

6 June 2023

GOOCH & HOUSEGO PLC

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2023

*Positive progress in the first half. New strategy focused on "Delivering sustainable margin growth"*

Gooch & Housego PLC (AIM: GHH), the specialist manufacturer of optical components and systems, today announces its interim results for the six months ended 31 March 2023.

### Key Financials

Period ended 31 March	H1 2023	H1 2022	Change
Revenue	£71.3m	£54.1m	31.7%
Adjusted profit before tax*	£4.5m	£3.6m	26.2%
Adjusted basic earnings per share*	14.9p	11.8p	26.3%
Net debt excluding IFRS 16	£12.9m	£5.9m	£7.0m
Net debt including IFRS 16	£19.2m	£12.0m	£7.2m
Statutory profit before tax	£3.3m	£1.2m	£2.1m
Statutory basic earnings per share	10.9p	6.9p	58.0%
Interim dividend per share	4.8	4.7	2.1%

\*Adjusted for amortisation of acquired intangible assets and non-recurring items.

### Key points

- H1 revenue up 31.7% at £71.3m (H1 2022: £54.1m) reflecting strong growth in all market segments
- Increase in productive capacity and steady reduction in overdue backlog
- Adjusted operating profit up 32.9% to £5.2m (H1 2022: £3.9m)
- Cost inflation persists but is being passed on with some time lag
- Order book remains strong at £124.4m (H1 2022: £119.9m)
- Cash from operations of £6.0m (H1 2022: £3.2m) despite £5m investment in inventory levels
- Interim dividend of 4.8p per share (H1 2022: 4.7p)
- Full year expectations are unchanged
- Review of the Group's strategy complete

**Charlie Peppiatt**, Chief Executive Officer of Gooch & Housego, commented:

*"Positive progress has been made in the first half with increasing operational output and continued strong levels of customer engagement on new product opportunities. Full year expectations for the Group are unchanged and the outcome of our strategy review confirms a clear route to mid-teens returns in the medium term."*

### Analyst meeting

A meeting for analysts will be held at 10.30am on the morning of 6 June 2023 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. To register attendance, please contact Buchanan at [G&H@buchanan.uk.com](mailto: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/646b30943c64069e62cb59e0>

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

### For further information please contact:

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## Notes to editors

1. Gooch & Housego is a photonics technology business with operations in the USA and Europe. A world leader in its field, the company researches, designs, engineers and manufactures advanced photonic systems, components and instrumentation for applications in the Aerospace and Defence, Industrial and Telecom, and Life Sciences sectors. World leading design, development and manufacturing expertise is offered across a broad range of complementary technologies. It is headquartered in Ilminster, Somerset, UK.
2. This announcement contains certain forward-looking statements that are based on management's current expectations or beliefs as well as assumptions about future events. These are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which G&H operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results, and G&H's plans and objectives, to differ materially from those currently anticipated or implied in the forward-looking statements. Investors should not place undue reliance on any such statements. Nothing in this announcement should be construed as a profit forecast.

## Operating and Financial Review

### Performance Overview

Revenue for the six month period totalled £71.3m representing a 31.7% growth over the comparator period, or 20.6% on a constant currency basis. The Group's trading in the first half of the financial year benefited from the additional capacity that had been put in place in both the second half of the previous financial year and the first months of the current trading period allowing us to trade out the record order book brought forward into FY2023. Our production teams are now substantially resourced and good progress has been made in reducing the level of order book arrears and the lead times the Group is able to offer customers for the delivery of new orders.

In the first half of the financial year we have seen strong revenue growth from our industrial laser and semiconductor markets. The Group is supplying products that are at the heart of state of the art deep ultraviolet and extreme ultraviolet lithography equipment used in the production of the most advanced microchips in the world. One of these programmes is now entering high volume production and is expected to provide us with good support for our semiconductor market revenues for several years to come. The drive for technological sovereignty in the area of semiconductor manufacture underpins strong demand from end customers.

Deliveries into our industrial laser markets have also grown, especially into Asian markets. This has been driven by post-pandemic end customer demand for electronic products recovering strongly although demand levels are expected to normalise in the coming period. Revenues from our components used in medical lasers also grew thanks to higher levels of demand for cosmetic procedures but again we expect this to normalise. Finally in our A&D markets we saw strong revenue growth thanks to several US programmes for military guidance systems entering their production phase. Demand for our precision optics used in military imaging systems has also been strong.

Input cost inflation has continued to be a factor impacting the Group's profitability. We have matched general wage inflation in the locations in which we operate in order to both retain and attract the skilled employees we need in our facilities. In addition, our suppliers have continued to pass on their own cost inflation in the form of higher material pricing. To counter this we are running a structured programme to increase our prices on new quotes issued to customers wherever the competitive environment allows us to do so. Nevertheless, given the size of the order book that we brought into the current financial year there is some lag in the benefit of that higher pricing being seen in the Group's results. In the first half inflation, therefore, represented a net headwind to Group profitability although the effect of our pricing actions will provide more benefit in the second half of the financial year.

We are starting to see the order book return to more normalised levels after the record levels of intake achieved by the Group in the second half of FY2022. This was driven by many customers, especially in the Industrial markets, overdriving their supply chains to ensure both continuity of supply and to mitigate the effect of price inflation. During the first half of FY2023 we have, therefore, seen some of these customers slow down the level of new orders as well as seek to push out delivery dates for some of the orders already placed with us as they look to regularise their inventory holding levels. Consequently, the Group's book to bill ratio in the first half of the financial year was 0.8x and the order book finished the period at £124.4m (31 March 2022: £119.9m). This represents a reduction of 15.8%, or 11.1% at constant currency, on the order book at 30 September 2022 of £147.7m. Nevertheless, the order book at March 2023 remained at a healthy level and the Group has the necessary order cover in place for the delivery of full year market consensus revenues.

The Group continues to maintain higher levels of safety stocks given the continuing extended lead times in some part of our supply chain. Furthermore, in some cases our customers have requested that we protect their production programmes by holding higher levels of inventory. Where this is the case we will seek funding from customers for this additional investment.

### Revenue

Six months ended 31 March	2023	2022	
	£'000	£'000	% Change
Industrial	37,928	27,743	36.7%
Aerospace & Defence	17,535	13,127	33.6%
Life Sciences	15,825	13,264	19.3%
<b>Group Total</b>	<b>71,288</b>	<b>54,134</b>	<b>31.7%</b>

## Products and Markets - Industrial

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

Overall, sales of products into our industrial markets in the six months ended 31 March 2023 grew by 36.7%, or 22.1% when measured on a constant currency basis, compared with the equivalent period last year. We saw strong growth in our semiconductor and industrial laser markets. First production revenues of our fibre optic splitter units used in advanced semiconductor manufacturing equipment were achieved in the period. Demand for our germanium acousto-optic modulator products used in CO<sub>2</sub> lasers was also particularly strong.

Deliveries of our hi-reliability fibre couplers were stable compared with the comparator period. We are in the final stages of approving our contract manufacturing partner in Asia for the production of these products and we expect them to make their first production shipments to customers in the second half of the current financial year. This will provide an opportunity to increase supply and for margin accretion on this product line.

In the sensing market we secured additional volume from our products used in distributed monitoring solutions used for the protection of remote assets. We are also making good progress in securing additional revenues in the wind sensing market where we are increasingly offering a full module solution to our partners in this growing market.

We remain a key supplier to both US and French research establishments seeking to achieve energy generation from inertial confinement fusion. Demand from these customers for our crystal growth capabilities is growing and we are investing in additional growth stations to support this revenue stream.

The additional volume achieved in this segment helped deliver a 29% growth in adjusted operating profit compared with H1 2022, to £5.3m. In common with the reported return on sales figures in the Group's other two markets, the effect on revenues of both favourable currency movements compared with H1 2022 and the pass through of inflationary cost increases in the form of higher pricing suppressed the reported return on sales percentage which was 14.1% for this segment in the first half. (H1 2022: 14.9%). Removing the effects of currency movement and pricing adjustments the reported return on sales for this segment for the half year was 15.1%.

## Products and Markets - Aerospace & Defence (A&D)

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

The trend in funding priorities in both the US and Europe continues to favour G&H products and capabilities. The need for all weather precision guidance and targeting generates the demand for the product capabilities that G&H can offer. The conflict in the Ukraine is also generating a recognition of the continuing importance of armoured vehicles in the modern military environment, and in that area G&H provides some of the most advanced optical sighting systems as evidenced by our participation on the UK MOD's programme to upgrade the Challenger MBT platform. During the period the recent increase in quotations we have provided for programmes to replenish military vehicles deployed by NATO members in Ukraine is now starting to result in orders for G&H, and there are good prospects for further significant orders to be secured.

Our A&D revenues were up 33.6% on the comparator period, or 24.6% on a constant currency basis. Deliveries to our customers' imaging systems programmes, typically used on manned and unmanned aircraft platforms, grew during the period. Our camera systems are also used for the identification of targets including drones and there is an encouraging level of interest from our OEM customers for our advanced infra-red products that can address their emerging needs in this area.

Our Boston business has delivered good growth in output compared with the first half of FY2022 thanks to its success in recruiting and training new team members. Several of the site's programmes have transitioned from the development to the production phase although the site continues to seek to improve its production yields.

We continue to participate in our customers' programmes seeking to develop laser based communication in the space market, both for satellite to satellite and satellite to ground application. Our hi-reliability fibre couplers are used in these space applications and we are also developing very high power amplifiers that will be used in both satellite and ground station applications. We believe we are well placed to benefit from this market as it progressively replaces the current RF based technologies.

Additional volumes in this market helped to reduce the adjusted operating loss of this segment to £1.9m (H1 2022: £2.2m). In the period production yields on some programmes in both our Moorpark and Boston facilities were poor reflecting the continuing training programmes that need to be completed for new employees recruited to service our higher order book levels. We are also reviewing closely some of the product lines within this sector to assess whether we have sufficiently differentiated capabilities to allow us to secure an acceptable return.

## Products and Markets - Life Sciences

G&H's three principal Life Sciences revenue streams are derived from diagnostics applications (the design, development and manufacturing of diagnostic systems and fibre-optic modules based around our optical coherence tomography (OCT) technology), surgery / treatments (electro-optics and acousto-optics for medical lasers) and biomedical research (acousto-optics for microscopy applications).

Our Life Sciences revenues were up 19.3% (13.6% on a constant currency basis) in the six months to 31 March 2023, compared with the first half of FY2022. We have seen further recovery in demand for our components used in laser surgery, especially elective cosmetic surgery. Revenues from the sale of our medical diagnostic equipment were slightly down compared with H1 2022. This was due to two of our significant customers migrating to next generation equipment programmes and ramping down demand for their current generation products. We have secured the manufacture of their next generation systems and volumes from these programmes are expected to ramp up in the second half of the financial year. These systems assist in the targeted delivery of treatments for cancers. We are also manufacturing a range of customer diagnostic instruments designed to assist in the more precise diagnosis of conditions and prescription of treatments for patients.

Our design team based in our medical equipment solutions business in Ashford are fully engaged on the development of our customers' next generation systems and these will typically migrate to production over the coming two/three years. Plans are also in place to invest in expanding this area in the US in order to provide a US based design and

year. Plans are also in place to invest in expanding this area in the US in order to provide a US based design and manufacturing offering to our customers in that market, and we are in the final stages of contract negotiation with a "launch" customer for the build of their diagnostic instrument in one of our US facilities.

Adjusted operating profit in the segment grew by 8% to £2.3m (H1 2022: £2.1m). Adjusted operating profit margin stood at 14.3% (H1 2022: 15.8%). After eliminating the effects of currency and pricing H1 2023 return on sales stood at 15.1%. We expect the Group's re-pricing activities to disproportionately benefit this segment in the second half of the financial year, in particular our IFL business as it starts to deliver one of our customer's important next generation products. We intend to invest in the business's US operations in order to secure a greater share of the very significant US medical diagnostic market.

## Strategy

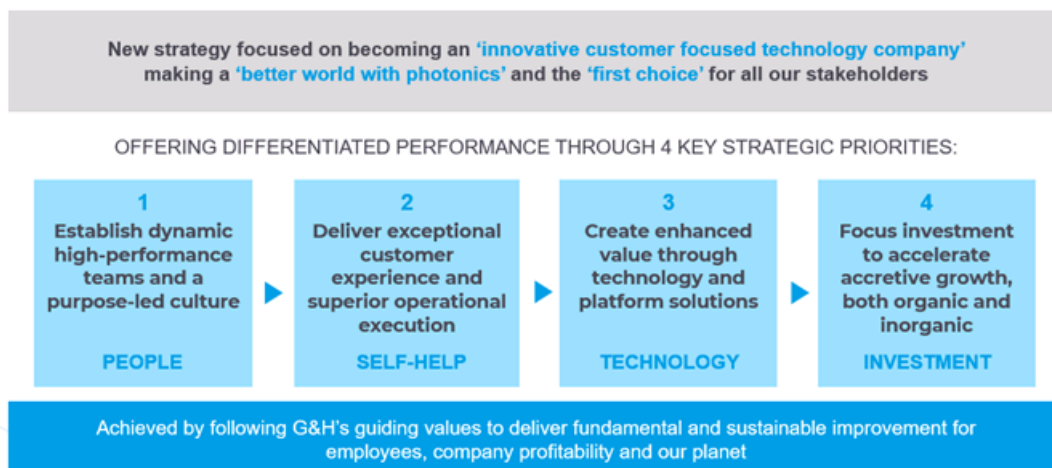
Under the leadership of our new CEO, who joined the Group in September 2022, the executive leadership team has carried out a strategy review during the first half of the financial year. Many elements of the Company's existing strategy over the last seven years, aimed at diversification into new markets, focused R&D investment, operational excellence and value enhancing acquisitions, were valid but execution and implementation had stalled and a refresh was required.

Following the review, the Board is confident in the exciting prospects of combining our photonics products and unique technical capabilities with the next wave of growth forecast in the global photonics industry. Despite the photonics components landscape becoming increasingly competitive, the end-markets are large and growing at pace with closer integration of lasers, optics and sensors creating new sources of value.

This is underpinned by many of the world's mega-trends from advancing technologies like IoT, 5G/6G, AI, machine learning, VR, remote patient monitoring and non-intrusive healthcare. The drive towards global sustainability and geopolitical tensions also provides positive demand momentum for our industry. Photonics is at the heart of global innovation and the new frontiers of technology.

Our new strategy for *delivering sustainable margin growth* in the medium term, is focused on transforming G&H to become an 'innovative customer focused technology company' delivering responsibly and making a 'better world with photonics'. We will seek to ensure that G&H becomes and remains the 'first choice' for all our stakeholders whether that's our employees, our customers, our shareholders, our eco-system partners or the communities in which we operate. We will offer differentiated performance through four key strategic priorities.

## New Strategy: *Delivering sustainable margin growth*



- 1. People** - Through harnessing the best talent across our whole organisation, we will establish dynamic high-performance teams and create a purpose-led culture that ensures G&H is a safe, engaging, diverse and inclusive place to work and thrive.
- 2. Self-Help** - By delivering an exceptional customer experience and making it 'easier to do business with G&H' we will build long-term customer partnerships and deliver profitable growth. We will achieve this by disciplined focus on superior operational execution along with the agility and wisdom to avoid repeating the manufacturing and supply chain problems of the recent past.
- 3. Technology** - We will deliver a better return from our advanced technical expertise in photonics. We will create enhanced value from carefully selected R&D projects for the right applications including developing platform solutions to accelerate our time to market for new technology and existing technology into new applications. This will unlock greater value through increased G&H photonics system content in new products.
- 4. Investment** - We will apply a more disciplined approach to the allocation of resources to deliver value and accelerate accretive growth, both organically and inorganically. We will refocus the business to invest in higher margin products and sectors at the same time as addressing non-performers, in combination with pursuing 'speed to value' acquisitions strategically rather than opportunistically.

There are parts of the existing strategy that are being retained, but with better execution and greater focus on delivering the desired outcome. The Group will continue to look at diversification within limits and with greater emphasis on synergies and simplification. The new strategy continues to seek opportunities to enhance value by moving up the value chain, but the focus will be more specific to coating, sub-systems and in Life Sciences through to full systems where we can embed our bio-photonics technology into the medical or IVD device. Our commitment to being customer-led remains but this will require changes in behaviours as well as to our processes and systems to ensure better results. We will also continue to offer a balanced portfolio around Industrial, A&D and Life Sciences but with an increased emphasis on capturing the opportunities in Life Sciences, especially in North America, and Industry 4.0 from the next generation global semiconductor infrastructure build out. We will also establish greater clarity on our value proposition into the A&D market aligning resources to turn this business unit around and deliver accretive performance for the Group.

The leadership team's review of the Group's strategy has identified areas where we need a different emphasis and new direction. We have identified that a different approach is required in how we invest in our people, our core technology and in our product platforms in collaboration with our customers. The Group has also carried out an

technology and in our product platforms in collaboration with our customers. The Group has also carried out an assessment of its manufacturing strategy and as a result will more proactively outsource certain stable product lines to our contract manufacturing partners at an earlier stage in the product life cycle where technological sovereignty is not a differentiator. During the cycle of the new plan the Group expects the proportion of its revenues sourced from product built by its contract manufacturing partners to increase from less than 10% to circa 25%.

The new strategy will address non-performance and the process to assess and rationalise non-core product lines has begun. This will be carried out in combination with pursuing strategic 'speed to value' acquisitions that enhance value creation through delivering commercial and operational synergies, and which fill a gap in our existing portfolio.

### **End-Market Technology Focus**

In the first six months of the current financial year, G&H invested £4.5m in targeted R&D across our end markets. This was a 9.3% increase on the same period last year demonstrating G&H's continued commitment to investing in targeted R&D programmes. As part of the new strategy, we are reviewing our technology roadmaps and looking at where we can deploy a 'platform design' solution to accelerate time to market and enhance our value proposition.

### **Industrial**

G&H will continue to develop and supply photonics solutions for some of the most advanced precision products on the planet. With a core part of our demand driven by the relentless pursuit of greater functionality from devices on an ever-shrinking footprint, G&H is well positioned to address the key growth drivers from mega-trends, such as IoT, AI, 5G, net zero and the Cloud, that are transforming the way we do business, live our lives and interact with others. Our product developments are focused in the following areas:

- Semiconductor and advanced microelectronics manufacturing
- Advanced photolithography systems especially supporting the DUV and EUV eco-system for our acousto-optics, fibre optics and precision optics
- Undersea hi-reliability communications. G&H's products can be found at the bottom of our deepest oceans coupling the fibre-optic cables that carry 95% of the world's international internet traffic. We will continue to focus on addressing this growing market with components and modules
- Sensing systems for machine vision and asset monitoring systems
- Green energy for net zero such as the laser modules in Lidar systems used on wind turbines for remote sensing to optimise efficiency and maintainability of sustainable energy generation from windfarms

### **Aerospace and Defence**

G&H supplies many of the leading A&D contractors around the world and in many areas is seen as a leader in supporting mission critical applications with high performance optical components, modules and subassemblies. However, over the last few years this business unit has not delivered the performance expected. Successful deployment of the new strategy will require greater discipline and clarity in our A&D business to ensure we align investment and resources to deliver value from the product lines and the parts of the businesses where G&H offers differentiated technology, products and know-how. Therefore, we will be focusing on the following areas:

- Infrared electro-optic imaging and counter-unmanned aircraft systems
- Communications and sensors for surveillance, reconnaissance and intelligence applications
- Space photonics and geostationary satellite to ground communications
- Directed energy systems through fibre-optics, electro-optics and precision optics
- Coatings - anti-reflective and electro-optical protection
- Embedded image periscopes for armoured fighting vehicles

### **Life Sciences**

G&H optical components help advance the performance and reliability of life sciences and scientific research instrumentation for a variety of applications from medical microscopy, diagnostic imaging and laser surgery. We are recognised as a global leading provider of advanced optics, fibre optics, acousto-optics and Pockels cells for medical research, diagnostics imaging and specifically optical coherence tomography applications. We will continue to focus on developing our world leading position in these areas.

Since the acquisition of Integrated Technologies Ltd (ITL) in 2018, we also provide world class end-to-end design, regulatory approval support and manufacturing services for medical devices and in-vitro diagnostics (IVD) and laboratory instruments. As part of our new strategy, as well as developing this offering into North America, we intend to expand our value proposition through better combining the capabilities of these two parts of our Life Science business to provide our customers unique value. We can help reduce time to market through the medical design cycle and regulatory approval process and achieve greater systems content where our bio-photonics capabilities are embedded into the sub-system or full system.

Some key areas of focus for our Life Sciences business will be:

- In-vivo imaging with focus on multi-modal, functional and fluorescence imaging
- In-vitro imaging with focus on confocal microscopy
- Medical aesthetic lasers
- Medical devices and IVD equipment with G&H bio-photonics and optical content

As part of the strategic review the leadership team will be reviewing organic and inorganic investment to accelerate the delivery of the strategy and deliver improved earnings for the business. The Group's M&A strategy is being refocused accordingly to align investment with the desired outcomes from the strategic review. We are now focused on adding greater value through the transition from complex photonics components to a sub-system or full system solution. We are targeting businesses that enhance our fuller photonics systems offering in Life Sciences, A&D and advanced Industrial with a focus on some of the gaps that have been identified in our portfolio offering (e.g. advanced coatings, complex systems assembly, new materials and embedded electronics) to deliver speed to value and accelerate delivery of our new strategy.

### **Corporate Values**

The transformation of the Company through the successful implementation of the Group's new strategy will be achieved by following G&H's corporate values that guide the way we do business, consisting of customer focus,



integrity, action, unity and precision to deliver fundamental and lasting improvement for our employees, for the profitability of the Company and for the sustainability of our planet.



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



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



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



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



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

## Alternative Performance Measures

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

## Reconciliation of adjusted performance measures

	Operating profit		Net finance costs		Profit before tax		Taxation		Profit after tax		Earnings p share	
Half Year to 31 March	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 pence	2022 pence
Reported	3,974	1,574	(712)	(353)	3,262	1,221	(535)	504	2,727	1,725	10.9	5.7
Amortisation of acquired intangible assets	833	927	-	-	833	927	(174)	(217)	659	710	2.6	2.8
Restructuring costs	438	1,445	-	-	438	1,445	(96)	(252)	342	1,193	1.4	4.8
Deferred tax on goodwill	-	-	-	-	-	-	-	(675)	-	(675)	-	(0.3)
Adjusted	5,245	3,946	(712)	(353)	4,533	3,593	(805)	(640)	3,728	2,953	14.9	13.0

Adjusted profit before tax was £4.5m, an increase of 26.2% on the prior year (H1 2022: £3.6m). This increase in profit reflects higher revenues as a result of the addition of productive capacity during the second half of FY2022 and the first months of the current financial year.

## Cash Flow and Financing

In the six months ended 31 March 2023, G&H generated cash from operations of £6.0m, compared with £3.2m in the same period of 2022. Inventory levels were increased by £5m to support growing production volumes as well as to ensure we continue to protect our customers' delivery schedules in the face of continuing inconsistency in on time delivery from some areas of our supply chain. There was a net inflow of £1.5m from the movement on receivables and payables.

Capital expenditure on property, plant and equipment was £3.4m in the period (2022: £3.0m). Further investments have been made in our precision optic facilities to add further capacity to our surface finishing stations and to increase automation in areas of the production process. We have also procured new equipment used in the production of our fibre optic products which is now located at our contract manufacturing partner in Asia and which support their transition from product qualification into the production phase. During the period we transitioned our ITL business in Ashford on to the Group's enterprise resource planning tool, and that business' US facility will be migrated in Q3 FY2023. This means that all of the Group's operating locations outside of China will be using this common system providing our managers with a single and consistent set of business reports to better manage the business.

As at 31 March 2023 the Group had drawn \$23.8m on its revolving credit facility (September 2022: \$21.3m). The Group has access to a total committed facility of \$40m with a further \$30m available from an uncommitted accordion facility.

At 31 March 2023 the Group's net debt totalled £19.2m (30 September 2022 - £19.1m) including lease liabilities of

At 31 March 2023 the Group's net debt related to IFRS 16 (30 September 2022: £6.3m). Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16, Leases, our leverage ratio was 0.8 times at 31 March 2023 (30 September 2022: 0.7 times).

## Environmental, Social and Governance

In the first half of the year the Group achieved a like for like reduction of 13.4% in its greenhouse gas emissions intensity figure to 29.1 tCO<sub>2</sub>/£1m of revenue compared with the comparator period thanks to our investment to generate our own electricity from solar sources and from our programme to progressively increase the proportion of our purchased electricity coming from renewable sources. In the UK all of our purchased electricity is generated from renewable sources. In the US as we renew our contracts for the purchase of electricity we are choosing to migrate to renewable energy sources wherever they are available. We are on track to achieve our target of net zero scope 1 and 2 emissions by 2035.

We have used the structure of ISO 50001 - Energy Management Systems - to put in place plans for each of our sites to reduce energy consumption. For example we are in the process of installing a new voltage optimisation system at our Ilminster site which is expected to reduce its energy consumption by around 10% when operational.

Early in the third quarter of FY2023 we are delighted to have ISO 14001 - Environmental Management - accreditation at our Ilminster and Torquay facilities. We will now extend the accreditation programme, and its US equivalent, to the remainder of the Group.

We are proud to be able to support our local communities by offering highly skilled roles in a broad range of production and business functions. We operate programmes to employ school leaver apprentices supporting their first steps in employment with structured day release college courses and we are pleased to see many of the team members taking on more senior roles as they quickly progress in their careers with the Group.

## Dividends

Given the positive outlook for the Group, the Board has declared an interim dividend of 4.8p per share (2022: 4.7p). This dividend will be payable to shareholders on the register as at 23 June 2023 on 28 July 2023.

## Prospects and outlook

We are seeing sustained demand across the Company's target markets and our order book remains strong at £124.4m (H1 2022 £119.9m) despite a trend towards more normalised levels. The order book includes significant new programme wins for next generation products in the field of acousto-optic modulators, hi-reliability fibre optic coupling technology, electronic optical sighting systems and medical lasers.

The investments that were made in adding additional capacity, in our site in Fremont, CA for the semiconductor market, Cleveland, OH for the medical laser market and Ilminster, Somerset which services the A&D optics market, along with the improved operational focus of the leadership team have resulted in a significant increase in productive capacity and a steady reduction in overdue backlog during the first half of the financial year. We expect to continue to see improved operational performance in the second half of the year to meet customer demand and improve G&H's service levels to our customers. We have also seen some positive improvement in our ability to hire talent into the organisation both in UK and USA and we are now close to being fully staffed in both regions. Due to the highly technical nature of our activities training new employees is a critical and lengthy part of the onboarding process and an area the upgraded HR team are focused on improving.

We continue to invest in our highly productive R&D team. Our engineering resources are focused on working with our customers on their next generation development programmes. There are a number of near term opportunities which include developing the next generation of extreme ultraviolet lasers for the manufacture of nanoelectronics; designing advanced embedded imaging periscopes for armoured vehicle platform upgrades and replenishment for the Ukraine conflict, exploiting our optical coherence tomography capability in cardiovascular disease detection and expanding our Life Sciences system offering with G&H optical technology.

Our balance sheet is strong, our net debt is low and we are in a good position to continue to invest in our target sectors. The Board's confidence in the trading prospects of the Group is reflected in an increased interim dividend for the period.

We have completed a thorough review of the Group's strategy and have developed a plan that provides a clear route to mid-teens returns in the medium term. This new strategy is being communicated and deployed across the Company over the next six weeks and we will provide regular updates on progress on the plan's execution as we move forward. The Board and wider senior leadership are committed to transforming G&H to become an 'innovative customer focused technology company' that delivers responsibly making a 'better world with photonics'. We intend that the Group becomes and remains the 'first choice' for all our stakeholders whether that is our employees, our customers, our shareholders, our eco-system partners or the communities in which we operate.

Full year expectations are unchanged and the long-term outlook for our technologies and capabilities in all our target sectors remains strong enhanced by the clarity of focus from the Group's new strategy.

## Principal Risks and Uncertainties

The principal risks and uncertainties to which the Group is exposed and our approach to managing those risks are unchanged from those identified on page 50 of our 2022 Annual Report available on our website. Whilst we have made good progress in reducing the risk associated with the management of our production capacity, and inflationary impacts on the business are easing, we continue to monitor these two areas closely.

Maintaining fully resourced teams is critical to the success of our business. Competition for skilled employees remains fierce and we have continued to quickly take action where it has been necessary to retain and attract employees in addition to the general company-wide salary awards made to our staff at the beginning of the calendar year.

Our suppliers continue to seek to pass on their own cost input inflation in the form of higher prices to us. We seek to mitigate this through the use of long-term agreement with our suppliers that lock in pricing in exchange for volume commitments. We can also help our suppliers, and especially our contract manufacturing partners, by providing improved medium term demand forecasts to allow them to better plan their supply to us. As a further measure to maintain competitive tension in our supply chain our procurement team works with our engineering team to identify and qualify alternative sources of supply to mitigate the risk from sole source suppliers. Finally, we are also maintaining higher levels of safety stock to provide some protection from incomplete supply. These additional inventory holdings will be eliminated as we gain greater confidence in the ability of our suppliers to ensure full supply.

We remain alert to the risk of economic slowdown, especially in our Industrial markets. We have seen signs of destocking by some of our customers in those markets. We believe that by close engagement with them on the development of their next generation products we can both secure additional market share as well as receive early indication of any demand slow down thereby allowing us to better plan our production capacity. We believe we remain

well position in long term growth market such as semiconductor manufacture, laser based space communication and directed energy systems which will protect the business through the economic cycle.

We are mindful of some recent failures among financial institutions and concerns about the viability of others. We have reviewed the institutions that we are working with and have satisfied ourselves as to their viability by reference to the latest reports from credit rating agencies.

## Group Income Statement

### Unaudited interim results for the 6 months ended 31 March 2023

		Half Year to 31 March 2023 (Unaudited)			Half Year to 31 March 2022 (Unaudited)			Full Year to 30 September 2022 (Audited)
	Note	Underlying £'000	Non- underlying £'000	Total £'000	Underlying £'000	Non- underlying £'000	Total £'000	Total £'000
<b>Revenue</b>	4	71,288	-	71,288	54,134	-	54,134	124,802
Cost of revenue		(50,674)	-	(50,674)	(36,791)	-	(36,791)	(85,741)
<b>Gross profit</b>		20,614	-	20,614	17,343	-	17,343	39,061
Research and development		(4,499)	-	(4,499)	(4,118)	-	(4,118)	(9,181)
Sales and marketing		(5,007)	-	(5,007)	(3,994)	-	(3,994)	(8,697)
Administration		(6,179)	(1,271)	(7,450)	(5,554)	(2,372)	(7,926)	(16,574)
Impairment of goodwill and acquired intangible assets		-	-	-	-	-	-	(6,726)
Other income and expenses		316	-	316	269	-	269	560
<b>Operating profit</b>	4	5,245	(1,271)	3,974	3,946	(2,372)	1,574	(1,557)
Net finance costs		(712)	-	(712)	(353)	-	(353)	(717)
<b>Profit before income tax expense</b>		4,533	(1,271)	3,262	3,593	(2,372)	1,221	(2,274)
Income tax expense	6	(805)	270	(535)	(640)	1,144	504	264
<b>Profit for the year</b>		3,728	(1,001)	2,727	2,953	(1,228)	1,725	(2,010)
<b>Basic earnings per share</b>	7	14.9p	(4.0p)	10.9p	11.8p	(4.9p)	6.9p	(8.0p)
<b>Diluted earnings per share</b>	7	14.8p	(4.0p)	10.8p	11.7p	(4.8p)	6.9p	(8.0p)

## Group Statement of Comprehensive Income

### Group Statement of Comprehensive Income

	Half Year to 31 Mar 2023 (Unaudited)	Half Year to 31 Mar 2022 (Unaudited)	Full Year to 30 Sep 2022 (Audited)
	£'000	£'000	£'000
<b>Profit / (loss) for the period</b>	2,727	1,725	(2,010)
<b>Other comprehensive (expense) / income</b>			
Gains / (losses) on cash flow hedges	1,279	(33)	(1,137)
Currency translation differences	(6,152)	1,104	9,774
Other comprehensive (expense) / income for the period	(4,873)	1,071	8,637
<b>Total comprehensive (expense) / income for the period</b>	(2,146)	2,796	6,627

## Group Balance Sheet

### Unaudited interim results for the 6 months ended 31 March 2023

#### Group Balance Sheet

31 Mar 2023 (Unaudited)	31 Mar 2022 (Unaudited)	30 Sep 2022 (Audited)
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	(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000
<b>Non-current assets</b>			
Property, plant and equipment	40,608	38,446	42,447
Right of use assets	5,283	4,908	5,063
Intangible assets	44,248	51,098	47,939
Deferred tax assets	1,640	1,861	1,969
	<b>91,779</b>	<b>96,313</b>	<b>97,418</b>
<b>Current assets</b>			
Inventories	39,961	31,816	37,073
Trade and other receivables	31,128	24,466	35,598
Cash and cash equivalents	6,141	8,951	5,999
	<b>77,230</b>	<b>65,233</b>	<b>78,670</b>
<b>Current liabilities</b>			
Trade and other payables	(19,513)	(15,618)	(22,765)
Borrowings	(43)	(66)	(64)
Lease liabilities	(1,247)	(1,485)	(1,732)
Tax liabilities	(1,102)	(1,229)	(578)
	<b>(21,905)</b>	<b>(18,398)</b>	<b>(25,139)</b>
<b>Net current assets</b>	<b>55,325</b>	<b>46,835</b>	<b>53,531</b>
<b>Non-current liabilities</b>			
Borrowings	(18,970)	(14,813)	(18,730)
Lease liabilities	(5,089)	(4,575)	(4,539)
Provision for other liabilities and charges	(804)	(1,444)	(848)
Deferred tax liabilities	(7,632)	(7,132)	(8,291)
	<b>(32,495)</b>	<b>(27,964)</b>	<b>(32,408)</b>
<b>Net assets</b>	<b>114,609</b>	<b>115,184</b>	<b>118,541</b>
<b>Shareholders' equity</b>			
Called up share capital	5,008	5,008	5,008
Share premium account	16,000	16,000	16,000
Merger reserve	7,262	7,262	7,262
Cumulative translation reserve	9,676	7,158	15,828
Hedging reserve	7	(168)	(1,272)
Retained earnings	76,656	79,924	75,715
<b>Equity Shareholders' Funds</b>	<b>114,609</b>	<b>115,184</b>	<b>118,541</b>

## Statement of Changes in Equity

### Unaudited interim results for the 6 months ended 31 March 2023

#### Statement of Changes in Equity

	Share capital account	Share premium account	Merger reserve	Retained earnings	Hedging reserve	Cumulative translation reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
<b>At 1 October 2021</b>	<b>5,008</b>	<b>16,000</b>	<b>7,262</b>	<b>80,087</b>	<b>(135)</b>	<b>6,054</b>	<b>114,276</b>
Profit for the period	-	-	-	1,725	-	-	1,725
Other comprehensive expense for the period	-	-	-	-	(33)	1,104	1,071
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,725</b>	<b>(33)</b>	<b>1,104</b>	<b>2,976</b>
Dividends	-	-	-	(1,928)	-	-	(1,928)
Share based payments	-	-	-	40	-	-	40
<b>At 31 March 2022 (unaudited)</b>	<b>5,008</b>	<b>16,000</b>	<b>7,262</b>	<b>79,924</b>	<b>(168)</b>	<b>7,158</b>	<b>115,184</b>
<b>At 1 October 2022</b>	<b>5,008</b>	<b>16,000</b>	<b>7,262</b>	<b>75,715</b>	<b>(1,272)</b>	<b>15,828</b>	<b>118,541</b>
Profit for the period	-	-	-	2,727	-	-	2,727
Other comprehensive income / (expense) for the period	-	-	-	-	1,279	(6,152)	(4,873)
<b>Total comprehensive income / (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,727</b>	<b>1,279</b>	<b>(6,152)</b>	<b>(2,146)</b>
Dividends	-	-	-	(1,978)	-	-	(1,978)

Share based payments	-	-	-	192	-	-	192
<b>At 31 March 2023 (unaudited)</b>	<b>5,008</b>	<b>16,000</b>	<b>7,262</b>	<b>76,656</b>	<b>7</b>	<b>9,676</b>	<b>114,609</b>

## Group Cash Flow Statement

Unaudited interim results for the 6 months ended 31 March 2023

### Group Cash Flow Statement

	Half Year to 31 Mar 2023 (Unaudited) £'000	Half Year to 31 Mar 2022 (Unaudited) £'000	Full Year to 30 Sep 2022 (Audited) £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	5,996	3,216	6,084
Income tax refunded	78	823	456
<b>Net cash generated from operating activities</b>	<b>6,074</b>	<b>4,039</b>	<b>6,540</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(3,439)	(3,004)	(6,669)
Sale of property, plant and equipment	-	3	-
Purchase of intangible assets	(728)	(966)	(1,899)
Interest received	4	2	-
Interest paid	(775)	(295)	(717)
<b>Net cash used in investing activities</b>	<b>(4,938)</b>	<b>(4,260)</b>	<b>(9,285)</b>
<b>Cash flows from financing activities</b>			
Drawdown of borrowings	2,748	4,258	6,300
Repayment of borrowings	(687)	(758)	(1,312)
Repayment of lease liabilities	(796)	(796)	(1,584)
Dividends paid to ordinary shareholders	(1,978)	(1,928)	(3,105)
<b>Net cash (used in) / generated by financing activities</b>	<b>(713)</b>	<b>776</b>	<b>299</b>
<b>Net increase / (decrease) in cash</b>	<b>423</b>	<b>555</b>	<b>(2,446)</b>
<b>Cash at beginning of the period</b>	<b>5,999</b>	<b>8,352</b>	<b>8,352</b>
Exchange (losses) / gains on cash	(281)	44	93
<b>Cash at the end of the period</b>	<b>6,141</b>	<b>8,951</b>	<b>5,999</b>

## Notes to the Group Cash Flow Statement

### Notes to the Group Cash Flow Statement

	Half Year to 31 Mar 2023 (Unaudited) £'000	Half Year to 31 Mar 2022 (Unaudited) £'000	Full Year to 30 Sep 2022 (Audited) £'000
<b>Profit / (loss) before income tax</b>	<b>3,262</b>	<b>1,221</b>	<b>(2,274)</b>
<b>Adjustments for:</b>			
- Amortisation of acquired intangible assets	833	927	1,903
- Amortisation of other intangible assets	753	593	1,438
- Impairment of intangible assets	-	-	6,726
- Loss on disposal of property, plant and equipment	-	12	71
- Write back of lease creditor on early termination of lease	-	-	(96)
- Depreciation	3,814	3,396	7,102
- Share based payments	192	40	743
- Amounts claimed under the RDEC	(100)	(113)	(200)
- Finance income	(4)	(2)	-
- Finance costs	716	355	717
<b>Total adjustments</b>	<b>6,204</b>	<b>5,208</b>	<b>18,404</b>
Changes in working capital			
- Inventories	(4,957)	(3,294)	(5,557)
- Trade and other receivables	3,344	4,427	(5,707)
- Trade and other payables	(1,857)	(4,346)	1,218
<b>Total changes in working capital</b>	<b>(3,470)</b>	<b>(3,213)</b>	<b>(10,046)</b>
<b>Cash generated from operating activities</b>	<b>5,996</b>	<b>3,216</b>	<b>6,084</b>

### Reconciliation of net cash flow to movements in net debt

Half Year to	Half Year to	Full Year to
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	For half year to 31 Mar 2023 (Unaudited) £'000	For half year to 31 Mar 2022 (Unaudited) £'000	For half year to 30 Sep 2022 (Audited) £'000
Increase / (decrease) in cash in the period	423	555	(2,446)
Drawdown of borrowings	(2,748)	(4,258)	(6,300)
Repayment of borrowings	1,623	1,678	3,144
Changes in net debt resulting from cash flows	(702)	(2,025)	(5,602)
New leases	(13)	(12)	(25)
Non cash movements	(1,652)	(261)	(4,031)
Translation differences	2,225	(447)	(165)
Movement in net debt in the period / year	(142)	(2,745)	(9,823)
Net debt at start of period	(19,066)	(9,243)	(9,243)
Net debt at end of period	(19,208)	(11,988)	(19,066)

#### Analysis of net debt

	At 1 Oct 2022 £'000	New leases £'000	Cash flow £'000	Exchange movement £'000	Non-cash movement £'000	At 31 Mar 2023 £'000
Cash at bank and in hand	5,999	-	423	(281)	-	6,141
Debt due within one year	(64)	-	32	-	(11)	(43)
Debt due after one year	(18,730)	-	(2,093)	1,891	(38)	(18,970)
Lease liabilities	(6,271)	(13)	936	615	(1,603)	(6,336)
Net debt	(19,066)	(13)	(702)	2,225	(1,652)	(19,208)

## Notes to the Interim Report

### 1. Basis of Preparation

The unaudited Interim Report has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

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

The Interim Report was approved by the Board of Directors on 5 June 2023. The Interim Report does not constitute statutory financial statements within the meaning of the Companies Act 2006 and has not been audited.

Comparative figures in the Interim Report for the year ended 30 September 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 comparative figures to 31 March 2022 are unaudited.

The Interim Report will be announced to all shareholders on the London Stock Exchange and published on the Group's website on 6 June 2023. Copies will be available to members of the public upon application to the Company Secretary at Dowlish Ford, Ilminster, Somerset, TA19 0PF.

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. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2022.

### 3. Financial risk management

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 30 September 2022. There have been no changes to the risk management policies since the year end.

### 4. Segmental analysis

	Aerospace & Defence £'000	Life Sciences / Biophotonics £'000	Industrial £'000	Corporate £'000	Total £'000
<b>For half year to 31 March 2023</b>					
<b>Revenue</b>					
Total revenue	18,293	16,938	39,732	-	74,963
Inter and intra-division	(758)	(1,113)	(1,804)	-	(3,675)
<b>External revenue</b>	17,535	15,825	37,928	-	71,288
Divisional expenses	(18,294)	(13,034)	(31,052)	466	(61,914)

<b>EBITDA<sup>1</sup></b>	<b>(759)</b>	<b>2,791</b>	<b>6,876</b>	<b>466</b>	<b>9,374</b>
EBITDA %	(4.3)%	17.6%	18.1%	-	13.1%
Depreciation and amortisation	(1,227)	(597)	(1,808)	(935)	(4,567)
<b>Operating (loss) / profit before amortisation of acquired intangible assets</b>	<b>(1,986)</b>	<b>2,194</b>	<b>5,068</b>	<b>(469)</b>	<b>4,807</b>
Amortisation of acquired intangible assets	-	-	-	(833)	(833)
<b>Operating (loss) / profit</b>	<b>(1,986)</b>	<b>2,194</b>	<b>5,068</b>	<b>(1,302)</b>	<b>3,974</b>
Operating (loss) / profit margin %	(11.3)%	13.9%	13.4%	-	5.6%
Add back non-recurring items	99	72	267	833	1,271
Operating (loss) / profit excluding non-recurring items	(1,887)	2,266	5,335	(469)	5,245
Adjusted operating (loss) / profit margin %	(10.8)%	14.3%	14.1%	-	7.4%

	<b>Aerospace &amp; Defence</b>	<b>Life Sciences / Biophotonics</b>	<b>Industrial</b>	<b>Corporate</b>	<b>Total</b>
<b>For half year to 31 March 2022</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>					
Total revenue	14,554	14,964	30,206	-	59,724
Inter and intra-division	(1,427)	(1,700)	(2,463)	-	(5,590)
<b>External revenue</b>	<b>13,127</b>	<b>13,264</b>	<b>27,743</b>	<b>-</b>	<b>54,134</b>
Divisional expenses	(14,603)	(10,569)	(22,937)	465	(47,644)
<b>EBITDA<sup>1</sup></b>	<b>(1,476)</b>	<b>2,695</b>	<b>4,806</b>	<b>465</b>	<b>6,490</b>
EBITDA %	(11.2)%	20.3%	17.3%	-	12.0%
Depreciation and amortisation	(1,234)	(784)	(1,457)	(514)	(3,989)
<b>Operating (loss) / profit before amortisation of acquired intangible assets</b>	<b>(2,710)</b>	<b>1,911</b>	<b>3,349</b>	<b>(49)</b>	<b>2,501</b>
Amortisation of acquired intangible assets	-	-	-	(927)	(927)
<b>Operating (loss) / profit</b>	<b>(2,710)</b>	<b>1,911</b>	<b>3,349</b>	<b>(976)</b>	<b>1,574</b>
Operating (loss) / profit margin %	(20.6)%	14.4%	12.1%	-	2.9%
Add back non-recurring items	469	188	788	927	2,372
Operating (loss) / profit excluding non-recurring items	(2,241)	2,099	4,137	(49)	3,946
Adjusted operating (loss)/profit margin %	(17.1)%	15.8%	14.9%	-	7.3%

<sup>1</sup>EBITDA = Earnings before interest, tax, depreciation and amortisation.

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

#### 4. Segmental analysis continued

##### Analysis of revenue by destination

	<b>Half year to 31 Mar 2023 (Unaudited)</b>	<b>Half year to 31 Mar 2022 (Unaudited)</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	12,056	13,267
North and South America	26,383	19,224
Continental Europe	16,927	11,910
Asia-Pacific	15,922	9,733
	<b>71,288</b>	<b>54,134</b>

#### 5. Non-recurring items

	<b>Half Year to 31 Mar 2023 (Unaudited)</b>	<b>Half Year to 31 Mar 2022 (Unaudited)</b>	<b>Full Year to 30 Sep 2022 (Audited)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Profit before tax	3,262	1,221	(2,274)
Amortisation of and impairment of acquired intangible assets	833	927	8,629
Restructuring and other costs	438	1,445	1,792
<b>Adjusted profit before tax</b>	<b>4,533</b>	<b>3,593</b>	<b>8,147</b>

The restructuring costs in the period ended 31 March 2023 relate to non-recurring costs arising from our manufacturing streamlining activities.

## 6. Tax expense

Analysis of tax charge in the period

	Half Year to 31 Mar 2023 (Unaudited) £'000	Half Year to 31 Mar 2022 (Unaudited) £'000	Full Year to 30 Sep 2022 (Audited) £'000
<b>Current taxation</b>			
UK Corporation tax	140	356	399
Overseas tax	404	(100)	(3)
Adjustments in respect of prior year tax charge	-	(250)	(678)
Total current tax	<b>544</b>	<b>6</b>	<b>(282)</b>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	(9)	(118)	(422)
Adjustments in respect of prior years	-	(392)	313
Change to UK tax rate	-	-	127
Total deferred tax	<b>(9)</b>	<b>(510)</b>	<b>18</b>
<b>Tax expense per income statement</b>	<b>535</b>	<b>(504)</b>	<b>(264)</b>

The tax charge for the six months ended 31 March 2023 is based on the estimated effective rate of the tax for the Group for the full year to 30 September 2023. The estimated rate is applied to the profit before tax.

The adjusted effective tax rate is 17.8% (H1 2022: 17.8%).

## 7. Earnings per share

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

	Half Year to 31 Mar 2023 (Unaudited) No.	Half Year to 31 Mar 2022 (Unaudited) No.	Full Year to 30 Sep 2022 (Audited) No.
Number of shares used for basic earnings per share	<b>25,040,919</b>	25,040,919	25,040,919
Dilutive shares	<b>199,101</b>	127,937	211,603
Number of shares used for dilutive earnings per share	<b>25,240,020</b>	25,168,856	25,252,522

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

	Half Year to 31 Mar 2023 (Unaudited)		Half Year to 31 Mar 2022 (Unaudited)		Full Year to 30 Sep 2022 (Audited)	
	£'000	p per share	£'000	p per share	£'000	p per share
<b>Basic earnings / (losses) per share</b>	<b>2,727</b>	<b>10.9p</b>	<b>1,725</b>	<b>6.9p</b>	<b>(2,010)</b>	<b>(8.0p)</b>
<i>Adjustments net of income tax expense:</i>						
Amortisation of acquired intangible assets (net of tax)	659	2.6p	710	2.8p	1,491	6.0p
Impairment of goodwill and acquired intangible assets (net of tax)	-	-	-	-	6,438	25.7p
Restructuring costs (net of tax)	342	1.4p	1,193	4.8p	944	3.8p
Other non-underlying items (net of tax)	-	-	-	-	526	2.0p
Release of deferred tax on goodwill	-	-	(675)	(2.7p)	(695)	(2.8p)
Restatement of UK deferred tax	-	-	-	-	127	0.5p
<b>Total adjustments net of income tax expense</b>	<b>1,001</b>	<b>4.0p</b>	<b>1,228</b>	<b>4.9p</b>	<b>8,831</b>	<b>35.2p</b>
<b>Adjusted basic earnings per share</b>	<b>3,728</b>	<b>14.9p</b>	<b>2,953</b>	<b>11.8p</b>	<b>6,821</b>	<b>27.2p</b>
Basic diluted earnings / (losses) per share	<b>2,727</b>	<b>10.8p</b>	<b>1,725</b>	<b>6.9p</b>	<b>(2,010)</b>	<b>(8.0p)</b>
Adjusted diluted earnings per share	<b>3,728</b>	<b>14.8p</b>	<b>2,953</b>	<b>11.7p</b>	<b>6,821</b>	<b>27.0p</b>

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



## 8. Dividend

The Directors have declared an interim dividend of 4.8p per share for the half year ended 31 March 2023 (2022: 4.7p).

	Half Year to 31 Mar 2023 (Unaudited) £'000	Half Year to 31 Mar 2022 (Unaudited) £'000	Full Year to 30 Sep 2022 (Audited) £'000
Final 2022 dividend paid in 2023: 7.9p per share (Final 2021 dividend: 7.7p per share)	1,978	1,928	1,928
Interim dividend of: 4.7p per share	-	-	1,177
	1,978	1,928	3,105

## 9. Borrowings

	31 March 2023 £000	31 March 2022 £000	30 September 2022 £'000
<b>Current:</b>			
Bank borrowings	43	66	64
Leases	1,247	1,485	1,732
	1,290	1,551	1,796
<b>Non-current:</b>			
Bank borrowings	18,970	14,813	18,730
Leases	5,089	4,575	4,539
	24,059	19,388	23,269
<b>Total borrowings</b>	<b>25,349</b>	<b>20,939</b>	<b>25,065</b>

G&H's primary lending bank is NatWest Bank. The Group's facilities comprise a \$40m (£32.4m) dollar revolving credit facility and a \$30m (£24.3m) flexible acquisition facility. At 31 March 2023, the balance drawn on the revolving credit facility was \$23.8m (£19.3m) (September 2022: \$21.3m (£19.1m)) and on the flexible acquisition facility nil (September 2022: nil).

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

The Group's banking facilities are secured on certain of its assets including land and buildings, property plant and equipment and inventory.

### Maturity profile of bank borrowings

	31 March 2023 £000	31 March 2022 £000	30 September 2022 £'000
Within one year	43	66	64
Between one and five years	18,970	14,813	18,730
	19,013	14,879	18,794

### Maturity profile of lease liabilities

	31 March 2023 £000	31 March 2022 £000	30 September 2022 £'000
Within one year	1,469	1,697	1,944
Between two and five years	3,924	3,605	3,500
After five years	1,773	1,505	1,555
	7,166	6,807	6,999

## 10. Called up share capital

	31 Mar 2023 No.	30 Sep 2022 No.	31 Mar 2023 £'000	30 Sep 2022 £'000
<b>Allotted, issued and fully paid</b>				
Ordinary share of 20p each	25,040,919	25,040,919	5,008	5,008

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