, both supporting the Group's transformation journey. Loss from discontinued operations of £9.7m.
- **Revenue** – up 0.7% to £136.0m (FY2023: £135.0m) for the Group's continuing operations; second half revenue was 15% higher than the first half on an organic, constant currency ("OCC") basis.
- **Profit** – adjusted operating profit totalled £10.5m (FY2023: £12.1m). Reported profit before tax at £4.2m (FY2023: £6.0m).
- **Order book** – order book closed at £104.5m (FY2023: £115.3m). Strong order pipeline particularly for our A&D business.
- **Debt** – net debt fell to £25.8m (FY2023: £31.7m) of which bank debt was £16.0m (FY2023: £20.9m). Group leverage remains comfortable at 0.9x.
- **Dividend** – Final dividend of 8.3p (FY2023: 8.2p) and full year dividend of 13.2p (FY2023: 13.0p) reflecting the Board's confidence in the growth potential of the Group.
- **Outlook** – Underpinned by our strategy which is making G&H a better, more sustainable business we are confident that the Group will deliver profitable growth in the coming financial year.

Charlie Peppiatt, Chief Executive Officer, commented:

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

For further information please contact:

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Analyst Meeting and Webcast

A meeting for analysts will be held today at 10.30am at the offices of Burson Buchanan, 107 Cheapside, London EC2V 6DN. To register attendance, please contact G&H@buchanan.uk.com.

A live audio webcast of the meeting will be available via the following link: https://webcasting.buchanan.uk.com/broadcast/67236f05c86085b1bff5dc74

Following the meeting, a recording of the webcast will be made available for replay at the Group's website at https://gandh.com/investors/.

2025 Expected Financial Calendar

Annual General Meeting	24 February 2025
Interim results announcement	June 2025
Financial year end	30 September 2025
Full year results announcement	December 2025

Chairman's Statement

Group overview

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

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

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

Continued investment

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

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

A sustainable business

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

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

Our people

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

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

The Board

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

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

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

Dividend

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

Outlook

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

Gary Bullard
Chairman
3 December 2024

Chief Executive Officer's Statement

Introduction

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

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

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

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

Business Performance

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

During FY2024 we saw continued solid levels of customer demand albeit at more normalised levels resulting in the order book stabilising at £104.5m at year end (FY2023: £115.3m after adjusting for the divestment of the EM4 business). On an organic constant currency basis, the order book declined by 5% during FY2024, partially due to a further £1.4m reduction in the Group's past due backlog and from the timing of orders for our medical diagnostic instruments. Our order book for medical laser devices has also declined but we are now starting to see evidence of some recovery from this market. In our industrial markets, whilst the destocking patterns we saw in the first half of the year now appear to be behind us, we have not yet seen sustained recovery in the industrial laser market. Offsetting these declines our A&D order book has grown strongly in the financial year thanks to increased demand from both our commercial and defence customers assisted by the enhanced value proposition we are able to offer. Our teams in the UK and US are focused on converting a healthy pipeline of new A&D prospects and there has been further extension of the order book following the year end.

Strategy

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

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

Acquisitions and Portfolio

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

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

Our Markets

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

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

The Life Sciences business performed well overall with revenues up 1.3% on a constant currency basis and we saw continued growth in demand for our medical diagnostic products. For example, a cancer care product initially designed by our customer and then productionised by our engineering team migrated through regulatory approvals and into production during the year and we expect to see further growth from this product platform in FY2025 and beyond. Our Life Sciences R&D team remained fully engaged in supporting customers with the design and regulatory accreditations of their next generation instruments which are expected to convert to production revenue for the Group in the coming years. We have also received positive and encouraging levels of customer interest and initial orders for our new North American Life Sciences Centre of Excellence in Rochester NY which was established during the year and has already received ISO13484 certification for the manufacture of medical devices. We expect this facility to be a key part of our growth strategy for our Life Sciences business in the future. However, the other part of our Life Sciences business focused on the design and manufacture of products into the medical laser market had a challenging year. Despite some recovery in demand in the second half, we continued to see a significant slowdown in the demand for our medical lasers mainly due to extended destocking from some of our customers as well as the impact of competition in certain product segments from lower cost Chinese products.

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

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

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

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

Research and Development (R&D)

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

1. Expansion of AO technologies into Semiconductor market and EUV eco-system.
2. New medical laser technologies and applications focused on moving up value chain from component to sub assembly and full systems.
3. Advanced fibre optics technology and systems supporting submarine networks.
4. Imaging and sighting systems, especially focused on the A&D market, for periscopes, sights and other optical sub-systems.
5. Precision optics added value and advanced coatings and laser protection filtering capabilities.
6. Moving up the value chain in Fibre-Optics with a focus on sensing, modules, LiDAR.
7. Medical diagnostics and bio-photonics IVD solutions with strategic focus on expanding our offering into the US Life Sciences market.

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

Corporate Responsibility and Sustainability

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

G&H is committed to creating a safe, engaging, diverse and inclusive place to work for the Group's employees and all stakeholders. We continue to establish a culture that proactively works towards reducing harm and promotes equality, diversity and inclusion across the company. The Group remains focused on providing equal employment opportunities for all and aims to improve diversity at all levels of the organisation. Our recruitment partners have been instructed to ensure that they include 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. We are investing in order to generate our electricity in a sustainable manner and to reduce our overall energy usage. Each of our sites has an energy reduction plan that it is working to. In the year we reduced our Scope 1 and 2 carbon emissions by 19.2%, another major step forward in achieving our target of being net neutral on this measure by 2035. It was particularly encouraging to see our facility in Torquay become the first Scope 1 and 2 net neutral zero site across the Group, leading the way for other to follow in the future. We were also pleased to see a further two sites, Ashford and Keene (FY2024) join Ilminster, Torquay (FY2023) and Fremont sites with certification to the environmental ISO14001 standard. This now means that 50% of the Group's global footprint is covered by this environmental accreditation and 70% of our employees. This was a core commitment when we launched our new strategy in FY2023 and we are making good progress to achieve the deployed road map to roll this same initiative out across all our manufacturing sites by 2027. The Executive Directors and senior leadership team all have specific environmental management and carbon reduction goals in their remuneration schemes.

Outlook

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

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

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

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

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

Charlie Peppiatt
Chief Executive Officer
3 December 2024

Operations Review

Industrial

Revenue	**£67.9m (FY2023: £74.7m)**
Adjusted Operating Profit	**£7.8m (FY2023: £10.6m)**
Adjusted Operating Margin	**11.5% (FY2023: 14.2%)**
Operating Profit	**£7.2m (FY2023: £9.4m)**
Percentage of Group Revenue	**50.0% (FY2023: 55.3%)**

Market Drivers

- Cloud computing, artificial intelligence, hyper connectivity and automation all drive demand for semiconductors.
- Political uncertainties driving the re-shoring of the manufacture of key components such as semiconductors.
- Next generation products such as extreme ultra violet (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.

Our products enable

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

Our strategy in action

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

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

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

the growth of both the Group's revenue and profitability.

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

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

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

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

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

Strategic priorities for FY2025

- We are adding further resources to our development teams focused on our acousto- and electro- optic products which form the majority of our product offerings into the Industrial market. We have good connections with our customers' development teams and expect this close working to result in the Group securing new programme positions on our customers' next generation industrial laser and semiconductor manufacturing equipment.
- We will bring new products to the market and ensure that we remain at the cutting edge of technology in this growing market. During FY2024 G&H introduced 23 new products in Industrials generating £11.7m of revenue.
- We have identified further products that we will transfer to our low-cost contract manufacturing partners to support our margin expansion and to extend the lives of these products. This will support us offering our customers additional capacity and shorter lead times. In some cases we have also identified the opportunity for margin expansion from substituting some of our existing supplier for our low cost region contract manufacturing partners.
- We will focus on niche markets where the quality and reliability of G&H's product differentiate us from the competition in particular those that require reliable performance in harsh and demanding environments.
- Through both cross sharing of experiences between our sites and focused kaizen events our operations team will focus on improving the efficiency of our factories, increasing our production yields, eliminating waste and further rationalising our inventory holdings.

Aerospace & Defence

Revenue	**£34.5m (FY2023: £27.3m)**
Adjusted Operating Loss	**£(1.2)m (FY2023: £(1.8m))**
Adjusted Operating Margin	**(3.5%) (FY2023: (6.8%))**
Operating Loss	**£(1.5)m (FY2023 £(2.3m))**
Percentage of Group Revenue	**25.3% (FY2023: 20.2%)**

Market Drivers

- Global conflicts are driving 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 counter measures.
- 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 products enable

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

Our strategy in action

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

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

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

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

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

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

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

Strategic priorities for FY2025

- We will complete the development of our advanced periscope systems for the Challenger upgrade programme and exploit the core technologies that we have developed to address their customers' needs.
- We will use the access that Artemis' unique thin film coating capability gives us to leverage the sale of precision optic products and capabilities from across the G&H Group.
- We will implement targeted improvement programmes to address the poor yields and high scrap costs that we have experiences in some of our sites supplying the A&D segment in FY2024.
- We will introduce a greater number of new products, especially those with a high technical content. During FY2024 G&H introduced 19 new products and generated £6.6m of revenue from new products that addressed the A&D market including space satellite laser-based communication systems, new sighting systems and IR lens assemblies for UAVs.
- We will use our expanding operational footprint arising from our acquisition of the Phoenix business to optimise the location of manufactures of our growing order book in the A&D segment.
- We will work on the swift integration of the Phoenix business with the rest of the G&H Group to enable us to deploy the resources of the G&H Group to sell the business' products worldwide.

Life Sciences

Revenue	**£33.6m (FY2023: £33.0m)**
Adjusted Operating Profit	**£4.6m (FY2023: £4.3m)**
Adjusted Operating Margin	**13.8% (FY2023: 13.1%)**
Operating Profit	**£3.9m (FY2023: £3.3m)**
Percentage of Group Revenue	**24.7% (FY2023: 24.4%)**

Market Drivers

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

Our products enable

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

Our strategy in action

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

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

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

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

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

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

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

Strategic priorities for FY2025

- We will complete the resourcing of our expanded sales and business development team focused on securing new business for our Life Sciences business, with a specific focus on production orders for our North American Life Sciences centre of excellence.
- This team will also focus on opportunities to cross sell GS Optics polymer optics in to our existing Life Sciences customer base.
- We will complete the transfer of production of some of the components and modules used in our medical diagnostic instrument to our low cost region supply chain to support margin accretion and a surge build capability.
- We will work with our OEM Life Sciences customers to finalise the development and accreditation of their next generation medical devices and secure the follow-on production revenue from their instrument build.
- We will complete our assessment of our product range currently supplying the medical laser market in the face of growing low cost Asian competition.
- We will continue to invest in R&D projects in close collaboration with our customers. During FY2024 G&H introduced 6 new products and generated £7.0m of revenue from products that address its life Sciences market, especially in the medical instrumentation market.

Financial Review

Overview of the Year

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

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

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

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

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

Adjusted EPS totalled 25.5 pence (2023: 33.9 pence) reflecting the Group's reduced adjusted operating profit in the year. Reported basic earnings per share from continuing operations was 12.7 pence (2023: 19.4 pence) and basic (loss) / earnings from continuing and discontinued operations was (24.7p) (2023: 16.1p)

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

Revenue

REVENUE				
	2024		2023	
Year ended 30 September	**£'000**	**%**	£'000	%
Industrial	**67,947**	**50.0%**	74,709	55.3%
A&D	**34,459**	**25.3%**	27,339	20.2%
Life Sciences	**33,584**	**24.7%**	32,993	24.5%
Group Revenue	**135,990**	**100%**	135,041	100%

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

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

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

We faced a similar effect in our Industrial segment where many of our industrial laser customers entered FY2024 in an overstocked position. As a result revenue for our Industrial segment in the first half was 13.4% lower than the prior period on an organic, constant currency basis. Whilst trading levels improved in the second half the segment's revenue finished FY2024 9.7% lower than the prior year. Despite the headwinds in our principal industrial markets we did see good growth from our subsea data cable market. This was a result of securing an important new customer win, for the provision of a complex amplifier module, as well as increasing activity with our principal existing customer.

Operating profit and margin

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

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

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

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

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

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

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

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

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

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

Discontinued operations

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

Finance costs

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

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

Taxation

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

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

Earnings Per Share

Basic adjusted earnings per share reduced to 25.5 pence (2023: 33.9 pence), reflecting the reduced adjusted profit in the period. Basic earnings per share from continuing operations were 12.7 pence (2023: 19.4 pence) and basic (loss) / earnings per share from continuing and discontinued operations were (24.7p) (2023: 16.1p). This reduction was driven by the reduction in adjusted operating profit and the small year on year difference in adjusting items set out above.

Cash flow

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

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

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

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

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

Funding and Liquidity

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

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

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

Dividend Policy

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

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

Financial Risk Management

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

Foreign Currency

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

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.

	2024	2023
Income Statement	Average rate	
USD/GBP	1.27	1.23
Euro/GBP	1.17	1.15
Balance Sheet	Closing rate	
USD/GBP	1.34	1.22
Euro/GBP	1.20	1.15

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

Group Income Statement
For the year ended 30 September 2024

Continuing operations	Note	30 September 2024 Underlying	Non-underlying (Note 4)	Total	30 September 2023* Underlying	Non-underlying (Note 4)	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	**135,990**	**-**	**135,990**	135,041	-	135,041
Cost of revenue		**(94,341)**	**-**	**(94,341)**	(94,746)	-	(94,746)
Gross profit		**41,649**	**-**	**41,649**	40,295	-	40,295
Research and development expense		**(7,828)**	**-**	**(7,828)**	(7,372)	-	(7,372)
Sales and marketing expenses		**(8,474)**	**-**	**(8,474)**	(8,942)	-	(8,942)
Administration expenses		**(15,674)**	**(3,690)**	**(19,364)**	(12,724)	(4,278)	(17,002)
Other income		**829**	**-**	**829**	835	-	835
Operating profit	2	**10,502**	**(3,690)**	**6,812**	12,092	(4,278)	7,814
Finance income		**40**	**-**	**40**	11	-	11
Finance costs		**(2,435)**	**(209)**	**(2,644)**	(1,766)	(57)	(1,823)
Profit before income tax expense		**8,107**	**(3,899)**	**4,208**	10,337	(4,335)	6,002
Income tax expense	3	**(1,537)**	**606**	**(931)**	(1,846)	701	(1,145)
Profit from continuing operations		**6,570**	**(3,293)**	**3,277**	8,491	(3,634)	4,857
Loss after tax from discontinued operations		**-**	**(9,654)**	**(9,654)**	-	(809)	(809)
Profit / (loss) for the year		**6,570**	**(12,947)**	**(6,377)**	8,491	(4,443)	4,048
Earnings / (loss) per share							
From continuing operations							
Basic earnings per share	5	**25.5p**	**(12.8p)**	**12.7p**	33.9p	(14.5p)	19.4p
Diluted earnings per share	5	**25.1p**	**(12.6p)**	**12.5p**	33.5p	(14.3p)	19.2p
From continuing and discontinued operations							
Basic earnings / (losses) per share	5	**25.5p**	**(50.2p)**	**(24.7p)**	33.9p	(17.8p)	16.1p
Diluted earnings / (losses) per share	5	**25.1p**	**(49.8p)**	**(24.7p)**	33.5p	(17.5p)	16.0p

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

Group Statement of Comprehensive Income
For the year ended 30 September 2024

	2024 £000	Restated 2023 £000
(Loss) / profit for the year	**(6,377)**	4,048
Other comprehensive income / (expense) – items that may be reclassified subsequently to profit or loss		
Gains on cash flow hedges	**126**	1,287
Exchange differences on translation of foreign operations	**(4,844)**	(6,259)
Exchange differences on translation of discontinued operation	**132**	244
Other comprehensive expense for the year net of tax	**(4,586)**	(4,728)
Total comprehensive expense for the year attributable to the shareholders of Gooch & Housego PLC	**(10,963)**	(680)
Arising from:		
Continuing operations	**(1,441)**	(115)
Discontinued operations	**(9,522)**	(565)
Total comprehensive expense for the year attributable to the shareholders of Gooch & Housego PLC	**(10,963)**	(680)

Group Balance Sheet
As at 30 September 2024

	2024	As restated 2023	As restated 2022
	£000	£000	£000
Non-current assets			
Property, plant and equipment	**37,915**	41,818	42,447
Right of use assets	**9,180**	9,932	5,063
Intangible assets	**51,051**	59,729	47,939
	98,146	111,479	95,449
Current assets			
Inventories	**30,631**	37,582	37,073
Trade and other receivables	**30,908**	34,075	35,598
Cash and cash equivalents	**6,622**	7,294	5,999
	68,161	78,951	78,670
Current liabilities			
Trade and other payables	**(18,075)**	(21,156)	(22,765)
Borrowings	**(10)**	(10)	(64)
Lease liabilities	**(1,289)**	(1,443)	(1,732)
Income tax liabilities	**(2,005)**	(581)	(578)
	(21,379)	(23,190)	(25,139)
Net current assets	**46,782**	55,761	53,531
Non-current liabilities			
Borrowings	**(22,563)**	(28,157)	(18,730)
Lease liabilities	**(8,570)**	(9,394)	(4,539)
Provisions for other liabilities and charges	**(1,429)**	(1,582)	(848)
Deferred consideration	**-**	(870)	-
Deferred income tax liabilities	**(3,978)**	(5,223)	(3,827)
	(36,540)	(45,226)	(27,944)
Net assets	**108,388**	122,014	121,036
Shareholders' equity			
Called up share capital	**5,159**	5,159	5,008
Share premium account	**16,051**	16,051	16,000
Merger reserve	**11,561**	11,561	7,262
Cumulative translation reserve	**5,101**	9,813	15,828
Hedging reserve	**141**	15	(1,272)
Retained earnings	**70,375**	79,415	78,210
Total equity	**108,388**	122,014	121,036

Group Statement of Changes in Equity
For the year ended 30 September 2024

	Note	Called up share capital £000	Share premium account £000	Merger reserve £000	Retained earnings £000	Hedging Reserve £000	Cumulative translation reserve £'000	**Total equity £000**
At 1 October 2022		**5,008**	**16,000**	**7,262**	**75,715**	**(1,272)**	**15,828**	**118,541**
Restatement		-	-	-	2,495	-	-	**2,495**
As restated		5,008	16,000	7,262	78,210	(1,272)	15,828	**121,036**
Profit for the financial year		-	-	-	4,048	-	-	**4,048**
Other comprehensive income / (expense) for the year		-	-	-	-	1,287	(6,015)	**(4,728)**
Total comprehensive income / (expense) for the year		**-**	**-**	**-**	**4,048**	**1,287**	**(6,015)**	**(680)**
Dividends	6	**-**	**-**	**-**	(3,180)	**-**	**-**	**(3,180)**
Shares issued		151	51	4,299	-	**-**	**-**	**4,501**
Share-based payments		-	-	-	337	**-**	**-**	**337**
Total contributions by and distributions to owners of the parent recognised directly in equity		**151**	**51**	**4,299**	**(2,843)**	**-**	**-**	**1,658**
At 30 September 2023		**5,159**	**16,051**	**11,561**	**79,415**	**15**	**9,813**	**122,014**
At 1 October 2023		**5,159**	**16,051**	**11,561**	**79,415**	**15**	**9,813**	**122,014**
Loss for the financial year		-	-	-	(6,377)	-	-	**(6,377)**
Other comprehensive income / (expense) for the year		-	-	-	-	126	(4,712)	**(4,586)**
Total comprehensive income / (expense) for the year		**-**	**-**	**-**	**(6,377)**	**126**	**(4,712)**	**(10,963)**
Dividends	6	**-**	**-**	**-**	(3,378)	**-**	**-**	**(3,378)**
Share-based payments		-	-	-	715	**-**	**-**	**715**
Total contributions by and distributions to owners of the parent recognised directly in equity		**-**	**-**	**-**	**(2,663)**	**-**	**-**	**(2,663)**
At 30 September 2024		**5,159**	**16,051**	**11,561**	**70,375**	**141**	**5,101**	**108,388**

Group Cash Flow Statement
For the year ended 30 September 2024

	Note	2024 £000	2023 £000
Cash flows from operating activities			
Cash generated from operations	7	**14,247**	16,164
Income tax (paid) / repaid		**(62)**	2
Net cash generated from operating activities		**14,185**	16,166
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(351)**	(11,697)
Disposal of subsidiaries, net of cash disposed		**1,665**	-
Purchase of property, plant and equipment		**(3,526)**	(6,257)
Sale of property, plant and equipment		**-**	516
Purchase of intangible assets		**(1,716)**	(1,062)
Interest received		**40**	11
Net cash used in investing activities		**(3,888)**	(18,489)
Cash flows from financing activities			
Drawdown of borrowings		**4,731**	19,154
Repayment of borrowings		**(8,046)**	(8,378)
Principal elements of lease payments		**(1,715)**	(1,624)
Interest paid		**(2,487)**	(1,784)
Dividends paid to ordinary shareholders		**(3,378)**	(3,180)
Net cash (used in) / generated from financing activities		**(10,895)**	4,188
Net (decrease) / increase in cash		**(598)**	1,865
Cash at beginning of the year		**7,294**	5,999
Exchange losses on cash		**(74)**	(570)
Cash at the end of the year		**6,622**	7,294

Notes to the preliminary report

1. Basis of preparation

The Preliminary Report has been prepared under the historical cost convention and in accordance with International Accounting Standards.

The Preliminary Report does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Comparative figures in the Preliminary Report for the year ended 30 September 2023 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion, and which have been filed with the registrar of companies.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2024, as described in those financial statements, on which the Group's auditors, PricewaterhouseCoopers LLP have expressed an unqualified opinion, but which have not yet been filed with the registrar of companies.

There was no statement in the audit report for either the year ended 30 September 2024 or 2023 relating to section 498(2) or 498(3) of the Companies Act 2006.

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

2. 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.

For year ended 30 September 2024	A&D £000	Life Sciences £000	Industrial £000	Corporate £000	Total £000
Revenue					
Total revenue	37,563	34,918	70,631	-	143,112
Inter and intra-division	(3,104)	(1,334)	(2,684)	-	(7,122)
External revenue	34,459	33,584	67,947	-	135,990
Divisional expenses	(33,426)	(27,875)	(57,298)	910	(117,689)
EBITDA[1]	1,033	5,709	10,649	910	18,301
EBITDA %	3.0%	17.0%	15.7%	-	13.5%
Depreciation and amortisation	(2,547)	(1,786)	(3,428)	(1,726)	(9,487)
Operating (loss) / profit before amortisation of acquired intangible assets	(1,514)	3,923	7,221	(816)	8,814
Amortisation of acquired intangible assets	-	-	-	(2,002)	(2,002)
Operating (loss) / profit	(1,514)	3,923	7,221	(2,818)	6,812
Operating (loss) / profit margin %	(4.4%)	11.7%	10.6%	-	5.0%
Add back non-underlying items and amortisation of acquired intangibles	322	704	626	2,038	3,690
Adjusted operating (loss) / profit	(1,192)	4,627	7,847	(780)	10,502
Adjusted (loss) / profit margin %	(3.5%)	13.8%	11.5%	-	7.7%
Net finance costs	(188)	(67)	(232)	(2,117)	(2,604)
(Loss) / profit before income tax expense	(1,702)	3,856	6,989	(4,935)	4,208

2. Segmental analysis (continued)

For year ended 30 September 2023	A&D £000	Life Sciences £000	Industrial £000	Corporate £000	Total £000
Revenue					
Total revenue	28,893	35,132	78,326	-	142,351
Inter and intra-division	(1,554)	(2,139)	(3,617)	-	(7,310)
External revenue	27,339	32,993	74,709	-	135,041
Divisional expenses	(27,712)	(28,535)	(61,784)	926	(117,105)
EBITDA[1]	(373)	4,458	12,925	926	17,936
EBITDA %	(1.4%)	13.5%	17.3%	-	13.3%
Depreciation and amortisation	(1,930)	(1,129)	(3,497)	(1,894)	(8,450)
Operating (loss) / profit before amortisation of acquired intangible assets	(2,303)	3,329	9,428	(968)	9,486
Amortisation of acquired intangible assets	-	-	-	(1,672)	(1,672)
Operating (loss) / profit	(2,303)	3,329	9,428	(2,640)	7,814
Operating (loss) / profit margin %	(8.4%)	10.1%	12.6%	-	5.8%
Add back non-underlying items and amortisation of acquired intangibles	455	983	1,168	1,672	4,278
Adjusted operating (loss) / profit	(1,848)	4,312	10,596	(968)	12,092
Adjusted (loss) / profit margin %	(6.8%)	13.1%	14.2%	-	9.0%
Net finance costs	(70)	(67)	(172)	(1,503)	(1,812)
(Loss) / profit before income tax expense	**(2,373)**	**3,262**	**9,256**	**(4,143)**	**6,002**

[1]EBITDA = Earnings before interest, tax, depreciation and amortisation

Management have added back the amortisation and impairment of acquired intangibles and goodwill, restructuring costs, site closure costs in the above analysis. This has been shown because the Directors consider the analysis to be more meaningful excluding the impact of these non-underlying expenses.

All of the amounts recorded are in respect of continuing operations.

2. Segmental analysis (continued)

Analysis of net assets by location:

	2024 Assets £000	**2024 Liabilities £000**	**2024 Net Assets £000**	2023 Assets £000	2023 Liabilities £000	2023 Net Assets £000
United Kingdom	79,846	(35,743)	44,103	83,107	(47,308)	35,799
USA	86,276	(22,013)	64,263	106,209	(20,503)	85,706
Continental Europe	83	(148)	(65)	198	(84)	114
Asia Pacific	102	(15)	87	916	(521)	395
	166,307	**(57,919)**	**108,388**	190,430	(68,416)	122,014

For the year to 30 September 2024 non-current asset additions were £3.0m (2023: £4.0m) for the UK and for the USA £7.0m (2023: £6.6m). There were no additions to non-current assets in respect of Europe (2023: £nil) or the Asia Pacific region (2023: £nil). The value of non-current assets in the USA was £64.3m (2023: £66.2m) and in the United Kingdom £44.1m (2023: £45.5m). There were no non-current assets in Europe or the Asia-Pacific region.

Analysis of revenue from continuing operations by destination:

	2024 £000	**2023 £000**
United Kingdom	**36,849**	27,146
North America	**46,601**	47,568
Continental Europe	**27,202**	33,674
Asia Pacific and Other	**25,338**	26,653
Total revenue	**135,990**	135,041

3. Income tax expense

Analysis of tax charge / (credit) in the year

	2024 £000	2023 £000
Current taxation		
UK Corporation tax	**1,963**	843
Overseas tax	**(212)**	703
Adjustments in respect of prior years	**107**	(1,130)
Total current tax	**1,858**	416
Deferred tax		
Origination and reversal of temporary differences	**(321)**	(176)
Adjustments in respect of prior years	**(606)**	874
Change to UK tax rate	**-**	31
Total deferred tax	**(927)**	729
Income tax expense per income statement	**931**	1,145
Income tax on discontinuing operations	**(222)**	(173)

4. Non-underlying items

	2024 £000	2023 £000
Included within administration expenses		
Amortisation of acquired intangible assets	**2,002**	1,672
Acquisition costs	**228**	1,156
Restructuring costs	**911**	571
Site closure costs	**549**	879
	3,690	4,278
Included within finance costs		
Unwind of discount on deferred consideration	**209**	57
	209	57
Included within taxation		
Tax effect of the non-underlying items above	**(606)**	(747)
	(606)	(747)

Acquisition costs of £0.2m (2023: £1.2m) related to costs incurred in relation to the acquisitions of GS Optics and Artemis in the year ended 30 September 2023.

Restructuring costs of £0.9m (2023: £0.6m) associated with the restructuring of the Group's operating model and the costs incurred to establish our contract manufacturing partners capability to manufacture both acousto-optic and fibre optic products.

Site closure costs of £0.5m (2023: £0.9m) related to the wind down of the Group's small facility in Shanghai. In the year ended 30 September 2023, the costs related to both the closure of the Shanghai facility and the transfer of the Group's ITL business' US operation from its site in Virginia into the GS Optics campus in Rochester.

5. Earnings per share

The calculation of earnings per 20p Ordinary Share is based on the profit for the year using as a divisor the weighted average number of Ordinary Shares in issue during the year. The weighted average number of shares for the year ended 30 September 2024 is given below:

	2024	2023
Number of shares used for basic earnings per share	**25,786,397**	25,085,805
Number of dilutive shares – impact of share options granted	**394,682**	272,361
Number of shares used for dilutive earnings per share	**26,181,079**	25,358,166

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

	2024		2023	
	£000	**pence per share**	£000	pence per share
Basic earnings per share from continuing operations	**3,277**	**12.7p**	4,857	19.4p
Amortisation of acquired intangible assets (net of tax)	**1,540**	**5.9p**	1,175	4.7p
Acquisition costs	**195**	**0.8p**	1,071	4.3p
Site closure costs	**658**	**2.6p**	728	2.9p
Restructuring costs (net of tax)	**743**	**2.9p**	600	2.4p
Unwind of discount on deferred consideration	**157**	**0.6p**	59	0.2p
Total adjustments net of income tax expense	**3,293**	**12.8p**	3,633	14.5p
Adjusted basic earnings per share	**6,570**	**25.5p**	8,490	33.9p
Basic diluted earnings per share	**3,277**	**12.5p**	4,857	19.2p
Adjusted diluted earnings per share	**6,570**	**25.1p**	8,490	33.5p
Basic and diluted loss per share from discontinuing operations	**(9,654)**	**(37.4p)**	(810)	(3.2p)

Basic and diluted earnings / (losses) per share before amortisation and other adjustments has been shown because, in the opinion of the Directors, it provides a useful measure of the trading performance of the Group.

6. Dividends

	2024 £000	2023 £000
Final 2023 dividend: 8.2p per share (Final 2022 dividend paid in 2023: 7.7p)	**2,114**	1,978
2024 Interim dividend of 4.9p per share (2023: 4.8p per share)	**1,264**	1,202
	3,378	3,180

The Directors have proposed a final dividend of 8.3p per share making the total dividend paid and proposed in respect of the 2024 financial year 13.2p. (2023: 13.0p per share). The total value of the proposed final dividend is £2,140,000 (2023: £2,114,000).

7. Cash generated from operating activities

	2024 £000	2023 £000
Profit before income tax from continuing operations	**4,208**	6,002
Loss before income tax from discontinued operations	**(9,876)**	(982)
Adjustments for:		
- Amortisation of acquired intangible assets	**2,002**	1,672
- Amortisation of other intangible assets	**1,755**	1,692
- Loss on disposal of subsidiary	**8,910**	-
- Loss on disposal of property, plant and equipment	**128**	234
- Depreciation	**7,732**	7,652
- Share based payment charge	**715**	337
- Amounts claimed under the RDEC	**(392)**	(200)
- Finance income	**(40)**	(11)
- Finance costs	**2,696**	1,784
Total	**23,506**	13,160
Changes in working capital		
- Inventories	**257**	(1,291)
- Trade and other receivables	**863**	1,005
- Trade and other payables	**(4,711)**	(1,730)
Total	**(3,591)**	(2,016)
Cash generated from operating activities	**14,247**	16,164