For immediate release **5 December 2023**

Gooch & Housego PLC

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

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

Gooch & Housego PLC (AIM: GHH), the specialist manufacturer of photonic components and systems, today announces its audited results for the year ended 30 September 2023.

Year ended / as at 30 September	**2023**	2022	Change
Revenue (£m)	**148.5**	124.8	19.0%
Adjusted profit before tax (£m)*	**9.6**	8.1	17.5%
Adjusted basic earnings per share (pence)*	**31.3p**	27.2p	15.1%
Statutory profit / (loss) before tax (£m)	**5.0**	(2.3)	£7.3m
Basic earnings / (losses) per share (pence)	**16.1p**	(8.0)p	24.1p
Total dividend per share (pence)	**13.0p**	12.6p	3.2%
Net debt excluding IFRS16 (£m)	**20.9**	12.8	£8.1m
Net debt (£m)	**31.7**	19.1	£12.6m

- 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 disposals and restructuring costs, together with the related tax impact. A reconciliation of adjusted figures to reported figures is shown in the Financial Review Section.

Key points

- **Strategy** – a new strategy launched focusing on four pillars of People, Self Help, Technology and Investment to deliver mid-teen return on sales over the mid-term.
- **Revenue** – up 19% or 13.6% on an organic, constant currency basis to £148.5m (FY2022: £124.8m).
- **Profit** – adjusted operating profit up 28.0% to £11.3m (FY2022: £8.9m). Reported profit before tax up to £5.0m (FY2022: loss of £2.3m).
- **Order book** – order book returning to normalised levels at £124.1m (FY2022: £147.7m). Book-to-bill ratio in the second half of 1.04x.
- **Acquisitions** – the acquisitions of GS Optics and Artemis completed during the year. The integration of both businesses into the Group is progressing well.
- **Debt** – net debt increased to £31.7m (FY2022: £19.1m) of which bank debt was £20.9m (FY2022: £12.8m) reflecting investment in acquisitions. Group leverage remains comfortable at 1.1x.
- **Dividend** – Full year dividend of 13.0p (FY2022: 12.6p) reflecting the Board's confidence in the growth potential of the Group.
- **Outlook** – the Group is well positioned in structurally growing markets. Our order book gives us good visibility for FY2024 and we are confident we will deliver further profitable growth in the coming year.

Charlie Peppiatt, Chief Executive Officer, commented:

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

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

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Analyst Meeting and Webcast

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

A live audio webcast of the meeting will be available via the following link: https://stream.buchanan.uk.com/broadcast/6549f8b66eba922222a2eef3

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

2024 Expected Financial Calendar

Annual General Meeting	21 February 2024
Interim results announcement	June 2024
Financial year end	30 September 2024
Full year results announcement	December 2024

Chairman's Statement

Group Overview

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

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

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

Strategy Refresh

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

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

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

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

Focused Investment

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

The Environment

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

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

Board

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

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

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

Dividend

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

Outlook

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

Gary Bullard
Chairman
5 December 2023

Chief Executive Officer's Statement

Introduction

FY2023 has been a year of strong growth for G&H reflecting the significant improvements that have been in operational output. This has been complemented by the number of new customer wins and incremental business opportunities with existing customers. The growth in revenue and the continued strong order intake also reflect multi-year programme wins and the positive structural trends evident in many of our end markets. Our teams across the Group have executed exceptionally well in the continuing challenging environment, given the significant supply chain and cost headwinds, to deliver a strong trading performance with improved profit growth in line with expectations. Having completed my first full year with G&H, I am pleased with the progress that has been made across the business through the collective hard work of the workforce harnessed more effectively through our new strategy that was launched in the summer.

I am proud that G&H products are playing a part in building a better more sustainable world. Many of our products contribute directly to the reduction of energy consumption and the more efficient use of materials. In our own facilities we are also making great strides in reducing our impact on the environment. In FY2023 we achieved a 20.5% reduction in our emissions as we work towards our goal of being net neutral on our Scope 1 and 2 emissions by 2035.

Business Performance

Following the positive performance reported in the first half, the Group sustained strong trading momentum during the second half of the year enhanced by the focused operational improvements and capability investment over the last year. For the full financial year 2023 G&H achieved revenues of £148.5m, representing an increase of 19% over the previous year (FY2022: £124.8m), or on an organic, constant currency basis saw growth of 13.6%. Adjusted profit before tax was £9.6m, an increase of 17.5% over last year (FY2022: £8.1m). At the same time, we saw continued strong levels of customer demand albeit at more normalised levels resulting in order book stabilising at £124.1m (FY2023 £147.7m) and positive book-to-bill ratio in the second half of the year at 1.04x. There has been further extension of the order book following the year end.

Strategy

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

Following a full strategic review of the business during the first half of the year, in the Summer 2023 we launched a refreshed strategy across the Group to ensure that the business is focused in the right product development areas aligned to customer-led growth drivers, it is 'easier to do business with G&H' ensuring long-term profitable customer partnerships and we achieve greater disciplined focus on superior operational execution to avoid repeating the manufacturing and supply chain problems of the recent past.

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

Acquisitions

The Group's new strategy has identified a path to mid-teens returns over the medium term that includes benefits from our 'portfolio' achieved through addressing non-performers in combination with pursuing 'speed to value' acquisitions. During 2023 I was delighted to be able to announce the completion of two back-to-back strategic acquisitions of GS Optics and Artemis Optical. These acquisitions marked a significant milestone and alignment with G&H's strategic vision for growth through a greater focus on adding value through the transition from complex photonics components to a sub-system or full system solution by targeting two businesses that enhance our fuller photonics systems offering in A&D, advanced industrial or Life Sciences markets with a focus on gaps that we have in coating, complex systems assembly, new materials and specifically our Life Sciences footprint in North America. Both acquisitions are already proving an excellent fit in terms of our commitment to precision, innovation and customer focus confirming their potential to support the growth of the Group.

Our markets

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

Life Sciences performed well and we saw continued growth in demand for our products used in medical lasers and our medical diagnostic products. A cancer care product initially designed by our customer and then productionised by our engineering team migrated through regulatory approvals and into production during the year and we expect to see further growth from this product in FY2024.

Volumes in our Aerospace & Defence markets grew significantly as a result of improved productive capacity at several of our sites and a number of projects move into production phase. Our imaging and sighting systems business for armoured vehicles and UAVs continues to progress well with a number of multi-year new programme wins during FY2023 where the conflict in Ukraine is fuelling increased demand and greater urgency of supply.

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

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

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

This combined with the funding of the two acquisitions resulted in net debt excluding lease liabilities increasing to £20.9m from £12.8m. Our leverage as measured for our banking covenant stands at 1.1x (2022 0.7x), which along with available committed and uncommitted bank facilities of $35.4m places G&H in a strong position to pursue our strategic goals.

Research and Development (R&D)

G&H continues to work closely within the global photonics ecosystem and with a number of key partners to develop their next generation products. During FY2023 we introduced 57 new products (FY2022: 54) and delivered £26.1m of revenue (FY2022 £17.9m) from new products. Following our strategic review, we are refocusing and prioritising our R&D effort and investment behind the following seven vital few areas:

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

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

Corporate Responsibility

The Board is accountable to its shareholders and is committed to the highest standards of corporate governance. To this end the Company has adopted the UK Corporate Governance Code (2018). In order to ensure the Company is meeting the most up to date standards regular reviews of policy are held by the relevant committees of the Board of Directors. During the year the Board undertook a self-assessment to identify opportunities for improvement and incorporate a greater focus on ESG. We were pleased to welcome Susan Searle to join the Board during the year with her wealth of experience in many of the markets in which we operate. Susan also assumed the role of Chair for our newly introduced Sustainability Committee.

G&H is committed to creating a safe, engaging, diverse and inclusive place to work for the Company'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 Company remains focused on providing equal employment opportunities for all and aims to improve diversity at all levels of the organisation. Our recruitment partners have been instructed to ensure that they include women in all shortlist applications and we are actively engaged with encouraging International Women in Engineering.

G&H is committed to conducting our business in an environmentally responsible and sustainable manner. With the appointment of our new non-executive director we have established a Sustainability Committee responsible for monitoring the Group's achievement against its ESG targets. We are investing in order to generate our electricity in a sustainable manner and to reduce our overall energy usage. Each of our sites has an energy reduction plan that it is working to. In the year we reduced our scope 1 and 2 carbon emissions by 20.5%, a major step forward in achieving our target of being net neutral on this measure by 2035. We were also pleased to see two sites, Ilminster and Torquay, join our Fremont site with certification to the environmental ISO14001 standard. As part of our new strategy, we have deployed a 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

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

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

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

While mindful of the increasingly uncertain macroeconomic and geopolitical landscape, G&H remains well positioned for growth with a robust pipeline across all our end markets. The business will invest to ensure G&H can capitalise on the accelerating deployment of photonics technologies into continuously expanding areas of the industrial, life sciences, aerospace and defence markets underpinning the future growth potential of the Group.

I am confident we will build on the progress made in our financial and operational performance as well as the clear direction from our new strategy to progress to become a resilient and agile higher margin business over the coming years for all our stakeholders and realise our clear vision of 'A Better World with Photonics'.

Charlie Peppiatt
Chief Executive Officer
5 December 2023

Operations Review

Industrial

Revenue	**£77.1m (FY2022: £64.6m)**
Adjusted Operating Profit	**£10.5m (FY2022: £8.4m)**
Adjusted Operating Margin	**13.6% (FY2022: 13.0%)**
Operating Profit	**£9.3m (FY2022: £7.3m)**
Percentage of Revenue	**51.9% (FY2022: 51.7%)**

Market Drivers

- Cloud computing, artificial intelligence, hyper connectivity and automation all drive demand for semiconductors.
- Political uncertainties driving the re-shoring of the manufacture of key components such as semiconductors.
- Next generation products such as EUV lithography lasers for nanoelectronics and new design germanium modulators.
- New flexible materials being used for the next generation personal data devices require new forms of industrial laser cutting and marking machines.
- Increasing transfer of data internationally for both business and personal use drives the demand for subsea data cables.
- Accelerating investment in wind generated clean energy particular in the US. Our 'laser engine' sensing technology improves the efficiency of wind turbines.
- Remote border and infrastructure asset protection receiving increasing investment driving demand for our sensing products.

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

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

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

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

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

Revenues into our core industrial laser market also grew strongly. Demand for our germanium acousto-optic modulator used in the Q switching of solid-state lasers was particularly strong. In the second half of the year we saw some evidence of over stocked positions amongst some of our distributor customers who were asking for either a slow down or pause in deliveries to them whilst they normalised their inventory holding. This market is ultimately driven by end consumer demand primarily for personal electronics and this market tends to be naturally cyclical. We are monitoring closely the demand picture in this market to ensure we make operational capacity adjustments in a timely manner.

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

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

Strategic priorities for FY2024

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

Aerospace & Defence

Revenue	**£38.6m (FY2022: £30.6m)**
Adjusted Operating Loss	**£(2.3)m (FY2022: £(2.7m))**
Adjusted Operating Margin	**(6.0%) (FY2022: (8.7%))**
Operating Loss	**£(2.9)m (FY2022: £(3.4m))**
Percentage of Revenue	**26.0% (FY2022: 24.5%)**

Market Drivers

- The Ukraine conflict has driven further investment in both armoured vehicles and unmanned aerial vehicles (UAV) and measures to counter them.
- Users require new features within their latest optical systems that integrate electronics and optics in single more complex packages.
- Optics used in the defence arena increasingly require complex coatings, for which G&H is a leading supplier.
- Photonic components and systems offer size, weight, power and reliability benefits for multiple A&D sub sectors.
- IR optical arrays are used for targeting, range finding, navigation and surveillance capabilities for both UAV and 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

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

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

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

The resolution of some of the production constraints seen in the prior financial year meant that our A&D revenues grew sharply by 26.2% during FY2023, compared with the equivalent period last year, and by

22.0% on a constant currency basis. We achieved significant increases in revenues of components and systems used in imaging systems in the defence arena, including thermal imaging cameras from our

Keene, New Hampshire facility. Demand is currently strong for these systems driven in part by the increasing need for new systems that have the capability to counter UAVs.

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

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

Whilst it still represents a small percentage of the Group's FY2023 revenues, our engineering teams continue to be active in the field of laser based space communications. Building upon work previously completed with our satellite partners we are now developing more powerful laser amplifiers that will enable transfer of greater volumes of data. We also continue to be active in working on customer funded programmes that use the same technology fitted to very high-altitude unmanned air vehicles. The area of laser based space communications is a key element of our more focused and accelerated technology development programme.

Our teams have continued to work on Directed Energy Systems with a number of prime contractor customers. G&H's expertise in coating the large optics that are positioned at the heart of these systems means that we are well positioned to secure recurring production revenues once development activities are complete.

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

Our growth in revenues in this market compared with the prior year helped to reduce our adjusted operating loss for the segment from £2.7m in FY 2022 to £2.3m in the current year. We recognise we have much work to do to restore this business to the levels of profitability that are required. We are investing additional, dedicated resources to improve our production yields in our A&D businesses. We are also reviewing whether we have sufficiently differentiated product offerings in all of the areas currently supplied by our existing A&D business to justify continuing to supply.

Strategic priorities for FY2024

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

Life Sciences/Biophotonics

Revenue	**£32.8m (FY2022: £29.7m)**
Adjusted Operating Profit	**£4.1m (FY2022: £4.0m)**
Adjusted Operating Margin	**12.5% (FY2022: 13.3%)**
Operating Profit	**£3.2m (FY2022: £3.7m)**
Percentage of Revenue	**22.1% (FY2022: 23.8%)**

Market Drivers

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

Our products enable

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

Our strategy in action

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

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

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

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

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

Strategic priorities for FY2024

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

Financial Review

Overview of the Year

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

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

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

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

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

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

Revenue

REVENUE				
	2023		2022	
Year ended 30 September	**£'000**	**%**	£'000	%
Industrial	**77,131**	**51.9%**	64,553	51.7%
A&D	**38,556**	**26.0%**	30,553	24.5%
Life Sciences / Biophotonics	**32,789**	**22.1%**	29,696	23.8%
Group Revenue	**148,476**	**100%**	124,802	100.0%

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

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

Operating profit and margin

The Group's adjusted operating profit was £11.3m (2022: £8.9m) and statutory profit was £6.8m (2022: loss of £1.6m) after a charge of £4.5m (2022: £10.4m) for items excluded from adjusted operating profit. This included:

- Acquisition costs of £2.8m (2022: £1.9m) of which £1.7m (2022: £1.9m) related to the non-cash amortisation charges on intangible assets arising on the Group's historical and current year business combinations. The remaining £1.1m related to costs incurred associated with the changes to the Group's portfolio of businesses, most significantly the acquisitions of GS Optics and Artemis.

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

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

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

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

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

Finance costs

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

Taxation

The Group's overall tax charge was £1.0m (2022 credit of £0.3m) including a £0.7m credit (2022: £1.6m) in respect of items excluded from adjusted profit. The adjusted tax charge was £1.7m (2022: £1.3m) resulting in an effective tax rate of 18.0% (2022: 16.3%). The rate reflects a combination of the varying tax rates applicable throughout the countries in which the Group operates, principally the UK and the USA.

Earnings Per Share

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

Cash flow

Cash flow generated from operating activities was £16.2m (2022: 6.5m). During the first half of the financial year the Group invested £3.5m in additional working capital, principally in additional inventory to support growing production volumes but also to protect our customers' delivery schedules in the face of continuing inconsistency in on time delivery from some parts of our supply chain. In the second half of the year, the Group was able to reduce its investment by £1.5m thanks to better on time performance from our suppliers and therefore our growing confidence that lower levels of safety stocks were required.

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

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

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

Funding and Liquidity

The Group's operations are funded through a combination of retained profits, equity and borrowings. Borrowings are raised at Group-level from the Group's banking partner and lent to the subsidiaries. At 30 September 2023, the Group had drawn $34.6m from its Group debt facility leaving undrawn committed and uncommitted facilities of $35.4m. The Group's borrowings are in the form of a US$ denominated Revolving Credit Facility (RCF). The RCF matures in March 2027. A further summary of the Group's borrowings and maturities are set out in note 23 of the Group Financial Statements.

The Group's leverage is expressed in terms of its net debt/adjusted EBITDA ratio. Under the Group's credit facility, the figure for net debt used in this ratio excludes IFRS 16 lease liabilities and other IFRS 16 impacts. The Group's main financial covenants in its bank facilities states that net debt must be below 2.5 times adjusted EBITDA, and adjusted EBITDA is required to cover interest charges, excluding interest on pension schemes, by at least 4.5 times. At 30 September 2023 net debt/adjusted EBITDA was 1.1 times (30 September 2022: 0.7). Interest cover at 30 September 2023 was 9.0 times (30 September 2022: 24.6 times).

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

Dividend Policy

In determining the level of dividend, the Board considers not only the adjusted earnings cover, but also looks to the future expected underlying growth of the business and its capital and other investment requirements. The Group's balance sheet position and its expected future cash generation are also considered. The Board takes into consideration the Group's Principal Risks, which are set out in our Annual Report. The Group's ability to pay a dividend is impacted by the distributable reserves available in the parent Company, which operates as a holding company, primarily deriving its net income from dividends paid by its subsidiary companies. At 30 September 2023, Gooch & Housego PLC had sufficient distributable reserves to pay dividends for the foreseeable future.

Given the strength of the Group's order book and the growth potential of the Group confirmed by our recent strategic review the Board is proposing a final dividend of 8.2 pence per share (FY2022: 7.9p), giving a total of 13.0 pence per share (FY2022: 12.6p) for the year when combined with the 4.8 pence per share paid as an interim dividend in July 2023 (FY2022: 4.7p). The Board is committed to growing the level of dividend cover.

Financial Risk Management

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

Foreign Currency

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

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.

	2023	**2022**
Income Statement	**Average rate**	
USD/GBP	1.23	1.28
Euro/GBP	1.15	1.18
Balance Sheet	**Closing rate**	
USD/GBP	1.22	1.12
Euro/GBP	1.15	1.14

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

Group Income Statement
For the year ended 30 September 2023

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

Group Statement of Comprehensive Income
For the year ended 30 September 2023

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

Group Balance Sheet
For the year ended 30 September 2023

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

Group Statement of Changes in Shareholders' Equity
For the year ended 30 September 2023

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

Group Cash Flow Statement
For the year ended 30 September 2023

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

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 2022 have been taken from the Group's audited statutory financial statements on which the Group's auditors, PricewaterhouseCoopers LLP, expressed an unqualified opinion.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2022, as described in those financial statements.

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 on pages 20-25.

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

2. Segmental analysis (continued)

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

[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 and CEO succession costs in the above analysis. This has been shown because the Directors consider the analysis to be more meaningful excluding the impact of these non-underlying expenses.

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

2. Segmental analysis (continued)

Analysis of net assets by location:

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

For the year to 30 September 2023 non-current asset additions were £2.5m (2022: £5.5m) for the UK and for the USA £6.5m (2022: £3.3m). There were no additions to non-current assets in respect of Europe (2022: £nil) or the Asia Pacific region (2022: £nil). The value of non-current assets in the USA was £66.2m (2022: £56.4m) and in the United Kingdom £45.5m (2022: £41.5m). There were no non-current assets in Europe or the Asia-Pacific region.

Analysis of revenue by destination:

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

3. Income tax expense

Analysis of tax charge / (credit) in the year

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

4. Non-underlying items

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

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

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

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

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

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

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

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 2023 is given below:

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

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

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

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

6. Dividends

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

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

7. Cash generated from operating activities

Reconciliation of cash generated from operations

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